



2020 ANNUAL FINANCIAL REPORT 2021

The University of Alabama

2020-2021 Annual Financial Report

Table of Contents

Letter from the Vice President for Finance and Operations and Treasurer	2
Report of Independent Auditors	3
Management's Discussion and Analysis (Unaudited)	5
Financial Statements:	
Statements of Net Position	20
Statements of Revenues, Expenses and Changes in Net Position	22
Statements of Cash Flows	23
Discretely Presented Component Units	
Statements of Net Position	25
Statements of Revenues, Expenses and Changes in Net Position	26
Statements of Fiduciary Net Position	27
Statements of Changes in Fiduciary Net Position	27
Notes to Financial Statements:	
Note 1 Organization and Summary of Significant Accounting Policies	28
Note 2 Component Units	32
Note 3 Cash and Cash Equivalents	47
Note 4 Investments	47
Note 5 Receivables	59
Note 6 Capital Assets	60
Note 7 Long-Term Debt	62
Note 8 Self-Insurance	65
Note 9 Employee Benefits	65
Note 10 Post-Employment Benefits	69
Note 11 Federal Direct Student Loan Program	73
Note 12 Grants and Contracts	73
Note 13 Operating Expenses by Function	73
Note 14 Contingencies and Commitments	74
Note 15 Recently Issued Pronouncements	74
Required Supplementary Information (Unaudited)	76
The Board of Trustees of The University of Alabama	79
Executive Officers	80

January 12, 2022

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

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

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

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

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

Sincerely,

Matthew M. Fajack

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

W H E R E L E G E N D S A R E M A D E



Report of Independent Auditors

To the Board of Trustees of The University of Alabama

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary activities of The University of Alabama (the "University"), a campus of the University of Alabama System, which is a component unit of the State of Alabama, which comprise the statements of net position and of fiduciary net position as of September 30, 2021 and 2020, 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, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the fiduciary activities of The University of Alabama as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matters

As discussed in Note 1 to the financial statements, the University changed the manner in which it accounts for fiduciary activities in 2021. Our opinion is not modified with respect to this 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 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, 2021 and 2020, 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.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 5 through 17 and the required supplementary information for the pension plan and postemployment benefits on pages 76 through 78 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The enrollment and statistics information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

Birmingham, Alabama
January 24, 2022

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, 2021 and 2020. 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 1,300-acre residential campus located in Tuscaloosa, Alabama, features exceptional facilities and technology. UA emphasizes quality programs of teaching, research and service with scholarship opportunities that offer a global perspective, close to 600 student organizations, leading-edge research initiatives, and an academic community united in its commitment to enhancing quality of life.

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

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

Overview of Financial Statements

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

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

The MD&A focuses solely on the University and the Crimson Tide Foundation. As discussed in Note 1, the University adopted GASB Statement No. 84, *Fiduciary Activities*, during fiscal year 2021, which required the University to remove fiduciary activities from its financial statements and present them separately. Fiscal year 2020 information has been restated; however, fiscal year 2019 information presented in the MD&A has not been restated for the adoption of this GASB statement. 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").

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

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, 2021 and 2020. 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, 2021, the University's assets and deferred outflows of resources were \$5.8 billion, liabilities and deferred inflows of resources were \$3.0 billion, leaving a net position of \$2.9 billion. The overall increase in net position of \$536.9 million reflects the University's current year operations including an increase in auxiliary revenues, an increase in State educational appropriations, and an increase in investment income related to unrealized gains from improved market performance.

A summary of the University's assets, deferred outflows, liabilities, deferred inflows, and net position follows:

Condensed Statements of Net Position

	September 30,		
	2021	2020	2019
Assets			
Current assets	\$ 872,046,615	\$ 723,434,517	\$ 616,255,540
Capital assets, net	2,476,676,075	2,374,645,592	2,172,997,368
Other noncurrent assets	2,065,811,208	1,763,597,114	1,967,642,550
Total assets	5,414,533,898	4,861,677,223	4,756,895,458
Deferred outflows of resources	410,568,293	185,886,393	199,303,561
Liabilities			
Current liabilities	555,788,512	522,961,652	569,959,721
Noncurrent liabilities	2,203,542,016	1,999,301,337	2,134,390,365
Total liabilities	2,759,330,528	2,522,262,989	2,704,350,086
Deferred inflows of resources	205,478,165	201,932,480	95,211,670
Net Position			
Net investment in capital assets	1,355,627,568	1,322,651,902	1,210,048,918
Restricted	1,196,556,046	938,919,364	898,058,864
Unrestricted	308,109,884	61,796,881	48,529,481
Total net position	\$ 2,860,293,498	\$ 2,323,368,147	\$ 2,156,637,263

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 \$90.4 million at September 30, 2021, a decrease of \$70.6 million from the prior year. At September 30, 2020, current cash and cash equivalents totaled \$161.0 million, an increase of \$50.3 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 \$550.5 million, \$343.1 million, and \$283.2 million at September 30, 2021, 2020, and 2019, respectively. Restricted short-term investments are comprised of agency fund deposits held and invested by the University. Short-term investments fluctuate based on amounts needed to support current operations.

Accounts receivable increased by \$4.8 million in fiscal year 2021, following a slight decrease of \$706,000 in fiscal year 2020. Fluctuations in accounts receivable balances are normal due to the timing of payments from one year-end to the next.

Prepaid expenses and unearned scholarships increased by \$4.0 million in 2021 following a decrease of \$7.0 million in 2020. Prepaid expenses are expected to fluctuate from year to year. Unearned scholarship expense results from the Fall semester spanning across the fiscal year-end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year, which can result in fluctuations depending on the timing of the Fall semester. Fall 2021 enrollment increased, contributing to an increase in unearned scholarships at September 30, 2021. Fall 2020 enrollment was down, contributing to the decrease at September 30, 2020.

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



The University's investment portfolio is principally invested in two separate investment pools managed by the System. The University's investment approach is intended to maximize current investment returns consistent with annual liquidity needs while protecting principal. The System adopts the broad objective of investing assets to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to the Endowment beneficiaries. Total noncurrent investments increased \$311.7 million during fiscal year 2021, largely due to unrealized gains resulting from improved market performance. At September 30, 2020, noncurrent investments decreased \$247.1 million due to a decrease in the value of investments and the expenditure of bond proceeds.

Noncurrent notes receivable increased \$1.6 million in fiscal year 2021 due to the issuance of an additional student organization housing loan. Noncurrent notes receivable remained stable at \$216.5 million in fiscal years 2020 and 2019.

Capital assets include land and land improvements, infrastructure, buildings and improvements, equipment, construction in progress, library materials, collections and intangible assets. The construction of new buildings and renovations on campus contributed to a rise in capital assets of \$102.0 million in fiscal year 2021 and \$201.6 million in 2020. 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.

Significant capital asset expenditures in 2021 include Tutwiler Residence Hall (\$69.3 million), Hewson Hall (\$35.0 million), Bryant-Denny Stadium renovations and additions (\$10.8 million), 2nd Avenue Overpass (\$9.6 million), Math and Science Education Building renovations (\$8.5 million), and the Capstone College of Nursing Addition (\$6.7 million).

Significant capital asset expenditures in 2020 include Bryant-Denny Stadium renovations and additions (\$91.7 million), Tutwiler Residence Hall (\$29.3 million), Math and Science Education Building renovations (\$13.8 million), Mal Moore Athletic Facility renovations and additions (\$13.3 million), and Hewson Hall (\$12.2 million).

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). During fiscal year 2021, deferred outflows of resources from debt refundings decreased \$1.2 million due to the annual amortization of the refundings. Deferred outflows of resources from pension and OPEB obligations increased \$225.9 million, primarily due to increases in OPEB obligations including changes in actuarial and other assumptions and changes in proportion of the allocated OPEB liability and differences between employer contributions and the proportionate share of contributions related to OPEB obligations. At September 30, 2020, deferred outflows of resources from debt refundings decreased \$1.2 million due to the annual amortization of the refundings. Deferred outflows of resources from pension and OPEB obligations decreased \$12.2 million mostly due to a decrease in pension obligations.

The University's Liabilities

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, deposits, and the current portion of long-term debt. In fiscal year 2021, current liabilities also includes a line of credit agreement between CTF and the UA Board, with \$21.8 million drawn at year-end. This amount has been repaid in full during CTF's fiscal year 2022. The majority of accounts payable and accrued liabilities represents amounts owed for salaries, wages and benefits, and supplies and services. Accounts payable and accrued liabilities decreased \$8.4 million in 2021, following an increase of \$18.7 million in 2020. As a result of the COVID-19 pandemic, stadium capacity for the Fall 2020 football season was reduced to 20%, resulting in refunds to ticket holders that were still being processed at September 30, 2020 leading to a larger accounts payable balance at year-end.

Unearned revenue consists primarily of tuition and housing revenues for the portion of the fall semester that occurs after September 30 and football ticket revenue for the portion of the season which occurs after September 30. CTF unearned revenue consists of Tide Pride amenity income collected in advance that will not be earned until future years. Current unearned revenue increased \$21.4 million in fiscal year 2021. Fall 2021 out-of-state enrollment increased slightly which impacts unearned tuition revenue. Additionally, stadium capacity was back at 100% for the Fall 2021 football season, which increased the amount of deferred football ticket revenue at year-end. In fiscal year 2020, there was a decrease of \$53.1 million in unearned revenues. Fall 2020 out-of-state enrollment was down. Unearned football ticket revenue decreased due to the reduced football stadium capacity mentioned previously. Additionally, CTF unearned revenue in 2021 decreased \$16.8 million due to the recognition of contingent gifts during fiscal year 2020.

Deposits are comprised of University deposit liabilities and agency fund balances. Deposits decreased \$3.7 million during fiscal year 2021 due to the expenditure of funds. Deposits decreased \$11.4 million during fiscal year 2020. As discussed previously, fiscal year 2019 was not restated for the adoption of GASB 84 and therefore deposits include agency fund balances for fiduciary funds at September 30, 2019. The decrease in fiscal year 2020 results primarily from the restatement and separate presentation of these funds for 2020.

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 \$49.3 million and \$44.7 million in fiscal years 2021 and 2020, respectively, as debt repayments were made throughout the year. In 2021, the University's proportionate share of the net pension liability in the Teachers' Retirement System Plan (the "Plan") increased by \$93.4 million to \$739.6 million. This follows a \$51.8 million increase in 2020. The University's proportionate share of the net OPEB liability in the Alabama Retired Education Employee's Health Care Trust (the "Trust") increased by \$168.0 million to \$277.0 million in fiscal year 2021. The increase results largely from a change in the discount rate. In fiscal year 2020, the University's proportionate share of the liability decreased \$158.4 million resulting from a change in the discount rate, as well as adjustments made to the anticipated rates of participation, spouse coverage, and tobacco use to more closely reflect actual experience.

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

The employer contribution rates for both plans are established annually by TRS and PEEHIP, and adopted by the Alabama Legislature. Both the TRS employer contribution rate and the employer's PEEHIP cost for retiree coverage are based upon the actuarial valuations performed by TRS and PEEHIP, respectively. Although the liabilities recognized under GASB 68 and 75 meet GASB's definition of a liability within GASB's framework for accounting standards, 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), and the University's remainder interest in its irrevocable split interest agreements (note 1). At September 30, 2021, deferred inflows of resources from pension and OPEB obligations increased \$3.0 million. Deferred inflows of

resources from pension obligations decreased primarily due to differences between expected and actual experience, but was offset by an increase in deferred inflows of resources from OPEB obligations also due largely to differences between expected and actual experience. Deferred inflows of resources from the remainder interest in split interest agreements increased slightly by \$579,000. During fiscal year 2020, deferred inflows of resources from pension and OPEB obligations increased \$106.8 million, largely due to an increase in differences between expected and actual experience related to OPEB obligations. Deferred inflows of resources from the remainder interest in split interest agreements decreased slightly by \$66,000.



The University's Net Position

Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. The University's net position increased \$536.9 million during fiscal year 2021, reaching \$2.9 billion. This increase reflects the University's current year operations including an increase in auxiliary revenues, an increase in State educational appropriations, as well as unrealized gains from improved market performance. During fiscal year 2020 net position increased \$166.7 million, reaching \$2.3 billion, which reflects the University's current year operations, an increase in State educational appropriations, and increases in CTF operating and nonoperating gifts.

Net investment in capital assets increased \$33.0 million in 2021 following an increase of \$112.6 million in 2020. 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 \$41.3 million in 2021 due to gifts and earnings on true endowment corpus funds. This net position type encompasses true endowments that are required to be held in perpetuity. In the prior year, restricted nonexpendable net position experienced growth of \$21.5 million also due to gifts and earnings on true endowment corpus funds.

Restricted expendable net position increased \$216.4 million in 2021. UA's restricted expendable net position increased by \$176.9 million due largely to an increase in true endowment gains and restricted quasi endowment funds. CTF's restricted expendable net position increased by \$39.4 million due to an increase in investment income resulting from unrealized gains and continued fundraising efforts. In 2020, restricted expendable net position increased \$19.4 million. UA's restricted expendable net position decreased by \$25.9 million due to a decrease in true endowment gains, but was offset by an increase of \$45.3 million for CTF due to continued fundraising for a current capital campaign. This net position category includes restricted gifts, institutional loan funds, sponsored programs, restricted quasi endowments, term endowments, endowment income and unrealized appreciation, and restricted plant funds. Restricted expendable net position is restricted by externally-imposed constraints.

