

UAB

2019 Financial Report University of Alabama at Birmingham



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

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

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The University of Alabama at Birmingham
Birmingham, Alabama 35294

University of Alabama at Birmingham

2019 Financial Report

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Introduction to UAB

Vision

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

Mission

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

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

2019 Overview

In fall 2019 UAB achieved a fourth consecutive year of record enrollment with 22,080 students. This includes a freshman class that is the largest (2,346 students) and most academically prepared ever, with an average ACT of 25.6 and an average high school GPA of 3.78. Underrepresented students make up nearly 42 percent of the enrollment and 21 percent of undergraduates are first-generation college students.

Students are engaged in unrivaled research opportunities and academic programs. New programs begun over the past two years include a B.S. in Immunology (the only degree of its kind in Southeast), B.S. in Genetics and Genomic Sciences, B.S. in Bioinformatics, M.S. in Data Science and M.S. in Engineering Management.

In the 2020 U.S. News & World Report "Best Graduate Schools," UAB has 14 programs in the top 25 nationally, including a master's in health administration that ranks number one in the nation.

UAB received the 2018 Higher Education Excellence in Diversity Award from INSIGHT into Diversity Magazine and is one of only 14 universities named a Diversity Champion.

In 2019 UAB was named the Top Young University in the nation for the second consecutive year (and 12th globally) in *The Times Higher Education World University Rankings*. With a record \$562 million in total research expenditures, UAB ranks 15th (top 4 percent) in federal research funding among public universities and 8th (top 2 percent) in National Institutes of Health (NIH) funding. UAB is among only eight schools of medicine nationally to increase their NIH funding by more than \$100 million over the past five years.

UAB is home to the 3rd largest public hospital in the U.S. and the state's only level 1 adult trauma center. In the *U.S. News & World Report* "Best Hospitals" UAB again ranked as the number one hospital in Alabama and its ongoing live donor kidney chain is the longest ever conducted anywhere on the globe, reaching 114 transplants in FY19.

As a globally respected academic medical center, UAB excels at translating research into leading-edge patient care. UAB's Comprehensive Cancer Center, among the first eight such centers to be designated by the National Cancer Institute (NCI) in the early 1970s, remains the only one in Alabama and a four-state region. In December 2018, UAB received \$30 million, the largest philanthropic gift in university history, to name the O'Neal Comprehensive Cancer Center at UAB.

At the beginning of fiscal year 2019, UAB concluded its biggest ever capital campaign by receiving gifts or pledges of \$1.02 billion.

UAB has an economic impact on Alabama that exceeds \$7.15 billion annually and is key in growing a robust tech- and knowledge-based economy. In FY19, the UAB Bill L. Harbert Institute for Innovation & Entrepreneurship generated over \$6 million in revenue, 11 start-up companies, 37 licenses and 15 U.S. patents. Innovation Depot, in which UAB is a founding partner, is the largest high-tech business incubator in the Southeast, with 100 start-up companies and more than 1,000 employees.

UAB is also deeply engaged in the Birmingham community. As examples, UAB concluded the Grand Challenge in 2019 to make Alabama a model of healthy living. By expanding proven innovations and changing policies, neighborhoods, schools and workplaces, Healthy Alabama 2030 aims to dramatically improve the health of all Alabamians by elevating our state out of the bottom 10 in national health rankings by the year 2030.

Further, for the fifth consecutive year UAB earned the Arbor Day Foundations and Three Campus USA designation, highlighting some of our beatification and sustainability efforts.

The information included in this introduction (pages 2-8) does not include data related to component units of UAB that are discussed in the notes to the financial statements.

UAB's 50th Anniversary Year

UAB celebrated its 50th anniversary throughout the year 2019. Alabama Governor Kay Ivey issued a proclamation that read in part: "WHEREAS, The University of Alabama at Birmingham (UAB) was established as an autonomous campus of the University of Alabama System in 1969 and has, over five decades, forged ahead in all areas of its mission and earned global renown.... I encourage all Alabamians to join in celebrating UAB and its role in improving education, health and economic development, and in forging an even brighter future for our state." A dedicated 50th Anniversary website (www.uab.edu/50), "50 years of Dreams and Discoveries" showcased historical and contemporary photos, resources from UAB Archives, and a podcast with recordings from UAB Memory Booth, which circulated around campus recording brief reflections from faculty, staff, students, alumni and friends. Special events were held throughout the year and promoted on social media and other platforms, as were community engagement projects initiated through the commemorative "50 Acts of Service" program. The anniversary celebration culminated at homecoming week 2019 with a free concert on the Campus Green, which drew attendance of more than 20,000 - the largest crowd ever assembled on UAB's campus.