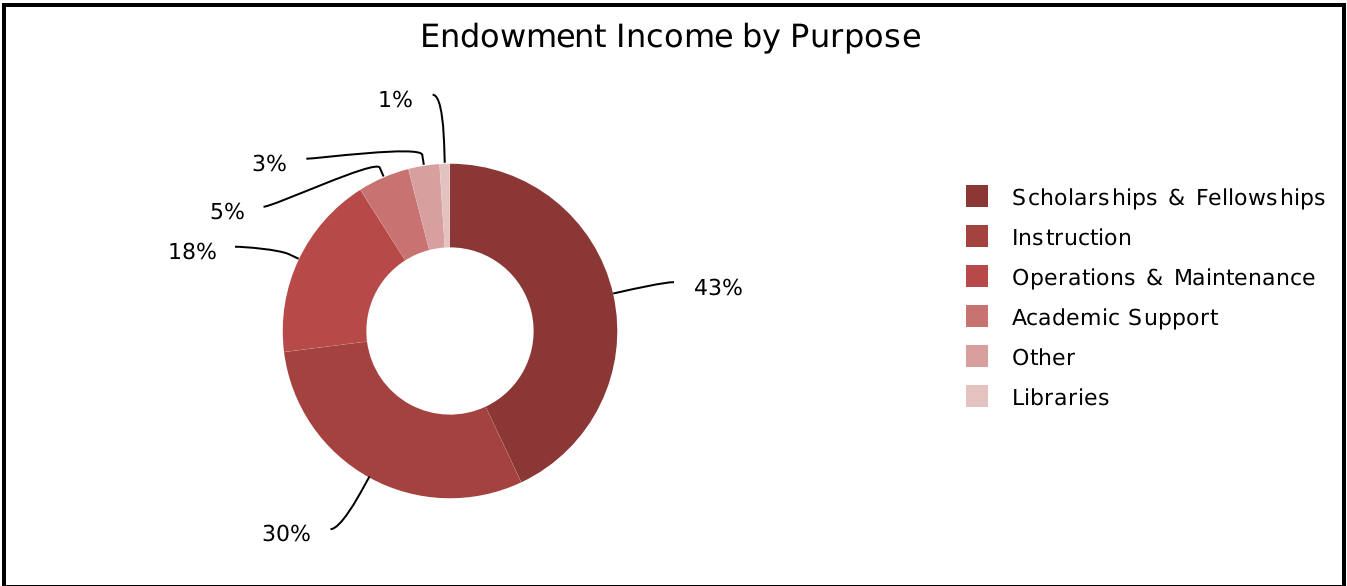
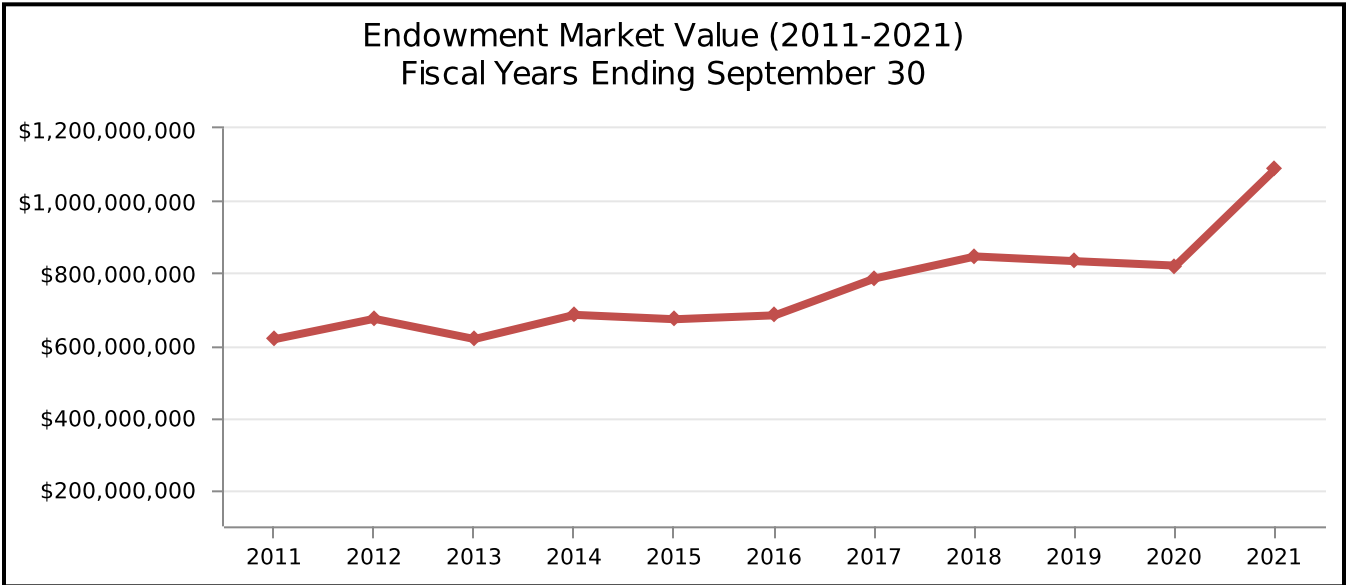
Unrestricted net position increased \$246.3 million in fiscal year 2021 largely due to an increase in investment income resulting from unrealized gains on investments, as well as an increase in State educational appropriations. In fiscal year 2020, unrestricted net position increased \$13.3 million primarily resulting from an increase in State educational appropriations as well as a decrease in operating expenses resulting from the suspension of non-essential spending to help alleviate the financial impact of the COVID-19 pandemic.

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 \$268.4 million in 2021 due to an increase in market value and additions to the endowment of \$34.3 million. Despite additions to the endowment of \$26.9 million in 2020, it declined \$12.3 million primarily due to a decrease in market value as well as a lower appraisal value of the University's mineral rights.

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 capital appropriations, capital gifts and grants, additions to permanent endowments, and intragovernmental transfers between the University and CTF, its blended component unit, and other state agencies.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years ended September 30,		
	2021	2020	2019
Operating revenues			
Tuition and fees, net	\$ 481,899,451	\$ 525,521,122	\$ 532,541,233
Auxiliary sales and services, net	208,438,946	158,930,066	201,829,933
All other operating revenues	181,895,261	186,201,714	172,464,011
Total operating revenues	872,233,658	870,652,902	906,835,177
Operating expenses	1,130,646,348	1,033,692,957	1,108,966,258
Operating loss	(258,412,690)	(163,040,055)	(202,131,081)
Nonoperating revenues (expenses)			
State educational appropriations	190,568,533	182,797,957	169,733,687
Gifts	64,036,452	54,380,178	29,440,777
Investment income (loss), net	406,674,867	(10,630,633)	12,791,392
All other nonoperating revenues (expenses), net	75,386,491	6,821,715	(6,729,665)
Net nonoperating revenues	736,666,343	233,369,217	205,236,191
Income before other changes in net position	478,253,653	70,329,162	3,105,110
Other changes in net position	58,671,698	96,401,722	52,426,333
Increase in net position	536,925,351	166,730,884	55,531,443
Net position, beginning of year	2,323,368,147	2,156,637,263	2,101,105,820
Net position, end of year	\$ 2,860,293,498	\$ 2,323,368,147	\$ 2,156,637,263

The University's net position increased \$536.9 million in 2021, due primarily to an increase in auxiliary revenues, an increase in State educational appropriations, as well as unrealized gains from improved market performance. Net position grew by \$166.7 million in 2020 resulting primarily from an increase in State educational appropriations as well as increases in CTF operating and nonoperating gifts. In fiscal year 2019 growth in net tuition and fees, income from residence halls, and an increase in State educational appropriations contributed to an increase of \$55.5 million.

As noted in the SRECNP, the University experienced operating losses in fiscal years 2021, 2020, and 2019 of \$258.4 million, \$163.0 million, and \$202.1 million, respectively. These operating losses highlight the University's dependency on nonoperating revenues, such as State educational appropriations and private gifts, to meet its cost of operations.

Operating Revenues

Net tuition and fees in 2021 were \$481.9 million, a \$43.6 million decrease from 2020. Fall 2020 out-of-state enrollment declined which had an impact on fiscal year 2021 tuition revenue. Additionally, starting in Fall 2020 non-resident qualifying graduate assistants/fellows are now charged resident tuition (instead of non-resident tuition) resulting in a decrease in non-resident graduate tuition revenue, with a corresponding decrease to benefits expense. Net tuition and fees in 2020 were \$525.5 million, which decreased \$7.0 million over 2019. Fall 2019 enrollment decreased slightly which had an impact on fiscal year 2020 tuition revenue. For the 2020-2021 academic year, tuition rates remained stable for both in-state and out-of-state students. For the 2019-2020 academic year, tuition rates remained stable for in-state students, with a 3.5% increase for out-of-state students. Tuition rates are reviewed annually by the University and presented to the Board for approval.

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

Federal Grants and Contracts Revenue

	Years ended September 30,		
	2021	2020	2019
Department of Health & Human Services	\$ 18,957,168	\$ 13,654,922	\$ 12,667,692
National Science Foundation	14,702,908	11,638,548	10,837,700
U.S. Department of Commerce	4,962,094	4,632,720	5,348,457
U.S. Department of Education	7,741,069	5,578,091	4,761,363
U.S. Department of Energy	5,987,116	4,406,762	4,222,944
U.S. Department of Transportation	4,252,080	4,356,290	5,161,137
Department of Defense	8,064,394	6,974,394	3,836,233
Other Federal Sources	10,985,755	9,938,770	7,661,869
Total federal grants and contracts revenue	<u>\$ 75,652,584</u>	<u>\$ 61,180,497</u>	<u>\$ 54,497,395</u>

The University of Alabama 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). UA continues to experience record levels of growth in external funding for research and other sponsored activities, which impacted fiscal year expenditures and resulted in increases in total operating grants and contracts revenue of \$16.9 million in 2021 and \$4.7 million in 2020.

The University's auxiliary activities are comprised of Intercollegiate Athletics, residence halls, the UA Supply Store, food service operations and other miscellaneous auxiliary enterprises. Auxiliary revenue increased \$49.5 million in 2021 as operations and events began to resume throughout the fiscal year. 2021 athletics revenue includes a \$23.3 million one-time distribution from the SEC, as well as post-season bowl revenue as the football team played in the 2021 National Championship game. Revenue from residence halls also increased as last year's revenues were offset by refunds. Auxiliary revenue decreased \$42.9 million in 2020 largely resulting from a decrease in athletics revenue. Due to the COVID-19 pandemic, spring sporting events were cancelled and refunds were issued to ticket holders. Stadium capacity for the Fall 2020 football season was reduced to 20% with no home games played in September which impacted football ticket revenue in fiscal year 2020. Additionally, in March 2020 the University transitioned to virtual learning for the remainder of the spring semester due to the rapidly-evolving COVID-19 pandemic, and prorated refunds were issued for dining, housing and parking fees.

In fiscal year 2021, other operating revenue for UA of \$23.4 million, combined with CTF other operating revenue of \$32.2 million, totaled \$55.6 million, a decrease of \$22.6 million from the prior year. Stadium capacity for the 2020-2021 season was limited due to COVID which significantly reduced the amount of Tide Pride revenue recognized by CTF in its fiscal year. At September 30, 2020, other operating revenue for UA totaled \$22.8 million coupled with CTF revenue of \$55.4 million for a combined total of \$78.2 million, an increase of \$11.4 million from the prior year. In fiscal year 2020, CTF revenues increased resulting from the prior year change in recording of Tide Pride revenue as other operating revenue. Previously, revenue for Tide Pride would have been recorded primarily as gifts.

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 2021, State educational appropriations increased \$7.8 million from the prior year for a total received of \$190.6 million. In 2020, State educational appropriations increased \$13.1 million over 2019 for a total received of \$182.8 million. State educational appropriations include supplemental appropriations received from the Advancement and Technology Fund of \$9.3 million and \$8.0 million in fiscal years 2021 and 2020, respectively.

Gift revenue for the University totaled \$64.0 million in fiscal year 2021, which was an increase of \$9.7 million from the prior year primarily due to an increase in UA gifts. In 2020 gift revenues increased \$24.9 million to \$54.4 million due to an increase of \$29.4 million in CTF operating gifts as many gift and pledge contingencies were met during their fiscal year 2020. The increase in CTF gift revenues was offset by a decrease of \$4.5 million in UA gifts.

Nonoperating grants generally consist primarily of Federal Pell grant awards. This program provides financial assistance grants to qualifying undergraduate students to promote access to postsecondary education. Also included in nonoperating grants are Build America Bond and Recovery Zone Economic Development Bond interest reimbursements. During fiscal years 2021 and 2020, the University received COVID-19 emergency grant funding, primarily through Higher Education Emergency Relief Funds ("HEERF") I, II, and III, and the Coronavirus Relief Fund ("CRF"). Total HEERF funds of \$85.0 million and \$20.7 million were received in fiscal years 2021 and 2020, respectively, to be distributed as emergency financial aid grants directly to students, as well as to provide funding for areas of the University negatively impacted by the COVID-19 pandemic. CRF funds of \$1.2 million and \$2.1 million were received during fiscal years 2021 and 2020, respectively, to offset necessary expenses incurred due to the public health emergency with respect to COVID-19. These amounts were recorded in nonoperating grants revenue. As a result, nonoperating grant revenue increased to \$115.1 million from \$51.5 million in 2021, and to \$51.5 million from \$32.8 million in 2020. Further information on COVID-19 emergency grant funding can be found in note 1.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income increased \$417.3 million in fiscal year 2021 due primarily to increased market performance throughout the year. In fiscal year 2020 net investment income decreased \$23.4 million largely due to lower market values.



Operating Expenses

The University reports natural classifications of expenses in the SRECNP. Salaries, wages and benefits increased \$21.8 million to \$732.9 million in 2021 primarily due to an increase in the GASB 75 OPEB expense adjustment. In 2020 salaries, wages and benefits were \$711.1 million, which was a \$17.4 million decrease from \$728.5 million in 2019 largely due to a decrease in the GASB 75 OPEB expense adjustment. The University is committed to recruiting and retaining outstanding and diverse faculty, staff and graduate students. Compensation packages and benefit offerings provide leverage for the University to successfully compete with peer institutions and employers outside of the academic sector.

Supplies and services increased \$42.6 million in 2021, following a decrease of \$69.9 million for fiscal year 2020. In late March 2020, the University suspended all non-essential spending including expenses such as travel, meals, large purchases of equipment, and consulting to help further alleviate the financial impact of the COVID-19 pandemic. During fiscal year 2021, normal operations began to resume on campus with fewer spending limitations resulting in an increase in expenses. Additionally, the University has incurred COVID-related expenditures throughout the pandemic.

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 \$64.0 million, \$35.4 million, and \$26.3 million for fiscal years 2021, 2020, and 2019, 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 \$346.6 million, \$318.9 million, and \$305.9 million for the years ended September 30, 2021, 2020, and 2019, respectively. As mentioned previously, during fiscal years 2021 and 2020 the University received COVID-19 emergency grant funding to assist students negatively impacted by the COVID-19 pandemic. Scholarships and fellowships expense includes COVID-19 emergency student aid grants of \$37.5 million and \$10.4 million for fiscal years 2021 and 2020, respectively.

Operating Expenses (by natural classification)

	Years ended September 30,		
	2021	2020	2019
Salaries, wages and benefits	\$ 732,870,387	\$ 711,111,598	\$ 728,517,509
Supplies and services	248,087,351	205,449,757	275,323,598
Depreciation	85,702,738	81,695,869	78,865,931
Scholarships and fellowships	63,985,872	35,435,733	26,259,220
Total operating expenses	<u>\$ 1,130,646,348</u>	<u>\$ 1,033,692,957</u>	<u>\$ 1,108,966,258</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.