On the cover: The Chevrolet Blazer was born in 1969, the same year as UAB. To celebrate our shared 50th anniversary we have brought an original Blazer home....in its original Blazer green. To book the 1969 Blazer for a UAB event inquire at msmartin@uab.edu.



Proclamation

By the Governor of Alabama

WHEREAS, The University of Alabama at Birmingham (UAB) was established as an autonomous campus of the University of Alabama System in 1969 and has, over five decades, forged ahead in all areas of its mission and earned global renown, currently ranking as the Top Young University in the U.S. for a second consecutive year (and 12th globally) in the Times Higher Education World University Rankings; and

WHEREAS, UAB is expanding educational opportunity with four consecutive years of record enrollment (with 21 percent of undergraduates being first-generation) and developing novel, interdisciplinary academic programs, with 14 graduate programs ranked in the nation's top 25 by U.S. News & World Report; and

WHEREAS, UAB is vastly improving health and quality of life statewide by securing record research awards of \$527 million and ranking eighth among public universities (top 2 percent) in National Institutes of Health funding, treating a record 1.7 million patients in FY18, and advancing precision medicine; and

WHEREAS, as our state's largest single employer, is helping grow a robust knowledge-based economy by commercializing research discoveries and generating an annual economic impact exceeding \$7.1 billion;

NOW, THEREFORE, I, Kay Ivey, Governor of Alabama, do hereby proclaim the year 2019,
as

UAB's 50th Anniversary Year

in the state of Alabama and encourage all Alabamians to join in celebrating UAB and its role in improving education, health and economic development, and in forging an even brighter future for our state.



Given Under My Hand and the Great Seal of the Office of the Governor at the State Capitol in the City of Montgomery on the 15th day of October 2019.