2021 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 268,144,941	\$ 29,090,683	\$ 18,305,178	\$ —	\$ 315,540,802
Research	68,143,393	35,703,257	7,350,087	—	111,196,737
Public service	42,131,375	15,731,435	2,124,212	—	59,987,022
Academic support	69,893,354	13,581,091	15,262,777	—	98,737,222
Student services	38,857,758	11,183,519	5,410,107	—	55,451,384
Institutional support	83,839,047	28,550,634	7,781,339	—	120,171,020
Operations and maintenance	71,942,252	27,484,188	—	—	99,426,440
Scholarships and fellowships	—	—	—	57,733,682	57,733,682
Auxiliary enterprises	89,918,267	86,762,544	29,469,038	6,252,190	212,402,039
Total operating expenses	<u>\$ 732,870,387</u>	<u>\$ 248,087,351</u>	<u>\$ 85,702,738</u>	<u>\$ 63,985,872</u>	<u>\$ 1,130,646,348</u>

2020 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 288,748,543	\$ 32,992,269	\$ 18,343,614	\$ —	\$ 340,084,426
Research	44,343,117	27,852,109	7,710,179	—	79,905,405
Public service	39,302,941	11,862,236	1,954,394	—	53,119,571
Academic support	67,338,690	7,272,948	14,636,575	—	89,248,213
Student services	39,237,571	11,781,941	5,687,332	—	56,706,844
Institutional support	76,375,465	18,852,978	8,421,801	—	103,650,244
Operations and maintenance	70,632,805	21,100,092	—	—	91,732,897
Scholarships and fellowships	—	—	—	26,788,692	26,788,692
Auxiliary enterprises	85,132,466	73,735,184	24,941,974	8,647,041	192,456,665
Total operating expenses	<u>\$ 711,111,598</u>	<u>\$ 205,449,757</u>	<u>\$ 81,695,869</u>	<u>\$ 35,435,733</u>	<u>\$ 1,033,692,957</u>

Other Changes in Net Position

Capital gifts and grants experienced a decrease of \$55.9 million in fiscal year 2021. In fiscal year 2020 capital gifts and grants increased \$41.5 million. This is primarily due to CTF contingent gifts and pledges previously recorded as unearned revenue in fiscal year 2019 being recognized in fiscal year 2020, resulting in a large increase in that year. Additionally, capital gifts for CTF increased from continued fundraising for a capital campaign resulting in new gifts and pledges in 2020.

Additions and other adjustments to permanent endowments increased by \$7.4 million and \$7.1 million in fiscal years 2021 and 2020, respectively, due to increases in endowed gifts.

Intragovernmental transfers are typically transactions between the University and CTF, a blended component unit of the University, and occasionally other state agencies. During fiscal year 2021, intragovernmental transfers increased \$10.1 million from the prior year. During fiscal year 2020 intragovernmental transfers decreased by \$4.6 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, 2021, the University had \$3.6 billion invested in gross capital assets and accumulated depreciation of \$1.1 billion, a net of \$2.5 billion. At September 30, 2020, the University had \$3.4 billion invested in gross capital assets and accumulated depreciation of \$1.0 billion, a net of \$2.4 billion. At September 30, 2019, the University had \$3.1 billion invested in gross capital assets and accumulated depreciation of \$925.7 million, a net of \$2.2 billion. Depreciation expense for fiscal years 2021, 2020, and 2019 totaled \$85.7 million, \$81.7 million, and \$78.9 million, respectively. Buildings and fixed equipment are responsible for the largest increase for each year presented. The following schedule summarizes the University's capital assets, net of accumulated depreciation:

Capital Assets, Net of Accumulated Depreciation

	2021	2020	2019
Land	\$ 88,004,264	\$ 82,116,244	\$ 81,661,516
Land improvements	53,194,061	53,721,720	56,961,206
Infrastructure	127,188,056	104,477,059	95,940,216
Buildings and fixed equipment	1,877,688,235	1,809,603,758	1,668,205,159
Construction in progress	144,052,143	130,618,222	85,044,898
Equipment	85,289,550	92,156,284	79,371,777
Library materials and collections	40,871,599	40,988,326	42,954,359
Intangible assets	60,388,167	60,963,979	62,858,237
Total capital assets, net of accumulated depreciation	<u>\$ 2,476,676,075</u>	<u>\$ 2,374,645,592</u>	<u>\$ 2,172,997,368</u>

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

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

Significant capital asset expenditures for fiscal year 2020 included (in millions):

Bryant-Denny Stadium renovations and additions	\$91.7
Tutwiler Residence Hall	\$29.3
Math & Science Education Building renovations	\$13.8
Mal Moore Athletic Facility renovations and additions	\$13.3
Hewson Hall	\$12.2

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

At September 30, 2021, the University had \$1.2 billion of debt outstanding, of which \$43.0 million was classified as current. At September 30, 2020, the University had \$1.2 billion of debt outstanding, of which \$41.3 million was classified as current. The University had \$1.3 billion of debt outstanding at September 30, 2019, of which \$42.5 million was classified as current. The University issued the 2019A, 2019B and 2019C bonds during fiscal year 2019.

The large majority of debt obligations bears interest at fixed rates ranging from 0.0% to 5.875% and matures at various dates through fiscal year 2049. The University defeased certain indebtedness with the 2019 bond issuance to secure more favorable rates. The University's outstanding debt obligations at September 30, 2021, 2020, and 2019, exclusive of debt discounts and premiums of \$84.7 million, \$92.7 million, and \$100.2 million, respectively, are summarized below. Further information may also be found in note 7.

Schedules of Long-Term Debt

	2021	2020	2019
Bonds payable	\$ 1,093,795,000	\$ 1,128,765,000	\$ 1,165,085,000
Notes payable	21,554,798	27,907,495	28,892,344
Total long-term debt	<u>\$ 1,115,349,798</u>	<u>\$ 1,156,672,495</u>	<u>\$ 1,193,977,344</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.

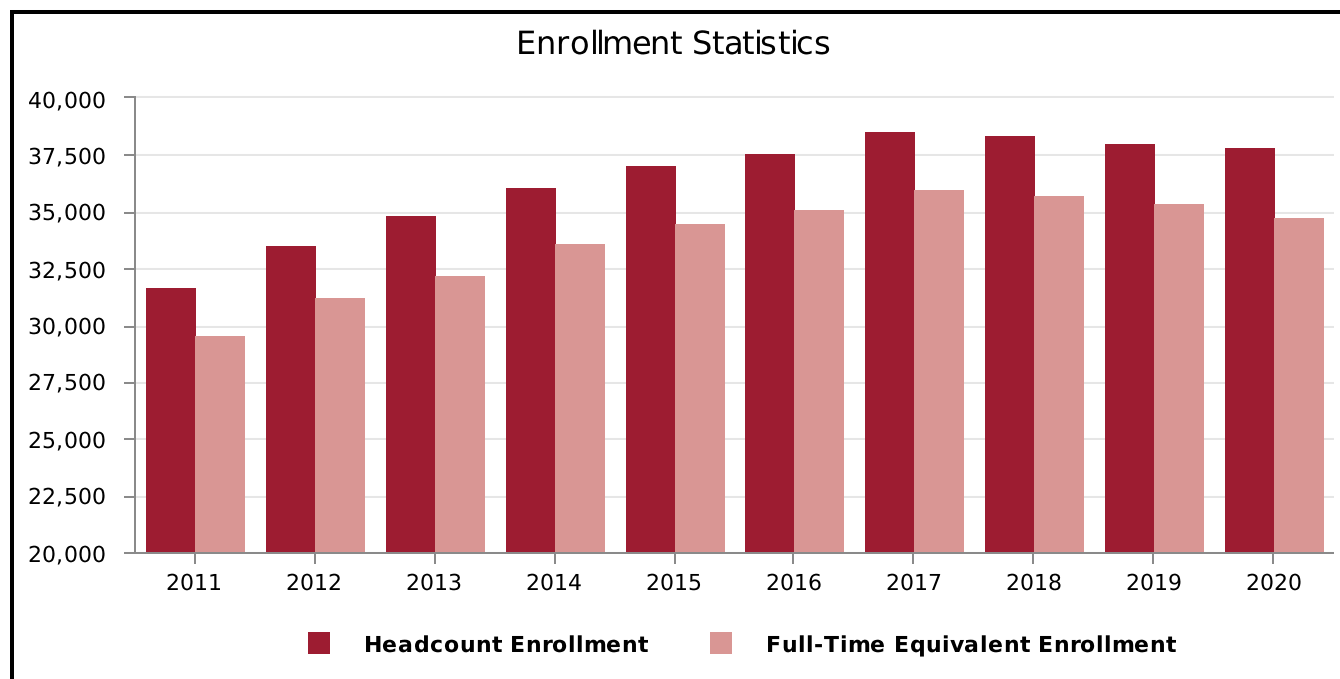
The University must have campus facilities that are competitive to support the mission of the institution and scope of its programs and services. The University continues to execute its long-term plan to modernize and expand its teaching, research, and student facilities with a balance of new construction 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. Our 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 over 900 currently enrolled. University students continue to win prestigious national awards. 59 University of Alabama students have been named Goldwater Scholars. The University has produced a total of 16 Rhodes Scholars, 16 Truman Scholars, 36 Hollings Scholars and 16 Boren Scholars. 6 University students were awarded Fulbright Awards for 2021-2022.

Enrollment at the University for Fall 2020 was 37,842, a slight decrease of 261 students from the prior year. Full-time equivalent ("FTE") enrollment totaled 34,810, a decrease of 647. The chart below displays enrollment counts taken for each fall semester; the last of which (2020) demonstrates enrollment figures occurring for the fall semester of the 2021 fiscal year.



The University of Alabama

Statistical Highlights

Fall Semester

Fall Headcount Enrollment	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Undergraduate	31,672	32,798	33,030	33,305	32,564	31,960	30,754	29,443	28,026	26,234
Graduate	5,730	4,870	4,916	4,787	4,629	4,649	4,871	4,851	4,994	4,913
Professional	440	435	446	471	472	491	530	558	582	600
Total Fall Enrollment	37,842	38,103	38,392	38,563	37,665	37,100	36,155	34,852	33,602	31,747

Fall First-Time Freshman Admissions	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Applications	39,560	38,505	37,302	38,129	38,237	35,623	33,261	30,797	26,252	22,136
Admitted	31,804	31,835	30,109	30,416	29,880	28,067	26,495	24,166	20,818	9,636
Enrolled	6,507	6,764	6,663	7,407	7,559	7,211	6,856	6,478	6,397	5,772
Percent Admitted	80.4 %	82.7 %	80.7 %	79.8 %	78.1 %	78.8 %	79.7 %	78.5 %	79.3 %	43.5 %
Percent Enrolled	20.5 %	21.2 %	22.1 %	24.4 %	25.3 %	25.7 %	25.9 %	26.8 %	30.7 %	59.9 %

Degrees Conferred										
Academic Years Ending May	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Baccalaureate	7,363	7,429	6,912	6,750	6,501	6,354	5,662	5,408	5,000	4,482
Master's	1,859	1,831	1,750	1,681	1,578	1,650	1,672	1,645	1,659	1,571
Juris Doctor	119	130	134	138	133	144	144	172	168	175
Educational Specialist	26	25	20	22	48	38	48	28	38	53
Doctoral	245	253	282	290	304	305	379	329	325	252
Total Degrees Conferred	9,612	9,668	9,098	8,881	8,564	8,491	7,905	7,582	7,190	6,533

Academic Years Ending May	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Undergraduate and Graduate Tuition										
Tuition Per Full-Time In-State Student	\$10,780	\$10,780	\$10,780	\$10,780	\$10,470	\$10,170	\$9,826	\$9,450	\$9,200	\$8,600
Percent Increase Over Prior Year	— %	— %	— %	3.0 %	2.9 %	3.5 %	4.0 %	2.7 %	7.0 %	8.9 %
Tuition Per Full-Time Out-of-State Student	\$30,250	\$30,250	\$29,230	\$28,100	\$26,950	\$25,950	\$24,950	\$23,950	\$22,950	\$21,900
Percent Increase Over Prior Year	— %	3.5 %	4.0 %	4.3 %	3.9 %	4.0 %	4.2 %	4.4 %	4.8 %	6.8 %
Law School Tuition										
Tuition Per Full-Time In-State Student	\$23,610	\$23,610	\$23,610	\$23,410	\$22,760	\$22,020	\$21,320	\$20,770	\$19,660	\$18,030
Percent Increase Over Prior Year	— %	— %	0.9 %	2.9 %	3.4 %	3.3 %	2.6 %	5.6 %	9.0 %	14.4 %
Tuition Per Full-Time Out-of-State Student	\$43,060	\$43,060	\$41,870	\$40,360	\$38,820	\$37,360	\$36,000	\$34,840	\$32,920	\$30,950
Percent Increase Over Prior Year	— %	2.8 %	3.7 %	4.0 %	3.9 %	3.8 %	3.3 %	5.8 %	6.4 %	10.3 %

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



The University of Alabama

Statements of Net Position

September 30, 2021 and 2020

	2021	2020
Current assets		
Unrestricted cash and cash equivalents	\$ 90,380,380	\$ 160,609,204
Restricted cash and cash equivalents	—	372,073
Unrestricted short-term investments	550,519,440	341,744,649
Restricted short-term investments	—	1,323,522
Accounts receivable, net	95,903,170	91,105,769
Current portion of notes receivable, net	5,126,018	3,827,210
Current portion of student loans receivable, net	1,832,569	1,929,194
Current portion of pledges receivable, net	20,794,449	18,467,892
Inventories	4,307,165	5,377,134
Prepaid expenses and unearned scholarships	99,712,127	95,669,266
Other current assets	3,471,297	3,008,604
Total current assets	872,046,615	723,434,517
Noncurrent assets		
Restricted cash and cash equivalents	5,670,374	13,984,227
Endowment and life income investments	1,088,951,950	820,554,775
Investments for capital activities	400,827,180	432,015,246
Other long-term investments	274,255,686	199,780,804
Notes receivable, net	218,058,141	216,496,108
Student loans receivable, net	7,445,307	7,910,551
Pledges receivable, net	60,476,426	61,871,603
Capital assets, net	2,476,676,075	2,374,645,592
Other noncurrent assets	10,126,144	10,983,800
Total noncurrent assets	4,542,487,283	4,138,242,706
Total assets	5,414,533,898	4,861,677,223
Deferred outflows of resources		
Debt refundings	16,162,251	17,372,261
Pension and OPEB obligations	394,406,042	168,514,132
Total deferred outflows of resources	410,568,293	185,886,393
Total assets and deferred outflows of resources	\$ 5,825,102,191	\$ 5,047,563,616

See accompanying notes to financial statements.