Kay Ivey
Kay Ivey, Governor

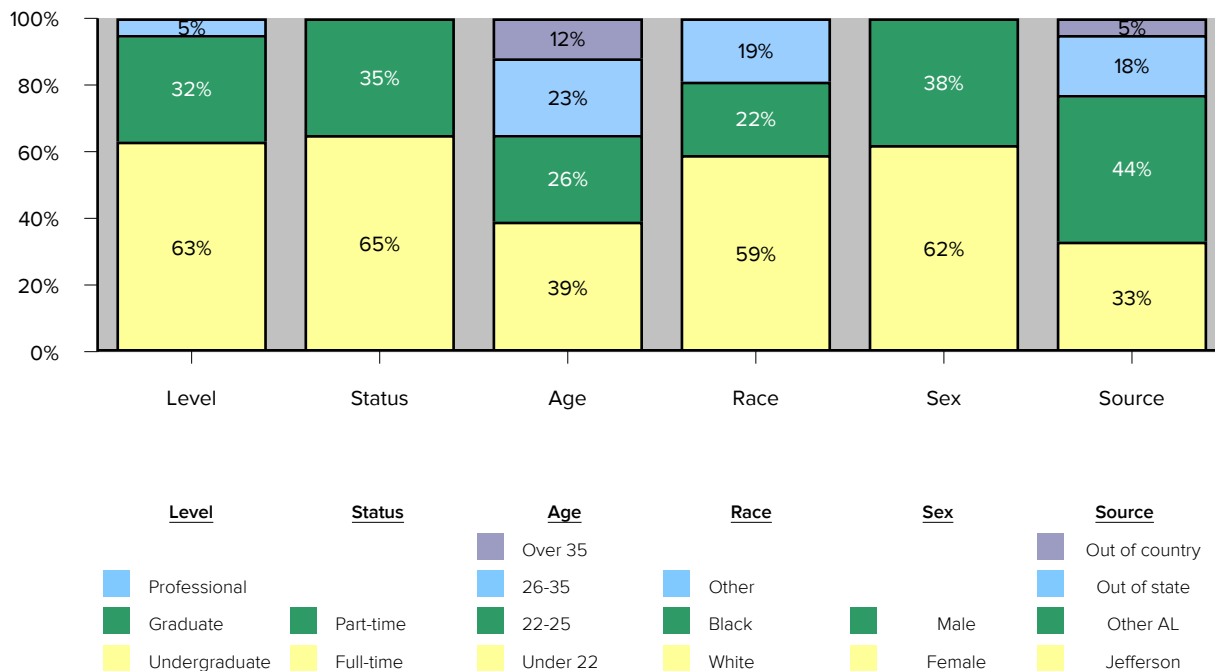
The Ever Faithful 50



Highlights

Student Profile

Total 21,923
As of Fall 2018



Student Headcount

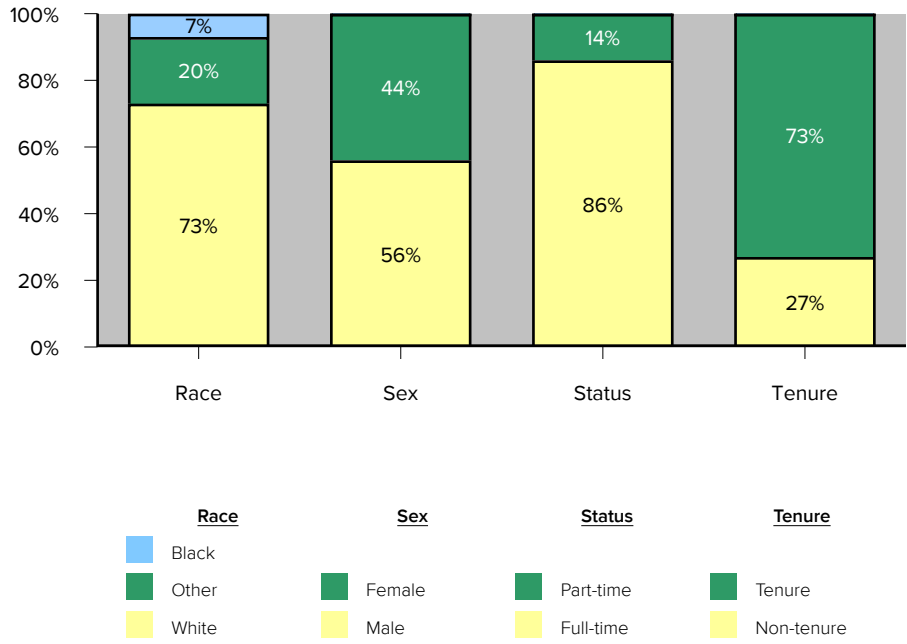
Enrollment for the fall semester of the 2018-2019 school year is outlined in the following table.

Fall 2018				
	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL/ ADVANCED PROFESSIONAL *	TOTAL
SCHOOL OF ARTS AND SCIENCES	6,814	580	273	7,667
SCHOOL OF BUSINESS	2,690	742	—	3,432
SCHOOL OF EDUCATION	1,015	662	98	1,775
SCHOOL OF ENGINEERING	903	474	112	1,489
UNCLASSIFIED	—	166	—	166
SUBTOTAL	11,422	2,624	483	14,529
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	—	1,856	1,856
SCHOOL OF DENTISTRY	—	1	333	334
SCHOOL OF OPTOMETRY	—	2	231	233
SCHOOL OF NURSING	1,021	1,397	318	2,736
SCHOOL OF HEALTH PROFESSIONS	1,056	1,093	296	2,445
SCHOOL OF PUBLIC HEALTH	337	328	90	755
JOINT HEALTH SCIENCES	—	27	392	419
SUBTOTAL, ACADEMIC HEALTH CENTER	2,414	2,848	3,516	8,778
TOTAL ENROLLMENT	13,836	5,472	3,999	23,307

* Includes 1,146 first professionals and 1,384 advanced professionals.