The University of Alabama
Statements of Net Position, Continued
September 30, 2021 and 2020

	2021	2020
Current liabilities		
Accounts payable and accrued liabilities	\$ 149,411,555	\$ 157,835,424
Current portion of unearned revenue	321,417,138	299,997,609
Deposits	20,104,012	23,805,922
Line of credit	21,827,789	—
Current portion of long-term debt	43,028,018	41,322,697
Total current liabilities	<u>555,788,512</u>	<u>522,961,652</u>
Noncurrent liabilities		
Federal advances - loan funds	8,210,856	8,664,137
Other liabilities	13,477,912	17,402,817
Unearned revenue	8,292,864	10,009,965
Long-term debt, net	1,157,022,377	1,208,064,263
Pension liability	739,566,000	646,185,000
OPEB liability	276,972,007	108,975,155
Total noncurrent liabilities	<u>2,203,542,016</u>	<u>1,999,301,337</u>
Total liabilities	<u>2,759,330,528</u>	<u>2,522,262,989</u>
Deferred inflows of resources		
Pension and OPEB obligations	202,561,162	199,594,551
Split interest - remainder interest	2,917,003	2,337,929
Total deferred inflows of resources	<u>205,478,165</u>	<u>201,932,480</u>
Net position		
Net investment in capital assets	1,355,627,568	1,322,651,902
Restricted		
Nonexpendable	543,461,482	502,203,055
Expendable	653,094,564	436,716,309
Unrestricted	308,109,884	61,796,881
Total net position	<u>2,860,293,498</u>	<u>2,323,368,147</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,825,102,191</u>	<u>\$ 5,047,563,616</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, 2021 and 2020

	2021	2020
Operating revenues		
Tuition and fees	\$ 753,560,370	\$ 801,068,732
Less: scholarship allowances	(271,660,919)	(275,547,610)
Tuition and fees, net	481,899,451	525,521,122
Grants and contracts		
Federal	75,652,584	61,180,497
State	31,175,136	31,189,670
Local	1,137,504	1,200,281
Private	7,100,867	4,587,580
Sales and services of educational activities	11,262,637	9,866,923
Auxiliary sales and services, net of \$10,952,361 in 2021 and \$7,887,334 in 2020 of scholarship allowances	208,438,946	158,930,066
Other operating revenues	55,566,533	78,176,763
Total operating revenues	872,233,658	870,652,902
Operating expenses		
Salaries, wages and benefits	732,870,387	711,111,598
Supplies and services	248,087,351	205,449,757
Depreciation	85,702,738	81,695,869
Scholarships and fellowships	63,985,872	35,435,733
Total operating expenses	1,130,646,348	1,033,692,957
Operating loss	(258,412,690)	(163,040,055)
Nonoperating revenues (expenses)		
State educational appropriations	190,568,533	182,797,957
Gifts	64,036,452	54,380,178
Grants	115,131,392	51,528,484
Investment income (loss), net	406,674,867	(10,630,633)
Interest expense	(37,087,397)	(39,045,098)
Other nonoperating expenses, net	(2,657,504)	(5,661,671)
Net nonoperating revenues	736,666,343	233,369,217
Income before other changes in net position	478,253,653	70,329,162
Other changes in net position		
State capital appropriations	657,766	—
Capital gifts and grants	19,291,609	75,191,053
Additions to permanent endowments	34,292,210	26,868,269
Intragovernmental transfers	4,430,113	(5,657,600)
Net other changes in net position	58,671,698	96,401,722
Increase in net position	536,925,351	166,730,884
Net position, beginning of year	2,323,368,147	2,156,637,263
Net position, end of year	\$ 2,860,293,498	\$ 2,323,368,147

See accompanying notes to financial statements.

The University of Alabama
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Student tuition and fees, net	\$ 485,420,070	\$ 509,135,654
Grants and contracts		
Federal	73,634,776	55,258,897
State	26,697,931	36,095,388
Local	1,608,512	977,959
Private	6,529,072	5,709,516
Sales and services of educational activities	10,460,333	10,154,777
Other receipts	56,666,966	77,449,013
Auxiliary enterprises	235,593,950	145,620,207
Payments to suppliers	(258,601,000)	(198,989,069)
Payments to employees and related benefits	(684,096,830)	(682,885,335)
Payments for scholarships and fellowships	(64,335,403)	(25,129,088)
Receipts for student loans	561,868	985,362
Other disbursements	—	(1,167,492)
Net cash used in operating activities	(109,859,755)	(66,784,211)
Cash flows from noncapital financing activities		
State educational appropriations	190,568,533	182,797,957
Private gifts for other than capital purposes	83,676,606	59,870,156
Grants	108,401,736	49,339,855
Student direct lending receipts	190,864,090	198,493,671
Student direct lending disbursements	(191,558,311)	(198,767,110)
Deposits from affiliates	694,221	273,439
Other disbursements, net	(2,767,988)	(3,088,789)
Intragovernmental transfers	1,393,963	(7,309,756)
Proceeds from line of credit	21,827,789	—
Interest payments on line of credit	(134,280)	—
Net cash provided by noncapital financing activities	402,966,359	281,609,423
Cash flows from investing activities		
Interest and dividends on investments	41,203,373	59,203,509
Purchases of investments	(340,980,828)	(107,951,625)
Proceeds from sales and maturities of investments	174,321,092	206,994,536
Payments received on notes receivable	7,664,259	10,138,388
Disbursements from issuance of notes receivable	(392,285)	(3,663,747)
Net cash (used in) provided by investing activities	(118,184,389)	164,721,061
Cash flows from capital and related financing activities		
Capital gifts, grants and contracts	19,690,851	33,158,420
State capital appropriations	657,766	—
Purchases of capital assets	(191,905,913)	(272,785,330)
Principal payments on capital debt	(38,956,397)	(40,328,249)
Interest payments on capital debt	(44,141,161)	(41,846,522)
Intragovernmental transfers	817,889	2,726,379
Net cash used in capital and related financing activities	(253,836,965)	(319,075,302)
Net (decrease) increase in cash and cash equivalents	(78,914,750)	60,470,971
Cash and cash equivalents, beginning of year, as originally reported	174,965,504	115,400,751
Adoption of GASB 84 adjustment (see note 1)	—	(906,218)
Cash and cash equivalents, beginning of year, as restated, as of October 1, 2019	174,965,504	114,494,533
Cash and cash equivalents, end of year	\$ 96,050,754	\$ 174,965,504

See accompanying notes to financial statements.

The University of Alabama

Statements of Cash Flows, Continued

For the Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the statements of net position		
Unrestricted cash and cash equivalents-current	\$ 90,380,380	\$ 160,609,204
Restricted cash and cash equivalents-current and noncurrent	5,670,374	14,356,300
Total cash and cash equivalents	<u>\$ 96,050,754</u>	<u>\$ 174,965,504</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (258,412,690)	\$ (163,040,055)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	85,702,738	81,695,869
Pension expense	86,319,581	82,167,334
OPEB expense	11,249,807	(9,175,222)
Bad debt expense	1,047,491	1,674,293
Closing costs at sale of CTF airplane	—	50,025
Changes in assets and liabilities		
Accounts and other receivables	3,584,438	(2,518,620)
Inventories and other assets	(2,873,716)	8,849,230
Pension obligations	(51,757,744)	(52,175,581)
OPEB obligations	(7,359,091)	(8,450,780)
Accounts payable and accrued liabilities	(3,775,365)	20,779,431
Unearned revenue	28,865,528	(30,697,806)
Deposits	(2,450,732)	4,057,671
Net cash used in operating activities	<u>\$ (109,859,755)</u>	<u>\$ (66,784,211)</u>
Supplemental noncash activities information		
Gifts of capital assets	\$ 5,863,107	\$ 46,534
Change in accrued capital asset purchases	(8,191,038)	7,540,238
Loss on the disposal of capital assets	307,601	190,095
Non-cash transfer of funds from the STLP to the LCRP	—	252,128,187
Crimson Tide Foundation	12,150,927	9,497,634

See accompanying notes to financial statements.

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2021 and 2020

	2021	2020
Current assets		
Unrestricted cash and cash equivalents	\$ 17,135,729	\$ 18,160,190
Restricted cash and cash equivalents	34,234,861	29,370,187
Short-term investments	9,482,817	8,375,306
Accounts receivable, net	4,548,886	3,985,585
Current portion of notes receivable, net	1,250,330	1,156,193
Current portion of pledges receivable, net	321,336	325,595
Inventories	758,332	477,968
Prepaid expenses and unearned scholarships	145,269	164,258
Other current assets	24,337	10,714
Due from The University of Alabama	735,112	331,891
Total current assets	68,637,009	62,357,887
Noncurrent assets		
Restricted cash and cash equivalents	6,230,169	6,230,169
Endowment investments	130,118,525	95,385,054
Other long-term investments	49,026,661	41,261,087
Pledges receivable, net	260,309	387,237
Capital assets, net	66,187,990	68,640,407
Other noncurrent assets	96,400	96,400
Total noncurrent assets	251,920,054	212,000,354
Total assets	320,557,063	274,358,241
Deferred outflows of resources	8,277,288	9,140,088
Total assets and deferred outflows of resources	\$ 328,834,351	\$ 283,498,329
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,053,051	\$ 1,471,542
Unearned revenue	4,140,079	4,237,068
Current portion of long-term debt	3,929,662	3,871,564
Due to The University of Alabama	1,321,123	2,910,795
Total current liabilities	11,443,915	12,490,969
Noncurrent liabilities		
Other liabilities	3,194,901	4,310,102
Long-term debt, net	78,829,929	82,759,592
Due to The University of Alabama	10,652,081	8,393,219
Total noncurrent liabilities	92,676,911	95,462,913
Total liabilities	104,120,826	107,953,882
Deferred inflows of resources	4,500,000	4,500,000
Net position		
Net investment in capital assets	1,274,874	1,106,067
Restricted		
Nonexpendable	67,223,389	64,916,955
Expendable	59,516,800	31,662,956
Unrestricted	92,198,462	73,358,469
Total net position	220,213,525	171,044,447
Total liabilities, deferred inflows of resources, and net position	\$ 328,834,351	\$ 283,498,329

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 2021 and 2020

	2021	2020
Operating revenues		
Gifts	\$ 7,784,295	\$ 10,531,504
Other operating revenues	42,647,893	36,306,535
Total operating revenues	<u>50,432,188</u>	<u>46,838,039</u>
Operating expenses		
Salaries, wages and benefits	17,699,370	16,506,739
Supplies and services	14,247,313	11,853,478
Depreciation	2,490,117	2,492,942
Scholarships and fellowships	3,189,300	4,005,271
Contributed services from affiliate	2,474,648	2,458,395
Total operating expenses	<u>40,100,748</u>	<u>37,316,825</u>
Operating income	<u>10,331,440</u>	<u>9,521,214</u>
Nonoperating revenues (expenses)		
Investment income (loss), net	41,695,195	(2,887,198)
Interest expense	(3,204,537)	(3,262,941)
Contributions to The University of Alabama	(4,663,145)	(2,766,075)
Change in value of split-interest agreements	684,621	(481,564)
Contributed services from affiliate	2,474,648	2,458,395
Other nonoperating expenses	(7,300)	(7,300)
Net nonoperating revenues (expenses)	<u>36,979,482</u>	<u>(6,946,683)</u>
Income before other changes in net position	<u>47,310,922</u>	<u>2,574,531</u>
Other changes in net position		
Additions to permanent endowments	1,858,156	1,864,434
Increase in net position	<u>49,169,078</u>	<u>4,438,965</u>
Net position, beginning of year	<u>171,044,447</u>	<u>166,605,482</u>
Net position, end of year	<u><u>\$ 220,213,525</u></u>	<u><u>\$ 171,044,447</u></u>

See accompanying notes to financial statements.

The University of Alabama
Statements of Fiduciary Net Position
September 30, 2021 and 2020

	Custodial Funds	
	2021	2020
Assets		
Cash	\$ 799,532	\$ 465,028
Short-term investments	3,198,127	1,860,113
Long-term investments	81,882,683	17,507,745
Total assets	\$ 85,880,342	\$ 19,832,886
Liabilities		
Accounts payable and accrued liabilities	\$ 438,530	\$ —
Total liabilities	438,530	—
Net position		
Restricted for organizations	85,441,812	19,832,886
Total net position	\$ 85,441,812	\$ 19,832,886

The University of Alabama
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2021 and 2020

	Custodial Funds	
	2021	2020
Additions		
Contributions	\$ 65,566,300	\$ 6,178,874
Investment income, net	3,679,283	355,822
Total additions	69,245,583	6,534,696
Deductions		
Construction/maintenance expenditures	3,636,657	1,860,113
Total deductions	3,636,657	1,860,113
Increase in net position	65,608,926	4,674,583
Net position, beginning of year, as originally reported	19,832,886	—
Adoption of GASB 84 adjustment (see note 1)	—	15,158,303
Net position, beginning of year, as restated, as of October 1, 2019	19,832,886	15,158,303
Net position, end of year	\$ 85,441,812	\$ 19,832,886

See accompanying notes to financial statements.

The University of Alabama

Notes to Financial Statements

Years Ended September 30, 2021 and 2020

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

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

- Restricted:

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

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

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

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

The University's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. As discussed further below, certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including State educational appropriations, private gifts, certain grants, and investment income.

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The estimates susceptible to changes include those used in determining the allowance for uncollectible accounts, useful lives of capital assets, the valuation of investments (including endowed real estate), reserves for self-insurance, and reserves for general and professional liability claims. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable.

Implementation of New Standard: During fiscal year 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification and reporting of fiduciary activities and 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. The adoption of this Statement resulted in an increase in unrestricted cash and cash equivalents of \$3.9 million, a decrease in restricted cash and cash equivalents of \$4.3 million, an increase in unrestricted short-term investments of \$13.6 million, a decrease in restricted short-term investments of \$15.5 million, a decrease in other long-term investments of \$17.5 million, and a decrease in deposits of \$19.8 million from amounts previously reported at September 30, 2020.

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 separate investment pools managed by the System. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies. Fair value for equity securities, debt securities, mutual funds and U.S. government and agency obligations held by 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, entry price at the date of donation, and other valuations typically based on management assumptions or expectations. Investments received by gift are reported at fair value at date of receipt. Net investment income, including 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.

On July 1, 2020, The University of Alabama System Office merged the Long-Term Reserve Pool Fund ("LTRP") and the Short-Term Liquidity Pool Fund ("STLP") into a new merged pool, the Liquidity and Capital Reserve Pool ("LCRP") to optimize the investment of System reserves. As the funds previously invested in the LTRP and STLP Funds were not distributed to the University, the amount was not included as purchases of investments or proceeds from the sales and maturities of investments in the accompanying statements of cash flows.

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

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

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

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

Charitable Remainder Trusts: The University is the beneficiary of various charitable remainder trust funds. Under the terms of the agreements, the University has the irrevocable right to receive the remaining assets of the trusts upon the death of a specified beneficiary or beneficiaries in exchange for a stipulated amount to be paid periodically to the donor or their designee until the death of the beneficiary. Following the death of the beneficiary, the remainder is transferred to the University as either unrestricted or restricted funds depending on donor-imposed purpose restrictions. The assets received at the inception of a charitable remainder trust agreement are recorded at fair value at the date of gift. These assets are held by the University. The fair value of charitable remainder trust assets, which is included in endowment and life income investments in the accompanying statements of net position, totaled \$6.2 million at September 30, 2021 and \$5.5 million at September 30, 2020. Any change in value related to these trusts is recorded as an increase or decrease in the related deferred inflows of resources in the statements of net position.

The liability associated with these agreements is recorded at the present value based on IRS mortality tables and prevailing interest rates. The liability is reduced for distributions made to the beneficiaries and is adjusted annually for revaluations of expected future payments to the beneficiaries based on changes in life expectancy. The present value of the liability associated with these agreements totaled \$3.2 million and \$3.1 million at September 30, 2021 and 2020, respectively.

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 seq., 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."

UA financial and advancement officers have established internal policies that temporarily prohibit distributions from an endowment fund that has a current market value less than its historical dollar values based on UPMIFA guidelines. Historical value or corpus is defined as the original donor contribution plus any additional contributions, and any additions to historic dollar value as prescribed by the donor's gift instrument. In all instances, the donor's intent is met.

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

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

Unearned Revenues: Unearned revenues consist primarily of tuition and housing revenues, which are subject also to a prorated adjustment so noted in the aforementioned 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, 2021 and 2020, there was no payable to the Department of Education for its portion of the excess cash available at June 30, 2021 and 2020.

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

Deferred Outflows of Resources: Deferred outflows of resources 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 are composed of both pension and OPEB obligations, as well as the University's remainder interest in its irrevocable split interest agreements. Pension obligations include differences between expected and actual experience and changes in proportion of the allocated pension liability and differences between employer contributions and proportionate share of contributions. OPEB obligations include differences between expected and actual experience, changes in actuarial and other assumptions, net difference between projected and actual earnings on OPEB plan investments, and changes in proportion of the allocated OPEB liability and differences between employer contributions and proportionate share of contributions.

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

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

Nonoperating Revenues (Expenses): Nonoperating revenues and expenses include State educational appropriations, private gifts for other than capital purposes, nonoperating grants such as Federal Pell grants, investment income, net of unrealized appreciation or depreciation in the fair value of investments, and interest expense. As discussed below, nonoperating grant revenue in fiscal years 2021 and 2020 includes federal economic relief funds received from the federal government as a result of the Coronavirus Aid, Relief and Economic Security ("CARES") Act.

COVID-19 Pandemic: In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education. The outbreak has also negatively impacted both the global financial markets and the University's investments, including the investments held within the System Pools, and may continue to do so. Other adverse consequences of COVID-19 in the future may include, but are not limited to, decline in enrollment, decline in demand for University housing, decline in demand for University programs that involve travel, and additional volatility within the University's investments. The University believes it has sufficient liquidity to meet its operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on the University, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

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

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

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

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

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

All COVID-19 emergency grants received during fiscal years 2021 and 2020 are included in nonoperating grants in the accompanying statements of revenues, expenses, and changes in net position.

Note 2 – Component Units

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

The Crimson Tide Foundation (“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, 2021 and 2020 is included in the University's financial statements and presented on the following pages.

The Crimson Tide Foundation
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 4,796	\$ 193,198
Short-term investments	96,959,639	65,036,000
Current portion of pledges receivable, net	12,625,369	11,788,891
Other current assets	17,427	141,790
Other receivables	672,041	742,686
Total current assets	<u>110,279,272</u>	<u>77,902,565</u>
Noncurrent assets		
Restricted cash and cash equivalents	376,553	45,140
Endowment investments	69,761,452	48,702,610
Pledges receivable, net	41,977,186	41,299,632
Other long-term investments	108,746,395	94,096,549
Capital assets, net	8,221,681	8,873,949
Total noncurrent assets	<u>229,083,267</u>	<u>193,017,880</u>
Total assets	<u><u>\$ 339,362,539</u></u>	<u><u>\$ 270,920,445</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 775,256	\$ 194,571
Current portion of unearned revenue	34,908,827	36,238,689
Note payable, current portion	806,718	786,397
Line of credit	21,827,789	—
Other current liabilities	638,130	4,319,073
Total current liabilities	<u>58,956,720</u>	<u>41,538,730</u>
Noncurrent liabilities		
Note payable, noncurrent portion	4,049,180	4,855,898
Total noncurrent liabilities	<u>4,049,180</u>	<u>4,855,898</u>
Total liabilities	<u>63,005,900</u>	<u>46,394,628</u>
Net position		
Net investment in capital assets	3,365,784	3,231,655
Restricted		
Nonexpendable	55,942,473	48,026,876
Expendable	126,436,501	86,999,425
Unrestricted	90,611,881	86,267,861
Total net position	<u>276,356,639</u>	<u>224,525,817</u>
Total liabilities and net position	<u><u>\$ 339,362,539</u></u>	<u><u>\$ 270,920,445</u></u>

The Crimson Tide Foundation
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Private gifts	\$ 35,929,886	\$ 93,534,443
Other operating revenues	32,157,943	55,402,102
Grant revenues	400,000	—
Total operating revenues	<u>68,487,829</u>	<u>148,936,545</u>
Operating expenses		
Benefits	1,257,442	1,330,182
Scholarships	2,268,480	1,663,595
Legal and professional fees	1,054,952	850,724
Travel	1,751,556	1,482,087
Supplies	2,216,220	2,115,560
Conference and entertainment	294,912	501,949
Rentals	40,772	88,332
Repairs and maintenance	83,692	192,111
Depreciation	652,268	542,998
Other	735,021	945,443
Total operating expenses	<u>10,355,315</u>	<u>9,712,981</u>
Operating income	<u>58,132,514</u>	<u>139,223,564</u>
Nonoperating revenues (expenses)		
Investment income (loss), net	48,921,628	(6,405,060)
Loss on sale of capital assets	—	(661,704)
Interest expense	(269,221)	(67,221)
Net nonoperating revenues (expenses)	<u>48,652,407</u>	<u>(7,133,985)</u>
Income before other changes in net position	<u>106,784,921</u>	<u>132,089,579</u>
Other changes in net position		
Additions to permanent endowments	4,159,058	2,617,775
Intergovernmental transfers	(59,113,157)	(93,291,288)
Increase in net position	<u>51,830,822</u>	<u>41,416,066</u>
Net position, beginning of year	<u>224,525,817</u>	<u>183,109,751</u>
Net position, end of year	<u><u>\$ 276,356,639</u></u>	<u><u>\$ 224,525,817</u></u>

The Crimson Tide Foundation
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Private gifts	\$ 25,525,233	\$ 35,521,961
Other operating revenues	37,121,622	53,438,661
Grant revenues	400,000	—
Transfers to the University of Alabama	(62,794,099)	(93,384,557)
Payments to suppliers	(6,010,170)	(6,472,448)
Net cash used in operating activities	<u>(5,757,414)</u>	<u>(10,896,383)</u>
Cash flows from noncapital financing activities		
Additions to permanent endowments	3,886,580	2,617,775
Proceeds from line of credit	21,827,789	—
Interest payments on line of credit	(134,280)	—
Net cash provided by noncapital financing activities	<u>25,580,089</u>	<u>2,617,775</u>
Cash flows from capital and related financing activities		
Principal payments on note payable	(786,397)	(808,249)
Interest payments on note payable	(134,941)	(66,340)
Sale of capital assets	—	838,793
Purchase of capital assets	—	(1,000,000)
Net cash used in capital and related financing activities	<u>(921,338)</u>	<u>(1,035,796)</u>
Cash flows from investing activities		
Purchases of investments	(79,024,370)	(68,146,192)
Proceeds from the sales and maturities of investments	56,100,000	69,105,960
Interest and dividends on investments	4,166,044	8,276,809
Net cash (used in) provided by investing activities	<u>(18,758,326)</u>	<u>9,236,577</u>
Net increase (decrease) in cash and cash equivalents	<u>143,011</u>	<u>(77,827)</u>
Cash and cash equivalents, beginning of year	<u>238,338</u>	<u>316,165</u>
Cash and cash equivalents, end of year	<u><u>\$ 381,349</u></u>	<u><u>\$ 238,338</u></u>

The Crimson Tide Foundation
Statements of Cash Flows, Continued
For the Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 4,796	\$ 193,198
Restricted cash and cash equivalents in noncurrent assets	376,553	45,140
Total cash and cash equivalents	\$ 381,349	\$ 238,338
Reconciliation of operating income to net cash used in operating activities		
Net operating income	\$ 58,132,514	\$ 139,223,564
Intergovernmental transfers	(59,113,157)	(93,291,288)
Adjustments to reconcile operating income net of intergovernmental transfers to net cash (used in) provided by operating activities		
Depreciation expense	652,268	542,998
Closing costs at sale of airplane	—	50,025
Provision for uncollectible pledges	818,605	8,230,373
Changes in assets and liabilities		
Pledges receivable	(2,332,637)	(45,760,894)
Other receivables	118,272	(123,509)
Other current assets	124,363	(75,308)
Accounts payable	580,685	(310,610)
Other current liabilities	(3,680,943)	(93,269)
Unearned revenue	(1,057,384)	(19,288,465)
Net cash used in operating activities	\$ (5,757,414)	\$ (10,896,383)
Supplemental noncash activities information		
Dealer cars provided by Athletics	\$ 828,668	\$ 941,428
Supplies provided by contractual agreement	1,800,000	1,750,000
Complimentary club memberships provided to Athletics	179,160	162,000
Complimentary housing provided to Athletics staff	180,000	180,000
Refund prior year Tide Pride to permanent endowments	272,478	—
Refund prior year Tide Pride to private gifts	8,890,621	—
Financed purchase of airplane	—	5,900,000
Note payable principal reduction at sale of airplane	—	513,300
Closing costs at sale of airplane	—	50,025
Noncash interest expense at sale of airplane	—	881

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. 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. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. 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 market values based on published market price or other observable inputs. These Foundations invest certain amounts in System-sponsored investment pools. The Board previously established three investment pools: the Endowment Fund, the Long-Term Reserve Pool Fund, and the Short-Term Liquidity Pool Fund. In April 2020, the Board approved a merger of the Short-Term Liquidity Pool Fund and the Long-Term Reserve Pool Fund into one pool, the Liquidity and Capital Reserve Pool. In July 2020, the Board closed the Short-Term Liquidity Pool Fund and transferred the assets to the Long-Term Reserve Pool Fund to create the new merged pool (see note 4). The value of the Foundations’ beneficial interests in the pools is determined by the System and based on the Foundations’ proportionate shares of the net asset value of the pools. The pools invest in various investment securities, including both marketable and non-readily marketable securities.

Investments received by gift are stated at fair value at date of receipt. Changes in market 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 Uniform Prudent Management of Institutional Funds Act (“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 in other noncurrent assets 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, 2021 and 2020, the receivable totaled \$10.3 million and \$8.4 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
2021

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

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

	Capstone Foundation Sept. 30, 2021	1831 Foundation Sept. 30, 2021	Capstone Health Services Foundation Sept. 30, 2021
Current assets			
Cash and cash equivalents	\$ 208,032	\$ 980,186	\$ 15,311,294
Restricted cash and cash equivalents	—	34,234,861	—
Short-term investments	—	431,193	8,015,518
Accounts receivable, net	124,642	—	3,242,729
Current portion of notes receivable, net	—	—	1,250,330
Current portion of pledges receivable, net	120,131	—	—
Inventories	67,202	—	691,130
Prepaid expenses and unearned scholarships	128,400	—	—
Other current assets	—	—	—
Due from The University of Alabama	291,643	—	443,469
Total current assets	940,050	35,646,240	28,954,470
Noncurrent assets			
Restricted cash and cash equivalents	—	6,230,169	—
Endowment investments	13,330,509	—	—
Other long-term investments	20,173,752	7,929,250	—
Pledges receivable, net	4,654	—	—
Capital assets, net	113,511	65,653,605	420,874
Other noncurrent assets	96,400	—	—
Total noncurrent assets	33,718,826	79,813,024	420,874
Total assets	34,658,876	115,459,264	29,375,344
Deferred outflows of resources	—	8,277,288	—
Total assets and deferred outflows of resources	\$ 34,658,876	\$ 123,736,552	\$ 29,375,344
Current liabilities			
Accounts payable and accrued liabilities	\$ 235,382	\$ 588,579	\$ 1,023,262
Unearned revenue	—	4,140,079	—
Current portion of long-term debt	—	3,929,662	—
Due to The University of Alabama	—	274,039	694,764
Total current liabilities	235,382	8,932,359	1,718,026
Noncurrent liabilities			
Other liabilities	3,194,901	—	—
Long-term debt, net	—	78,829,929	—
Due to The University of Alabama	10,652,081	—	—
Total noncurrent liabilities	13,846,982	78,829,929	—
Total liabilities	14,082,364	87,762,288	1,718,026
Deferred inflows of resources	—	4,500,000	—
Net position			
Net investment in capital assets	—	854,000	420,874
Restricted			
Nonexpendable	18,210	—	—
Expendable	18,528,561	5,320,984	—
Unrestricted	2,029,741	25,299,280	27,236,444
Total net position	20,576,512	31,474,264	27,657,318
Total liabilities, deferred inflows of resources, and net position	\$ 34,658,876	\$ 123,736,552	\$ 29,375,344

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2020

	National Alumni Association June 30, 2020	Law School Foundation June 30, 2020	Donor Advised Fund June 30, 2020
Current assets			
Cash and cash equivalents	\$ 843,815	\$ 256,977	\$ 316
Restricted cash and cash equivalents	—	—	—
Short-term investments	—	—	1,027,111
Accounts receivable, net	711,509	442,241	2,300
Current portion of notes receivable, net	—	—	—
Current portion of pledges receivable, net	—	206,592	—
Inventories	—	—	—
Prepaid expenses and unearned scholarships	31,895	—	—
Other current assets	10,714	—	—
Due from The University of Alabama	—	—	—
Total current assets	1,597,933	905,810	1,029,727
Noncurrent assets			
Restricted cash and cash equivalents	—	—	—
Endowment investments	49,436,709	35,439,198	—
Other long-term investments	10,390,341	994,625	4,352,468
Pledges receivable, net	—	384,040	—
Capital assets, net	—	—	—
Other noncurrent assets	—	—	—
Total noncurrent assets	59,827,050	36,817,863	4,352,468
Total assets	61,424,983	37,723,673	5,382,195
Deferred outflows of resources	—	—	—
Total assets and deferred outflows of resources	\$ 61,424,983	\$ 37,723,673	\$ 5,382,195
Current liabilities			
Accounts payable and accrued liabilities	\$ 106,534	\$ 356	\$ —
Unearned revenue	—	—	—
Current portion of long-term debt	—	—	—
Due to The University of Alabama	760,771	484	—
Total current liabilities	867,305	840	—
Noncurrent liabilities			
Other liabilities	—	—	—
Long-term debt, net	—	—	—
Due to The University of Alabama	—	—	—
Total noncurrent liabilities	—	—	—
Total liabilities	867,305	840	—
Deferred inflows of resources	—	—	—
Net position			
Net investment in capital assets	—	—	—
Restricted			
Nonexpendable	32,634,875	32,263,926	—
Expendable	3,418,961	3,857,360	5,369,196
Unrestricted	24,503,842	1,601,547	12,999
Total net position	60,557,678	37,722,833	5,382,195
Total liabilities, deferred inflows of resources, and net position	\$ 61,424,983	\$ 37,723,673	\$ 5,382,195

The University of Alabama
Discretely Presented Component Units
Statements of Net Position, Continued
2020