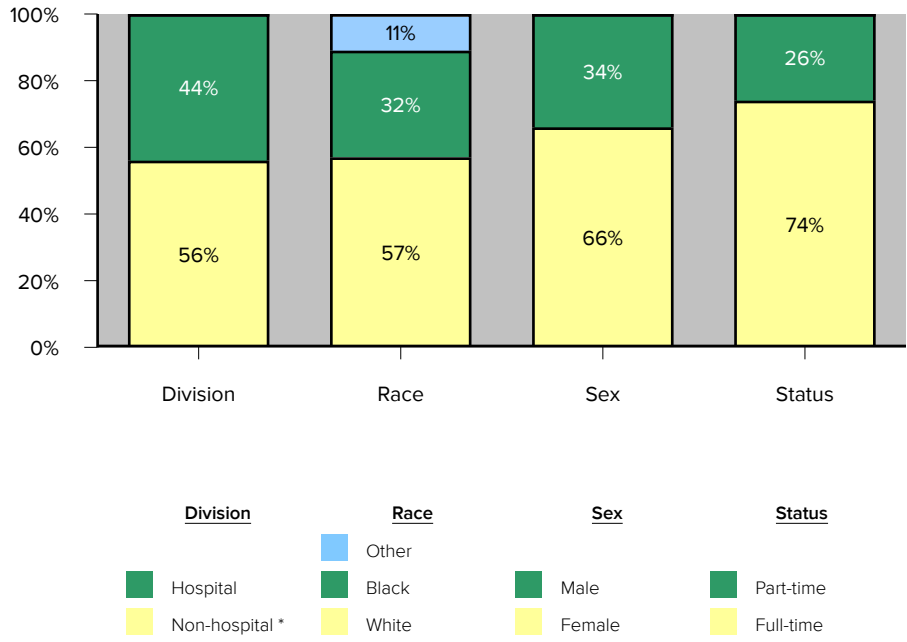
Faculty Profile

Total 2,605
As of Fall 2018



Staff Profile *

Total 19,299
As of Fall 2018



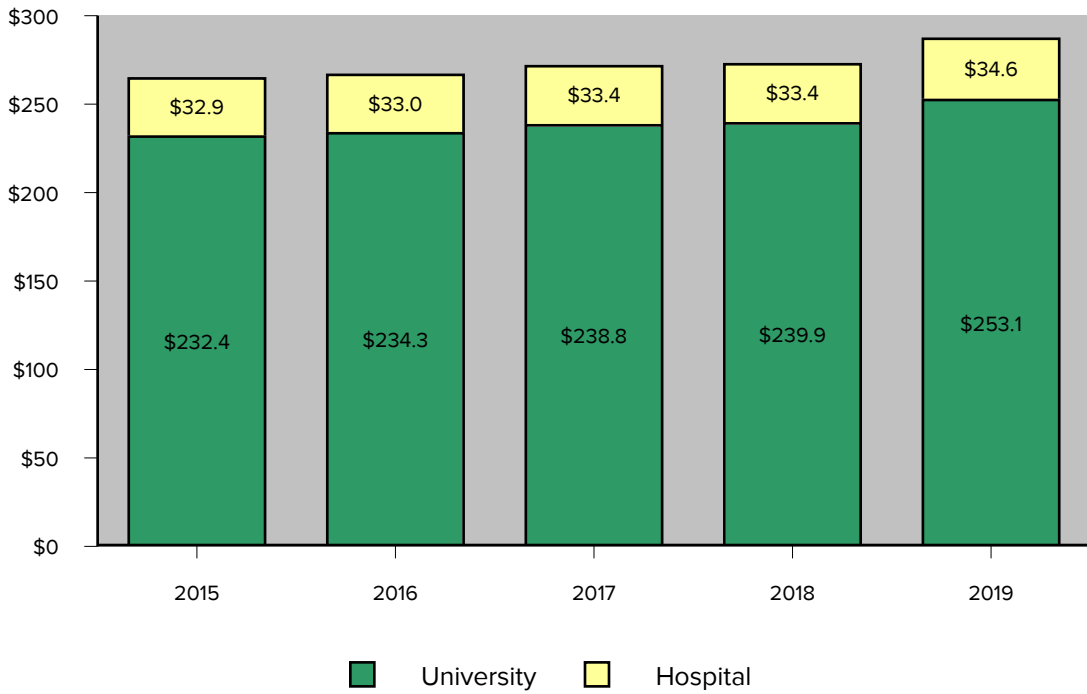
* Non-Hospital includes Hospital Management LLC.

State Appropriations

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

For the fiscal year ended September 30, 2019, UAB received \$287.7 million in State educational appropriation for operating purposes.