	Capstone Foundation Sept. 30, 2020	1831 Foundation Sept. 30, 2020	Capstone Health Services Foundation Sept. 30, 2020
Current assets			
Cash and cash equivalents	\$ 274,425	\$ 864,514	\$ 15,920,143
Restricted cash and cash equivalents	—	29,370,187	—
Short-term investments	—	535,236	6,812,959
Accounts receivable, net	125,433	764,548	1,939,554
Current portion of notes receivable, net	—	—	1,156,193
Current portion of pledges receivable, net	119,003	—	—
Inventories	530	—	477,438
Prepaid expenses and unearned scholarships	132,363	—	—
Other current assets	—	—	—
Due from The University of Alabama	—	—	331,891
Total current assets	651,754	31,534,485	26,638,178
Noncurrent assets			
Restricted cash and cash equivalents	—	6,230,169	—
Endowment investments	10,509,147	—	—
Other long-term investments	17,384,403	8,139,250	—
Pledges receivable, net	3,197	—	—
Capital assets, net	117,111	67,995,735	527,561
Other noncurrent assets	96,400	—	—
Total noncurrent assets	28,110,258	82,365,154	527,561
Total assets	28,762,012	113,899,639	27,165,739
Deferred outflows of resources	—	9,140,088	—
Total assets and deferred outflows of resources	\$ 28,762,012	\$ 123,039,727	\$ 27,165,739
Current liabilities			
Accounts payable and accrued liabilities	\$ 9,556	\$ 589,825	\$ 765,271
Unearned revenue	—	4,237,068	—
Current portion of long-term debt	—	3,871,564	—
Due to The University of Alabama	507,360	675,708	966,472
Total current liabilities	516,916	9,374,165	1,731,743
Noncurrent liabilities			
Other liabilities	4,310,102	—	—
Long-term debt, net	—	82,759,592	—
Due to The University of Alabama	8,393,219	—	—
Total noncurrent liabilities	12,703,321	82,759,592	—
Total liabilities	13,220,237	92,133,757	1,731,743
Deferred inflows of resources	—	4,500,000	—
Net position			
Net investment in capital assets	—	578,506	527,561
Restricted			
Nonexpendable	18,154	—	—
Expendable	13,884,718	5,132,721	—
Unrestricted	1,638,903	20,694,743	24,906,435
Total net position	15,541,775	26,405,970	25,433,996
Total liabilities, deferred inflows of resources, and net position	\$ 28,762,012	\$ 123,039,727	\$ 27,165,739

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

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

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

	Capstone Foundation Sept. 30, 2021	1831 Foundation Sept. 30, 2021	Capstone Health Services Foundation Sept. 30, 2021
Operating revenues			
Gifts	\$ 4,365,295	\$ —	\$ —
Other operating revenues	226,263	14,914,026	26,740,679
Total operating revenues	<u>4,591,558</u>	<u>14,914,026</u>	<u>26,740,679</u>
Operating expenses			
Salaries, wages and benefits	—	—	17,699,370
Supplies and services	1,357,780	4,391,173	7,216,854
Depreciation	3,600	2,342,130	144,387
Scholarships and fellowships	420,296	—	—
Contributed services from affiliate	186,264	—	—
Total operating expenses	<u>1,967,940</u>	<u>6,733,303</u>	<u>25,060,611</u>
Operating income	<u>2,623,618</u>	<u>8,180,723</u>	<u>1,680,068</u>
Nonoperating revenues (expenses)			
Investment income, net	4,118,105	99,408	1,293,254
Interest expense	—	(3,204,537)	—
Contributions to The University of Alabama	(2,577,871)	—	(750,000)
Change in value of split-interest agreements	684,621	—	—
Contributed services from affiliate	186,264	—	—
Other nonoperating expense	—	(7,300)	—
Net nonoperating revenues (expenses)	<u>2,411,119</u>	<u>(3,112,429)</u>	<u>543,254</u>
Income before other changes in net position	<u>5,034,737</u>	<u>5,068,294</u>	<u>2,223,322</u>
Other changes in net position			
Additions to permanent endowments	—	—	—
Increase in net position	<u>5,034,737</u>	<u>5,068,294</u>	<u>2,223,322</u>
Net position, beginning of year	<u>15,541,775</u>	<u>26,405,970</u>	<u>25,433,996</u>
Net position, end of year	<u>\$ 20,576,512</u>	<u>\$ 31,474,264</u>	<u>\$ 27,657,318</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position
Years Ended 2020

	National Alumni Association June 30, 2020	Law School Foundation June 30, 2020	Donor Advised Fund June 30, 2020
Operating revenues			
Gifts	\$ 2,439,319	\$ 830,327	\$ 1,560,455
Other operating revenues	798,511	56,531	—
Total operating revenues	<u>3,237,830</u>	<u>886,858</u>	<u>1,560,455</u>
Operating expenses			
Salaries, wages and benefits	—	—	—
Supplies and services	1,330,600	456,816	117,183
Depreciation	—	—	—
Scholarships and fellowships	1,635,490	1,911,287	—
Contributed services from affiliate	1,341,358	885,133	—
Total operating expenses	<u>4,307,448</u>	<u>3,253,236</u>	<u>117,183</u>
Operating (loss) income	<u>(1,069,618)</u>	<u>(2,366,378)</u>	<u>1,443,272</u>
Nonoperating (expenses) revenues			
Investment (loss) income, net	(3,040,407)	(2,360,397)	131,787
Interest expense	—	—	—
Contributions to The University of Alabama	(1,067,787)	(97,607)	(37,100)
Change in value of split-interest agreements	—	—	—
Contributed services from affiliate	1,341,358	885,133	—
Other nonoperating expense	—	—	—
Net nonoperating (expenses) revenues	<u>(2,766,836)</u>	<u>(1,572,871)</u>	<u>94,687</u>
(Loss) income before other changes in net position	<u>(3,836,454)</u>	<u>(3,939,249)</u>	<u>1,537,959</u>
Other changes in net position			
Additions to permanent endowments	1,000,095	864,339	—
(Decrease) increase in net position	<u>(2,836,359)</u>	<u>(3,074,910)</u>	<u>1,537,959</u>
Net position, beginning of year	<u>63,394,037</u>	<u>40,797,743</u>	<u>3,844,236</u>
Net position, end of year	<u>\$ 60,557,678</u>	<u>\$ 37,722,833</u>	<u>\$ 5,382,195</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position, Continued
Years Ended 2020

	Capstone Foundation Sept. 30, 2020	1831 Foundation Sept. 30, 2020	Capstone Health Services Foundation Sept. 30, 2020
Operating revenues			
Gifts	\$ 3,725,153	\$ 1,976,250	\$ —
Other operating revenues	643,584	11,784,397	23,023,512
Total operating revenues	<u>4,368,737</u>	<u>13,760,647</u>	<u>23,023,512</u>
Operating expenses			
Salaries, wages and benefits	—	—	16,506,739
Supplies and services	1,739,113	3,209,326	5,000,440
Depreciation	3,600	2,342,131	147,211
Scholarships and fellowships	458,494	—	—
Contributed services from affiliate	231,904	—	—
Total operating expenses	<u>2,433,111</u>	<u>5,551,457</u>	<u>21,654,390</u>
Operating income	<u>1,935,626</u>	<u>8,209,190</u>	<u>1,369,122</u>
Nonoperating (expenses) revenues			
Investment income, net	793,594	45,172	1,543,053
Interest expense	—	(3,262,941)	—
Contributions to The University of Alabama	(1,563,581)	—	—
Change in value of split-interest agreements	(481,564)	—	—
Contributed services from affiliate	231,904	—	—
Other nonoperating expense	—	(7,300)	—
Net nonoperating (expenses) revenues	<u>(1,019,647)</u>	<u>(3,225,069)</u>	<u>1,543,053</u>
Income before other changes in net position	<u>915,979</u>	<u>4,984,121</u>	<u>2,912,175</u>
Other changes in net position			
Additions to permanent endowments	—	—	—
Increase in net position	<u>915,979</u>	<u>4,984,121</u>	<u>2,912,175</u>
Net position, beginning of year	<u>14,625,796</u>	<u>21,421,849</u>	<u>22,521,821</u>
Net position, end of year	<u>\$ 15,541,775</u>	<u>\$ 26,405,970</u>	<u>\$ 25,433,996</u>

Note 3 – Cash and Cash Equivalents

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

Note 4 – Investments

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

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

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

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

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

Liquidity and Capital Reserve Pool 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 sixteen counties in north and central Alabama totaling approximately 29,000 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 \$31.8 million and \$31.0 million at September 30, 2021 and 2020, respectively, was derived through the application of the cost, sales comparison, and income capitalization approaches to value.

The value of minerals and mineral exploitation rights contained in fee and mineral rights only and surface mining rights only for approximately 37,000 acres are valued at \$17.1 million and \$20.5 million as of September 30, 2021 and 2020, 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, 2021. 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 two very illiquid securities. 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, entry price at the date of donation, and other valuations typically based on management assumptions or expectations.

At September 30, 2021 and 2020, the fair value of the University's investments based on the inputs used to value them is summarized as follows:

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

UA Portion of System Pool Investments:

Pooled Endowment Fund	1,034,902,733
Liquidity and Capital Reserve Pool Fund	1,126,478,104
Total Reported Value with System Pooled Investments	<u>\$ 2,314,554,256</u>

	2020			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Regions Cash Trust	\$ 185,691,123	\$ —	\$ —	\$ 185,691,123
South African Gold Coins	59,295	—	—	59,295
Equities:				
Common Stock	5,511,767	—	—	5,511,767
Fixed Income Securities:				
U.S. Government Obligations	209,016	66,023	—	275,039
Commingled Funds:				
U.S. Equity Funds	2,743,836	88,213	—	2,832,049
Non-U.S. Equity Funds	450,979	—	—	450,979
U.S. Bond Funds	1,996,671	117,926	—	2,114,597
Private Equity Funds	—	—	2,442,387	2,442,387
Real Estate	—	—	67,350,742	67,350,742
	<u>\$ 196,662,687</u>	<u>\$ 272,162</u>	<u>\$ 69,793,129</u>	<u>\$ 266,727,978</u>

UA Portion of System Pool Investments:

Pooled Endowment Fund	762,703,688
Long-Term Reserve Pool Fund	158,630,688
Liquidity and Capital Reserve Pool Fund	607,356,642
Total Reported Value with System Pooled Investments	<u>\$ 1,795,418,996</u>

At September 30, 2021 and 2020, 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					
	2021				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 515,924
Total Receivables	—	—	—	—	515,924
Cash Equivalents:					
Money Market Funds	45,941,864	—	—	—	45,941,864
Total Cash Equivalents	45,941,864	—	—	—	45,941,864
Equities:					
U.S. Common Stock	175,095,293	—	—	—	175,095,293
Foreign Stock	52,258,192	—	—	—	52,258,192
Total Equities	227,353,485	—	—	—	227,353,485
Fixed Income Securities:					
U.S. Government Obligations	—	13,246,381	—	—	13,246,381
Mortgage Backed Securities	—	14,281,482	—	—	14,281,482
Corporate Bonds	—	33,019,460	—	—	33,019,460
Non-U.S. Bonds	—	6,034,696	—	—	6,034,696
Total Fixed Income Securities	—	66,582,019	—	—	66,582,019
Commingled Funds:					
Non-U.S. Equity Funds	—	134,788,898	—	—	134,788,898
Hedge Funds	—	—	—	785,762,770	785,762,770
Private Equity Funds	—	—	3,673,786	415,061,514	418,735,300
Real Asset Funds	—	—	7,610,408	314,943,245	322,553,653
Total Commingled Funds	—	134,788,898	11,284,194	1,515,767,529	1,661,840,621
Total Fund Investments	273,295,349	201,370,917	11,284,194	1,515,767,529	2,001,717,989
Total Fund Assets	<u>\$ 273,295,349</u>	<u>\$ 201,370,917</u>	<u>\$ 11,284,194</u>	<u>\$ 1,515,767,529</u>	<u>\$ 2,002,233,913</u>
Total Fund Liabilities					(463,514)
Affiliated Entity Investments in Funds					(313,952,384)
Total Net Asset Value					<u><u>\$1,687,818,015</u></u>

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

Liquidity and Capital Reserve Pool

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

Liquidity and Capital Reserve Pool					
	2020				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 3,681,520
Total Receivables	—	—	—	—	3,681,520
Cash Equivalents:					
Money Market Funds	122,282,756	—	—	—	122,282,756
Total Cash Equivalents	122,282,756	—	—	—	122,282,756
Equities:					
U.S. Common Stock	210,853,767	—	—	—	210,853,767
Foreign Stock	76,692,824	—	—	—	76,692,824
Total Equities	287,546,591	—	—	—	287,546,591
Fixed Income Securities:					
U.S. Government Obligations	—	74,438,886	—	—	74,438,886
Mortgage Backed Securities	—	253,871,960	—	—	253,871,960
Collateralized Mortgage Obligations	—	22,981,714	—	—	22,981,714
Corporate Bonds	—	169,834,304	—	—	169,834,304
Non-U.S. Bonds	—	85,166,218	—	—	85,166,218
Total Fixed Income Securities	—	606,293,082	—	—	606,293,082
Commingled Funds:					
U.S. Equity Funds	—	145,228,505	—	—	145,228,505
Non-U.S. Equity Funds	—	356,462,581	—	—	356,462,581
U.S. Bond Funds	—	306,086,677	—	—	306,086,677
Hedge Funds	—	—	—	916,173,748	916,173,748
Real Asset Funds	—	—	—	131,654,699	131,654,699
Total Commingled Funds	—	807,777,763	—	1,047,828,447	1,855,606,210
Total Fund Investments	409,829,347	1,414,070,845	—	1,047,828,447	2,871,728,639
Total Fund Assets	<u>\$ 409,829,347</u>	<u>\$1,414,070,845</u>	<u>\$ —</u>	<u>\$1,047,828,447</u>	<u>\$2,875,410,159</u>
Total Fund Liabilities					(791,152)
Affiliated Entity Investments in Funds					(214,311,956)
Total Net Asset Value					<u>\$2,660,307,051</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, 2021 and 2020 is as follows:

2021 - Pooled Endowment Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$ 785,762,770	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	415,061,514	174,482,041	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	86,098,351	—	No limit	Monthly and quarterly	None
Real assets - private real estate, natural resources, and infrastructure	228,844,894	131,972,561	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$1,515,767,529</u>	<u>\$ 306,454,602</u>			
2020 - 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	\$ 508,475,822	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	256,095,913	185,895,557	1 - 10 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	44,328,885	—	No limit	Monthly and quarterly	None
Real assets - private real estate, natural resources, and infrastructure	162,789,651	92,293,798	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 971,690,271</u>	<u>\$ 278,189,355</u>			
2021 - Liquidity and Capital Reserve Pool Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$1,253,780,387	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	253,017,907	—	No limit	Monthly and quarterly	None
	<u>\$1,506,798,294</u>	<u>\$ —</u>			
2020 - 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	\$ 916,173,748	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	131,654,699	—	No limit	Monthly and quarterly	None
	<u>\$1,047,828,447</u>	<u>\$ —</u>			

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 \$208.9 million and \$202.6 million in the PEF and LCRP, collectively, at September 30, 2021 and 2020, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$643.0 million and \$509.2 million in the PEF and LCRP, collectively, at September 30, 2021 and 2020, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2021 and 2020 is as follows:

		2021	
		Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Fixed or Variable Income Securities			
U.S. Government Obligations		\$ 13,246,381	\$ 250,565,337
Other U.S. Denominated:			
AAA		751,743	33,536,982
AA		1,691,717	49,370,980
A		12,042,928	135,358,729
BBB		18,930,562	128,995,396
BB		5,670,545	7,716,916
B		242,759	12,510,612
C and < C		—	5,566,724
Unrated		14,005,384	194,867,566
Commingled Funds:			
U.S. Bond Funds: Unrated		—	495,084,539
Money Market Funds: Unrated		45,941,864	101,990,000
Total		<u>\$ 112,523,883</u>	<u>\$ 1,415,563,781</u>
		2020	
		Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Fixed or Variable Income Securities			
U.S. Government Obligations		\$ 6,061,927	\$ 74,438,886
Other U.S. Denominated:			
AAA		1,759,641	68,457,473
AA		2,522,307	36,093,014
A		6,820,070	113,181,471
BBB		9,988,712	110,647,518
BB		4,393,666	11,683,200
B		—	150,423
C and < C		—	46,695
Unrated		11,051,069	191,594,402
Commingled Funds:			
U.S. Bond Funds: Unrated		38,073,557	306,086,677
Money Market Funds: Unrated		42,770,410	122,282,756
Total		<u>\$ 123,441,359</u>	<u>\$ 1,034,662,515</u>

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, 2021 and 2020 is as follows:

	2021	2020
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ 188,294	\$ 209,016
Other U.S. Dollar, Money Market Funds, and Commingled Bonds		
AAA	1,141,092	1,178,686
AA	116,251	140,877
A	170,147	219,519
BBB	368,243	398,093
BB	113,084	117,976
B	63,952	74,863
Below B	66,698	22,803
Unrated	66,186	25,327
Cash	854	2,476
Total	<u>\$ 2,294,801</u>	<u>\$ 2,389,636</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, 2021 and 2020, 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, 2021 and 2020 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	
	2021	2020	2021	2020
U.S. Government Obligations	9.8	11.9	3.2	3.4
Corporate Bonds	6.1	7.3	2.5	3.0
Non-U.S. Bonds	6.1	7.3	2.5	3.0
Commingled Bond Funds	—	3.3	2.5	2.9
Other Fixed Income	—	—	1.9	—

The effective durations for fixed or variable income securities, for the University's separately held investments, at September 30, 2021 and 2020 are as follows:

	2021	2020
U.S. Government Obligations	10.5	11.0
Commingled Bond Funds	6.0	5.9

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, 2021 and 2020 the fair market value of these investments, for the System Pools, are as follows:

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

	2020	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	\$ 13,435,270	\$ 253,871,960
Collateralized Mortgage Obligations	—	22,981,714
Total Fixed	<u>\$ 13,435,270</u>	<u>\$ 276,853,674</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, 2021 and 2020, the effective durations for these securities held in the System Pools are listed below. At September 30, 2021 and 2020, the University did not hold any investments in these security types outside of the System Pools.

	2021	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	3.6	2.6
Collateralized Mortgage Obligations	—	6.6
	2020	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	2.9	2.0
Collateralized Mortgage Obligations	—	2.6

Foreign Currency Risk

The strategic asset allocation policy for the PEF and LCRP includes an allocation to non-United States equity and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2021 and 2020, 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 three pools disclosed in the previous tables. At September 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020 is summarized below:

	2021	2020
Student accounts	\$ 40,720,719	\$ 43,438,303
Sponsoring agencies	36,151,669	24,671,403
Accrued interest receivable	9,634,141	9,125,527
Other	11,352,298	16,034,384
Total accounts receivable	97,858,827	93,269,617
Less allowance for doubtful accounts	(1,955,657)	(2,163,848)
Accounts receivable, net	<u>\$ 95,903,170</u>	<u>\$ 91,105,769</u>

Notes receivable

In 2005, the University established a program to provide financial assistance to University student organizations to help those organizations improve the quality and safety of the residential options those organizations provide to students. This program has supported the construction of several new student organization facilities and renovations and additions to many others. As a result, the University has entered into notes receivables transactions with various student organizations. Notes receivable from student organizations bear interest rates ranging from 3.55% to 5.73% with terms up to 40 years. The composition of notes receivable at September 30, 2021 and 2020 is summarized as follows:

	2021	2020
Notes receivable from student organizations	\$ 223,184,159	\$ 220,323,318
Less current portion	(5,126,018)	(3,827,210)
Notes receivable, noncurrent	<u>\$ 218,058,141</u>	<u>\$ 216,496,108</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, 2021 and 2020, is summarized as follows:

	2021	2020
Federal loan program	\$ 10,422,487	\$ 11,401,327
University loan funds	2,552,106	2,135,135
Less allowance for doubtful loans	(3,696,717)	(3,696,717)
Total student loans outstanding, net	9,277,876	9,839,745
Less current portion	(1,832,569)	(1,929,194)
Total student loans outstanding, noncurrent	<u>\$ 7,445,307</u>	<u>\$ 7,910,551</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, 2021 and 2020, is summarized as follows:

	2021	2020
Operations	\$ 40,373,015	\$ 30,793,041
Capital	45,974,975	53,401,162
Less allowance for doubtful pledges	(5,077,115)	(3,854,708)
Total pledges, net	81,270,875	80,339,495
Less current portion	(20,794,449)	(18,467,892)
Total pledges, noncurrent	<u>\$ 60,476,426</u>	<u>\$ 61,871,603</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, 2021 are summarized as follows:

	Balance October 1, 2020	Additions	Retirements/ Transfers	Balance September 30, 2021
Nondepreciable capital assets:				
Land	\$ 82,116,244	\$ 5,888,020	\$ —	\$ 88,004,264
Collections	27,334,042	1,946,633	—	29,280,675
Intangible assets	58,746,214	—	—	58,746,214
Construction in progress	130,618,222	148,456,382	(135,022,461)	144,052,143
Total nondepreciable capital assets	298,814,722	156,291,035	(135,022,461)	320,083,296
Depreciable capital assets:				
Land improvements	88,756,051	3,759,144	—	92,515,195
Infrastructure	147,737,354	30,045,844	—	177,783,198
Buildings and fixed equipment	2,420,141,294	122,938,921	(1,068,255)	2,542,011,960
Equipment	230,595,779	9,320,251	(6,138,925)	233,777,105
Library materials	127,667,574	677,750	—	128,345,324
Intangible assets	61,215,486	969,821	—	62,185,307
Total depreciable capital assets	3,076,113,538	167,711,731	(7,207,180)	3,236,618,089
Less accumulated depreciation:				
Land improvements	35,034,331	4,286,803	—	39,321,134
Infrastructure	43,260,295	7,334,847	—	50,595,142
Buildings and fixed equipment	610,537,536	53,945,243	(159,054)	664,323,725
Equipment	138,439,495	15,849,102	(5,801,042)	148,487,555
Library materials	114,013,290	2,741,110	—	116,754,400
Intangible assets	58,997,721	1,545,633	—	60,543,354
Total accumulated depreciation	1,000,282,668	85,702,738	(5,960,096)	1,080,025,310
Total depreciable capital assets, net	2,075,830,870	82,008,993	(1,247,084)	2,156,592,779
Total capital assets, net	\$ 2,374,645,592	\$ 238,300,028	\$ (136,269,545)	\$ 2,476,676,075

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

	Balance October 1, 2019	Additions	Retirements/ Transfers	Balance September 30, 2020
Nondepreciable capital assets:				
Land	\$ 81,661,516	\$ 454,728	\$ —	\$ 82,116,244
Collections	27,125,575	212,467	(4,000)	27,334,042
Intangible assets	58,746,214	—	—	58,746,214
Construction in progress	85,044,898	238,146,963	(192,573,639)	130,618,222
Total nondepreciable capital assets	252,578,203	238,814,158	(192,577,639)	298,814,722
Depreciable capital assets:				
Land improvements	87,720,577	1,035,474	—	88,756,051
Infrastructure	132,666,836	15,070,518	—	147,737,354
Buildings and fixed equipment	2,228,157,286	191,984,008	—	2,420,141,294
Equipment	208,624,235	30,484,489	(8,512,945)	230,595,779
Library materials	127,083,866	583,708	—	127,667,574
Intangible assets	61,842,203	196,000	(822,717)	61,215,486
Total depreciable capital assets	2,846,095,003	239,354,197	(9,335,662)	3,076,113,538
Less accumulated depreciation:				
Land improvements	30,759,371	4,274,960	—	35,034,331
Infrastructure	36,726,620	6,533,675	—	43,260,295
Buildings and fixed equipment	559,952,127	50,585,409	—	610,537,536
Equipment	129,252,458	15,453,359	(6,266,322)	138,439,495
Library materials	111,255,082	2,758,208	—	114,013,290
Intangible assets	57,730,180	2,090,258	(822,717)	58,997,721
Total accumulated depreciation	925,675,838	81,695,869	(7,089,039)	1,000,282,668
Total depreciable capital assets, net	1,920,419,165	157,658,328	(2,246,623)	2,075,830,870
Total capital assets, net	\$ 2,172,997,368	\$ 396,472,486	\$ (194,824,262)	\$ 2,374,645,592

Note 7 – Long-Term Debt

Long-term debt activity for the years ended September 30, 2021 and 2020 is summarized as follows:

	Balance October 1, 2020	New Debt	Principal Repayment	Reclass	Balance September 30, 2021
Type/Supported by					
Notes payable					
Crimson Tide Foundation airplane	\$ 5,642,295	\$ —	\$ (786,397)	\$ —	\$ 4,855,898
Bryce/Partlow property	22,265,200	—	(5,566,300)	—	16,698,900
Bonds					
General Revenue	1,128,765,000	—	(34,970,000)	—	1,093,795,000
	<u>\$ 1,156,672,495</u>	<u>\$ —</u>	<u>\$ (41,322,697)</u>	<u>\$ —</u>	<u>\$ 1,115,349,798</u>
Plus net unamortized bond premium/discount	92,714,465				84,700,597
Less current portion	<u>(41,322,697)</u>				<u>(43,028,018)</u>
	<u><u>\$ 1,208,064,263</u></u>				<u><u>\$ 1,157,022,377</u></u>
	Balance October 1, 2019	New Debt	Principal Repayment	Reclass	Balance September 30, 2020
Type/Supported by					
Notes payable					
Crimson Tide Foundation airplane	\$ 1,060,844	\$ 5,900,000	\$ (1,318,549)	\$ —	\$ 5,642,295
Bryce/Partlow property	27,831,500	—	(5,566,300)	—	22,265,200
Bonds					
General Revenue	1,165,085,000	—	(36,320,000)	—	1,128,765,000
	<u>\$ 1,193,977,344</u>	<u>\$ 5,900,000</u>	<u>\$ (43,204,849)</u>	<u>\$ —</u>	<u>\$ 1,156,672,495</u>
Plus net unamortized bond premium/discount	100,151,687				92,714,465
Less current portion	<u>(42,487,450)</u>				<u>(41,322,697)</u>
	<u><u>\$ 1,251,641,581</u></u>				<u><u>\$ 1,208,064,263</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, 2021, 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
2022	\$ 6,373,018	\$ 36,655,000	\$ 43,028,018	\$ 114,620	\$ 42,452,588	\$ 42,567,208	\$ 85,595,226
2023	6,393,865	38,495,000	44,888,865	93,773	40,767,218	40,860,991	85,749,856
2024	6,415,250	39,995,000	46,410,250	72,388	38,963,060	39,035,448	85,445,698
2025	870,888	42,700,000	43,570,888	50,450	37,076,330	37,126,780	80,697,668
2026	893,393	44,740,000	45,633,393	27,946	34,941,330	34,969,276	80,602,669
2027-2031	608,384	254,405,000	255,013,384	5,841	144,270,287	144,276,128	399,289,512
2032-2036	—	267,555,000	267,555,000	—	90,178,153	90,178,153	357,733,153
2037-2041	—	202,115,000	202,115,000	—	48,272,609	48,272,609	250,387,609
2042-2046	—	120,930,000	120,930,000	—	18,048,581	18,048,581	138,978,581
2047-2049	—	46,205,000	46,205,000	—	2,609,250	2,609,250	48,814,250
	<u>\$ 21,554,798</u>	<u>\$ 1,093,795,000</u>	<u>\$ 1,115,349,798</u>	<u>\$ 365,018</u>	<u>\$ 497,579,406</u>	<u>\$ 497,944,424</u>	<u>\$ 1,613,294,222</u>

Pledged revenues for the years ended September 30, 2021 and 2020 as defined by outstanding bond covenants are as follows:

	2021	2020
Tuition and fees	\$ 753,560,370	\$ 801,068,732
Sales and services of educational activities	11,262,637	9,866,923
Auxiliary sales and services	219,391,307	166,817,400
Investment income	41,203,373	59,203,509
Other operating revenues	55,566,533	78,176,763
Total pledged revenues	<u>\$ 1,080,984,220</u>	<u>\$ 1,115,133,327</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 2021 of \$1.1 billion, the projected maximum annual debt service requirement of \$85.7 million in 2023 is covered approximately 12.6 times by pledged revenues. The University is in compliance with all financial covenants as of September 30, 2021.

In November 2014, the University finalized a purchase agreement with the Alabama Department of Mental Health ("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, 2021:

Description	Date Issued	Final Maturity	Interest Rate-%	Original Debt	Outstanding Debt
Bonds payable:					
General Fee Revenue Bond Series 2009B	10/30/2009	7/1/2021	1.25-5.14	\$ 48,060,000	\$ —
General Fee Revenue Bond Series 2010A	8/1/2010	7/1/2040	2.0-5.875	16,495,000	12,235,000
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	230,590,000
General Fee Revenue Bond Series 2014A	8/28/2014	7/1/2021	5.0	25,780,000	—
General Fee Revenue Bond Series 2014B	8/28/2014	7/1/2044	3.0-5.0	212,105,000	212,105,000
General Fee Revenue Bond Series 2017A	8/30/2017	7/1/2024	4.0-5.0	15,855,000	10,805,000
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	6,840,000
General Fee Revenue Bond Series 2019A	9/19/2019	7/1/2049	3.0-5.0	375,515,000	364,715,000
General Fee Revenue Bond Series 2019B	9/19/2019	7/1/2024	2.0-4.0	14,095,000	10,765,000
General Fee Revenue Bond Series 2019C	9/19/2019	7/1/2038	3.0-5.0	69,340,000	69,340,000
Total bonds payable				<u>1,244,360,000</u>	<u>1,093,795,000</u>
Notes payable:					
Department of Mental Health (Partlow I)	11/14/2014	11/14/2023	0.0	32,000,000	9,600,000
Department of Mental Health (Partlow II)	2/27/2015	2/27/2024	0.0	23,663,000	7,098,900
PNC Aviation Finance (CTF airplane CESSNA)	1/31/2020	2/1/2027	2.55	5,900,000	4,855,898
Total notes payable				<u>61,563,000</u>	<u>21,554,798</u>
Total bonds and notes payable				<u>\$ 1,305,923,000</u>	<u>\$ 1,115,349,798</u>

Line of Credit

In June 2020, the Crimson Tide Foundation entered into a line of credit agreement with the UA Board in the amount of \$25 million. A total of \$21.8 million and \$0.0 million was withdrawn as of June 30, 2021 and 2020, respectively. Repayment of the funds was originally due by September 30, 2021, but was extended to September 30, 2022. For the year ended June 30, 2021, the Foundation incurred \$134,280 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, which was 1% at June 30, 2021. The unused portion of the line of credit at June 30, 2021 and 2020 was \$3.2 million and \$25.0 million, respectively. The amount outstanding at June 30, 2021 was paid in full by October 2021.

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 \$1.6 million and \$2.0 million for general liability at September 30, 2021 and 2020, respectively.

The University is self-insured for health insurance. The liability for unpaid claims includes an accrual for an estimate of claims incurred but not reported and is included in accounts payable and accrued liabilities in the accompanying statements of net position. The changes in the health insurance liabilities for the years ended September 30, 2021 and 2020 are summarized as follows:

	2021	2020
Balance, beginning of year	\$ 4,103,000	\$ 4,569,000
Claims paid	(51,693,897)	(49,654,349)
Contributions	51,795,897	49,188,349
Balance, end of year	<u>\$ 4,205,000</u>	<u>\$ 4,103,000</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 UA System 403(b) defined contribution plan. Prior to fiscal year 2020, the plan offered eligible employees a choice between two record keepers, Teachers Insurance and Annuity Association ("TIAA") and the Variable Annuity Life Insurance Company ("VALIC"). Effective in fiscal year 2020, the System, in conjunction with its participating universities and with the Board's approval, transitioned to a single recordkeeper with TIAA serving as sole vendor for the plan.

Defined Benefit Plan - TRS

Plan description. The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, 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. 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 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees. Contributions for covered employees are mandatory for both employee and employer.

The University's contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. The University's contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. 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 2021, 2020, and 2019 is as follows:

	2021	2020	2019
Employer Contributions	\$ 51,757,744	\$ 52,175,581	\$ 51,222,334
Employee Contributions	29,590,369	29,636,069	29,242,418
Total Contributions	<u>\$ 81,348,113</u>	<u>\$ 81,811,650</u>	<u>\$ 80,464,752</u>

Pensionable salaries and wages for covered employees participating in TRS were approximately \$434.0 million and \$431.8 million during fiscal years 2021 and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2021, the financial statements of the University reflected a liability of \$739.6 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, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020 the University's proportion was 5.98%, which was an increase of 0.14% from its proportion measured as of September 30, 2019. The University's proportionate share of the collective net pension liability at September 30, 2020 was \$646.2 million.

For the years ended September 30, 2021 and 2020, the University recognized pension expense of \$86.3 million and \$82.2 million, respectively. At September 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,554,000	\$ 21,430,000
Changes of assumptions	19,909,000	—
Net difference between projected and actual earnings on pension plan investments	22,500,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	22,272,000	11,388,000
Employer contributions subsequent to the measurement date	52,175,581	—
Total	<u>\$ 126,410,581</u>	<u>\$ 32,818,000</u>

\$51.8 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions in 2021 will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ 22,581,000
2023	\$ 31,998,000
2024	\$ 29,635,000
2025	\$ 16,440,000
2026	\$ —
Thereafter	\$ —

Actuarial assumptions. The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement. All assumptions are unchanged from the prior year.

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

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	17.00 %	4.40 %
U.S. large stocks	32.00 %	8.00 %
U.S. mid stocks	9.00 %	10.00 %
U.S. small stocks	4.00 %	11.00 %
International developed market stocks	12.00 %	9.50 %
International emerging market stocks	3.00 %	11.00 %
Alternatives	10.00 %	10.10 %
Real estate	10.00 %	7.50 %
Cash equivalents	3.00 %	1.50 %
Total	100.00 %	

*Includes assumed rate of inflation of 2.50%

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

Sensitivity of 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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70)%	Current Rate (7.70)%	1% Increase (8.70)%
University's proportionate share of collective net pension liability	\$ 986,736,000	\$ 739,566,000	\$ 530,431,000

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, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Defined Contribution Plans

As previously noted, some employees participate in a voluntary UA System 403(b) defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All 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 contribution for fiscal years 2021 and 2020, excluding amounts not eligible for matching, was \$24.9 million and \$16.1 million, which included \$12.5 million and \$8.1 million each from the University and its employees, respectively. Salaries and wages for covered employees participating in the 403(b) plan were \$301.5 million and \$291.3 million, respectively, during fiscal years 2021 and 2020.

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

Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. Depending on their payroll classification, some employees are also paid one-half of their unused accrued sick leave at their regular rate of pay. Accounts payable and accrued liabilities within the accompanying statements of net position includes an accrual of \$33.5 million and \$33.4 million as of September 30, 2021 and 2020, respectively, primarily for accrued vacation and sick leave.

Note 10 – Post-Employment Benefits

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

PEEHIP

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

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

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

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

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

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

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

Contributions. The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the PEEHI Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHI Board is required to certify to the Governor and the Legislature, the amount, as a

monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHI Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHI Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHI Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHI Board. This reduction in the employer contribution ceases upon notification to the PEEHI Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2021, the financial statements of the University of Alabama reflected a liability of \$277.0 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, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the University's proportion was 4.27%, which was an increase of 1.38% from its proportion measured as of September 30, 2019. The University's proportionate share of the net OPEB liability at September 30, 2020 was \$109.0 million.

For the years ended September 30, 2021 and 2020, the University recognized OPEB expense (benefit) of \$11.2 million and \$(9.2) million, respectively, with no special funding situations. At September 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,023,813	\$ 99,578,071
Changes of assumptions	96,744,155	51,431,169
Net difference between projected and actual earnings on OPEB plan investments	—	11,679
Changes in proportion and differences between Employer contributions and proportionate share of contributions	109,497,239	30,170,243
Employer contributions subsequent to the measurement date	7,359,091	—
Total	<u>\$ 220,624,298</u>	<u>\$ 181,191,162</u>

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,608,264	\$ 83,557,437
Changes of assumptions	5,209,665	45,138,149
Net difference between projected and actual earnings on OPEB plan investments	224,801	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	24,610,041	38,080,965
Employer contributions subsequent to the measurement date	8,450,780	—
Total	<u>\$ 42,103,551</u>	<u>\$ 166,776,551</u>

\$7.4 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, 2022. 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:	
2022	\$ (3,039,272)
2023	\$ (2,617,358)
2024	\$ (3,484,893)
2025	\$ (4,389,300)
2026	\$ 27,137,243
Thereafter	\$ 18,467,625

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

Inflation	2.75%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	2.25%
Municipal bond index rate at the prior measurement date	3.00%
Projected year for fiduciary net position (FNP) to be depleted	2040
Single equivalent interest rate at the measurement date	3.05%
Single equivalent interest rate at the prior measurement date	5.50%
Healthcare cost trend rate	
Pre-medicare eligible	6.75%
Medicare eligible	***
Ultimate trend rate	
Pre-medicare eligible	4.75% in 2027
Medicare eligible	4.75% in 2024

*Includes 3.00% wage inflation.

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation.

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

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	30.00 %	4.40 %
U.S. large stocks	38.00 %	8.00 %
U.S. mid stocks	8.00 %	10.00 %
U.S. small stocks	4.00 %	11.00 %
International developed market stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
Total	100.00 %	

*Geometric mean, includes 2.50% inflation

Discount rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) used to measure the total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. 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. Approximately 14.80% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.80% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.00%, at which point this amount will increase by 1.00% in subsequent years. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table reflects the University's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, 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 (5.75% decreasing to 3.75% for pre-Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, Known decreasing to 5.75% for Medicare eligible)
University's proportionate share of the collective net OPEB liability	\$ 218,947,271	\$ 276,972,007	\$ 352,500,494

The following table reflects the University's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05)%	Current Discount Rate (3.05)%	1% Increase (4.05)%
University's proportionate share of the collective net OPEB liability	\$ 339,720,538	\$ 276,972,007	\$ 227,136,082

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, 2020. The supporting actuarial information is included in the GASB 74 Report for PEEHIP prepared as of September 30, 2020. 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, 2021 and 2020, respectively, the University disbursed approximately \$191.6 million and \$198.8 million, respectively, under the FDSLP.

Note 12 – Grants and Contracts

At September 30, 2021, the University had been awarded approximately \$100.7 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, 2021.

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, 2021 and 2020 are summarized as follows:

2021 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 268,144,941	\$ 29,090,683	\$ 18,305,178	\$ —	\$ 315,540,802
Research	68,143,393	35,703,257	7,350,087	—	111,196,737
Public service	42,131,375	15,731,435	2,124,212	—	59,987,022
Academic support	69,893,354	13,581,091	15,262,777	—	98,737,222
Student services	38,857,758	11,183,519	5,410,107	—	55,451,384
Institutional support	83,839,047	28,550,634	7,781,339	—	120,171,020
Operations and maintenance	71,942,252	27,484,188	—	—	99,426,440
Scholarships and fellowships	—	—	—	57,733,682	57,733,682
Auxiliary enterprises	89,918,267	86,762,544	29,469,038	6,252,190	212,402,039
Total operating expenses	<u>\$ 732,870,387</u>	<u>\$ 248,087,351</u>	<u>\$ 85,702,738</u>	<u>\$ 63,985,872</u>	<u>\$1,130,646,348</u>

2020 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 288,748,543	\$ 32,992,269	\$ 18,343,614	\$ —	\$ 340,084,426
Research	44,343,117	27,852,109	7,710,179	—	79,905,405
Public service	39,302,941	11,862,236	1,954,394	—	53,119,571
Academic support	67,338,690	7,272,948	14,636,575	—	89,248,213
Student services	39,237,571	11,781,941	5,687,332	—	56,706,844
Institutional support	76,375,465	18,852,978	8,421,801	—	103,650,244
Operations and maintenance	70,632,805	21,100,092	—	—	91,732,897
Scholarships and fellowships	—	—	—	26,788,692	26,788,692
Auxiliary enterprises	85,132,466	73,735,184	24,941,974	8,647,041	192,456,665
Total operating expenses	<u>\$ 711,111,598</u>	<u>\$ 205,449,757</u>	<u>\$ 81,695,869</u>	<u>\$ 35,435,733</u>	<u>\$1,033,692,957</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, 2021 and 2020, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$61.6 million and \$175.0 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. 84, *Fiduciary Activities*, in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2019. Refer to Note 1 for additional information regarding the impact of the University's adoption of GASB Statement No. 84 as of and for the year ended September 30, 2021.

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after June 15, 2021. The University anticipates that the adoption of GASB 87 will have a material impact on its financial statements.

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

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

The GASB issued Statement No. 92, *Omnibus 2020*, in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (a) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports and (b) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. Certain requirements of this statement are effective immediately and others are effective for reporting periods beginning after June 15, 2021. For the requirements effective immediately, the University has determined there was no material impact from its adoption of GASB 92. For the requirements effective for reporting periods beginning after June 15, 2021, the University is evaluating whether there will be any material impact from its adoption of GASB 92.

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

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

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

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

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

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

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

	2021	2020	2019	2018
Employer's proportion of the net pension liability	5.98%	5.84%	5.98%	5.75%
Employer's proportionate share of the collective net pension liability	\$ 739,566,000	\$ 646,185,000	\$ 594,410,000	\$ 565,233,000
Employer's covered payroll during the measurement period	\$ 431,766,760	\$ 422,693,087	\$ 405,655,755	\$ 385,853,526
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	171.29%	152.87%	146.53%	146.49%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%

Schedule of The University of Alabama's Contributions

Teachers' Retirement Plan of Alabama

	2021	2020	2019	2018
Contractually required contribution	\$ 51,757,744	\$ 52,175,581	\$ 51,222,334	\$ 48,018,757
Contributions in relation to the contractually required contribution	\$ 51,757,744	\$ 52,175,581	\$ 51,222,334	\$ 48,018,757
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755
Contributions as a percentage of covered payroll	11.93%	12.08%	12.12%	11.84%

Notes to Schedules

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

Measurement period:

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

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

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

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

The University of Alabama

Required Supplementary Information (Unaudited)

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

Teachers' Retirement Plan of Alabama

	2017	2016	2015
Employer's proportion of the net pension liability	5.76%	5.47%	5.20%
Employer's proportionate share of the collective net pension liability	\$ 623,398,000	\$ 572,814,000	\$ 472,075,000
Employer's covered payroll during the measurement period	\$ 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	168.67%	164.66%	143.22%
Plan fiduciary net position as a percentage of the total collective pension liability	67.93%	67.51%	71.01%

Schedule of The University of Alabama's Contributions

Teachers' Retirement Plan of Alabama

	2017	2016	2015
Contractually required contribution	\$ 45,024,221	\$ 43,303,201	\$ 39,092,939
Contributions in relation to the contractually required contribution	\$ 45,024,221	\$ 43,303,201	\$ 39,092,939
Contribution deficiency (excess)	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 385,853,526	\$ 369,595,295	\$ 347,881,013
Contributions as a percentage of covered payroll	11.67%	11.72%	11.24%

Notes to Schedules

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

Measurement period:

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

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

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

The University of Alabama

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

	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	4.27%	2.89%	3.25%	3.47%
Employer's proportionate share of the collective net OPEB liability	\$ 276,972,007	\$ 108,975,155	\$ 267,378,182	\$ 257,683,278
Employer's covered payroll during the measurement period	\$ 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	64.15%	25.78%	65.91%	66.78%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	19.8%	28.14%	14.81%	15.37%

Schedule of The University of Alabama's Contributions

Alabama Retired Education Employees' Health Care Trust

	2021	2020	2019	2018
Contractually required contribution	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contributions in relation to the contractually required contribution	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755
Contributions as a percentage of covered payroll	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.

Measurement period:

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

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

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

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

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ALABAMA

As of September 30, 2021

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

Trustees:

W. Stancil Starnes, President Pro Tempore

Sixth Congressional District

Mike Brock

Second Congressional District

Karen P. Brooks

Seventh Congressional District

Ronald W. Gray

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

Scott M. Phelps

Fourth Congressional District

William Britt Sexton

Fifth Congressional District

Kenneth Simon

Seventh Congressional District

Marietta M. Urquhart

First Congressional District

Kenneth L. Vandervoort, M.D.

Third Congressional District

James W. Wilson III

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.

John T. Oliver, Jr.

Joe H. Ritch

Finis E. St. John IV

Cleophus Thomas, Jr.

John Russell Thomas

THE UNIVERSITY OF ALABAMA
EXECUTIVE OFFICERS
As of September 30, 2021

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

Myron Pope, Ph.D.

Vice President of Student Life

Matthew M. Fajack

Vice President for Finance and Operations

Russell J. Mumper, Ph.D.

Vice President for Research and Economic Development

Robert D. Pierce II

Vice President for Advancement

Samory T. Pruitt, Ph.D.

Vice President for Community Affairs

G. Christine Taylor, Ph.D.

Vice President and Associate Provost for Diversity, Equity and Inclusion