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

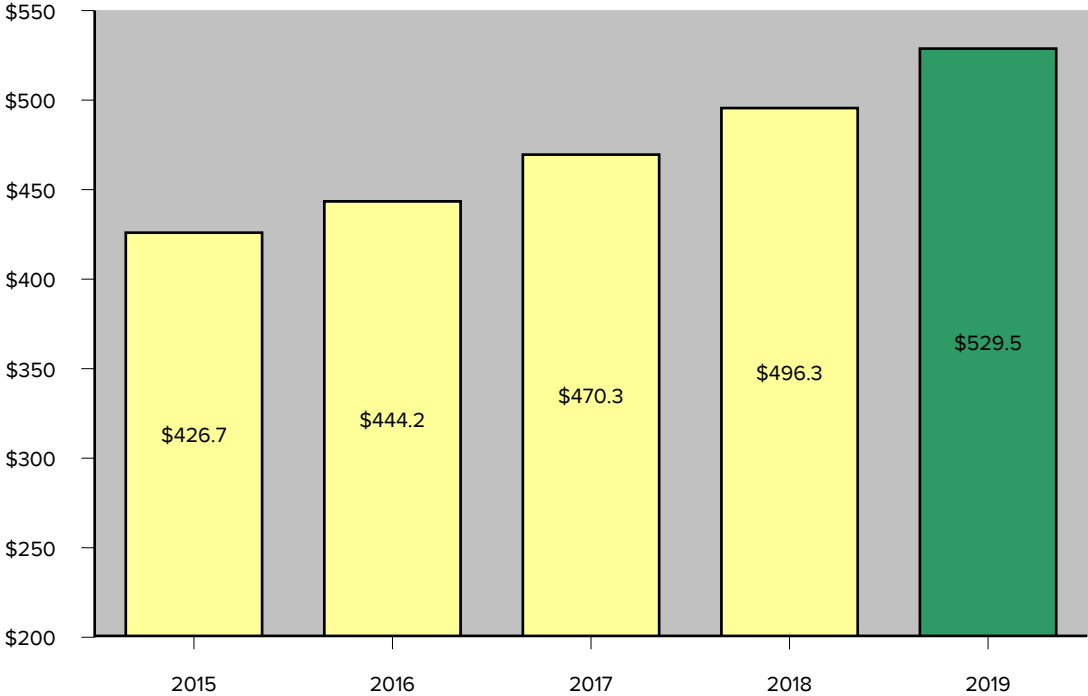


Sponsored Grants and Contracts

During fiscal year 2019, UAB recognized \$529.5 million in sponsored grants and contracts revenues (including \$99.4 million of indirect cost recovery). Various federal agencies provided the majority of support for these projects, with the National Institutes of Health (NIH) being the primary sponsor. Nonfederal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors.

Revenues from grants and contracts (including indirect cost recovery) increased from \$496.3 million during fiscal year 2018 to \$529.5 million during fiscal year 2019, an increase of 6.7% for the period.

Grants and Contracts Revenues
Fiscal Years Ended September 30
(Dollars in millions)



Hospital

Overview

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

Hospital Awards and Accolades

This year's *U.S. News and World Report's* "Best Hospitals" special edition issue ranked six UAB Medicine specialties among the nation's top 50 and two specialties among the top 20. *U.S. News and World Report* also ranked hospitals in adult procedures and conditions. University of Alabama Hospital was ranked high performing, which was the highest ranking conferred, in seven adult procedures and conditions. *Becker's Hospital Review* named University of Alabama Hospital as one of the 2019 "100 Great Hospitals in America", a compilation of hospitals that are considered industry innovators and known nationally for excellence in clinical care. The Hospital continued to be certified as a magnet hospital by The American Nurses Credentialing Center through 2024. Magnet hospitals are recognized for excellence in nursing care and patient outcomes. In August 2018, the hospital was fully reaccredited by The Joint Commission.

Operations

Inpatient discharges increased 4.3% and adjusted patient discharges increased 3.0%. Operating room cases increased 2.9% over fiscal year 2018. Also emergency room visits increased 13.8% during fiscal year 2019. The Hospital had an increase in net position of \$101 million in fiscal year 2019.

Selected Hospital operating statistics are outlined below:

	2019	2018
Beds in service	1,128	1,099
Patient discharges	52,602	50,442
Adjusted patient discharges	88,273	85,722
Patient days	378,744	359,889
Adjusted patient days	635,578	611,603
Operating room cases	37,529	36,456
Emergency department visits	125,065	109,852
Patient origin:		
Jefferson County	46.6%	47.5%
Other Alabama counties	47.3%	46.6%
Out of state	6.1%	5.9%

Management's Responsibility for Financial Reporting

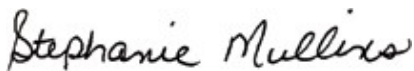
The accompanying financial statements of the University of Alabama at Birmingham (UAB) for the years ended September 30, 2019 and 2018 were prepared by UAB's management in conformity with accounting principles generally accepted in the United States of America.

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

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



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



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UAB Chief Financial Officer

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Report of Independent Auditors

To the Board of Trustees of The University of Alabama:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The University of Alabama at Birmingham (“UAB”), a campus of The University of Alabama System, which is a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and of cash flows (where applicable) for the years then ended, and the related notes to the financial statements, which collectively comprise UAB’s basic financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of Southern Research Institute (“SRI”), UAB’s discretely presented component unit, as of December 28, 2018 and December 29, 2017 and for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for SRI, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the



business-type activities and the discretely presented component unit of The University of Alabama at Birmingham as of September 30, 2019 and 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of UAB are intended to present the financial position, the changes in financial position and the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of UAB. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2019 and 2018, 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 opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 12 through 19 and the accompanying supplementary information on pages 65 through 67 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise UAB's basic financial statements. The introductory information on pages 2 through 8 and the management's report on page 9 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

January 20, 2020

Management’s Discussion and Analysis (Unaudited)

The objective of management’s discussion and analysis is to help readers of UAB’s financial statements better understand the financial position and operating activities for the fiscal years ended September 30, 2019 and 2018. UAB’s financial statements present the financial position, changes in financial position, and the cash flows of the University, the University of Alabama Hospital (the Hospital), and UAB’s blended component units. Condensed financial information of UAB’s reportable segments is presented at Note 16. GASB Statement No. 14, *The Financial Reporting Entity* (GASB Statement No. 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* (GASB Statement No. 61), requires governmental entities to include in their financial statements as component units, organizations that are legally separate entities for which the governmental entity, as a primary organization, is financially accountable. Southern Research Institute (SRI) is a discretely presented component unit of UAB. SRI’s performance is not discussed below. However, SRI’s Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are disclosed on pages 24-25. Blended component units include UAB Research Foundation (UABRF), UAB Athletics Foundation (UABAF), Alabama Care Plan (ACP), Triton Health Systems, L.L.C. (Triton), and Hospital Management LLC (LLC). The following discussion and analysis provides an overview of UAB’s financial activities. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Financial Overview

UAB’s financial position remained strong, as assets totaled \$5.53, \$5.05, and \$4.82 billion at September 30, 2019, 2018, and 2017, respectively. Increases of \$479.0 million or 9.5% from September 30, 2018 to September 30, 2019 were primarily due to increases in investments, cash designated for capital activities, and capital assets. Increases of \$231.8 million or 4.8% from September 30, 2017 to September 30, 2018 were primarily due to increases in investments and capital assets.

Total liabilities increased \$255.7 million or 7.8% from September 30, 2018 to September 30, 2019. The increase results primarily from the issuance of bonds during fiscal year 2019. The increase also relates to growth in accounts payable and accrued liabilities as well as an increase in the OPEB liability. Total liabilities increased \$471.1 million or 16.7% from September 30, 2017 to September 30, 2018. The increase results primarily from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The change in net position reflects the operating, nonoperating and other activity of UAB, which results from revenues, expenses, and gains and losses, and is summarized for the years ended September 30, 2019, 2018, and 2017, as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPERATING REVENUES	\$ 3,602,383,812	\$ 3,404,474,421	\$ 3,084,238,857
TOTAL OPERATING EXPENSES	3,772,700,839	3,583,867,788	3,353,597,836
NET OPERATING LOSS	(170,317,027)	(179,393,367)	(269,358,979)
TOTAL NONOPERATING INCOME, CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	403,275,983	415,697,356	499,741,609
INCREASE IN NET POSITION	<u><u>\$ 232,958,956</u></u>	<u><u>\$ 236,303,989</u></u>	<u><u>\$ 230,382,630</u></u>

Statements of Net Position

The statement of net position presents the financial position of UAB at the end of the fiscal year, and includes all assets, deferred outflows, liabilities, and deferred inflows recorded on the accrual basis of accounting.

The changes in net position are indicators of whether the overall financial condition of UAB has improved or worsened during the year. A summarized comparison of UAB’s assets, deferred outflows, liabilities, deferred inflows, and net position at September 30, 2019, 2018, and 2017, is as follows:

	2019	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Capital assets, net	\$ 1,723,027,158	\$ 1,647,560,771	\$ 1,600,940,041
Other assets	3,808,937,016	3,405,412,231	3,220,278,123
TOTAL ASSETS	5,531,964,174	5,052,973,002	4,821,218,164
Deferred outflows from debt refundings	12,305,553	13,259,304	14,238,497
Deferred outflows pension and OPEB related	301,435,989	284,267,363	197,907,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	313,741,542	297,526,667	212,145,497
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,845,705,716</u>	<u>\$ 5,350,499,669</u>	<u>\$ 5,033,363,661</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	\$ 544,331,398	\$ 532,298,414	\$ 564,064,026
Noncurrent liabilities	2,998,164,006	2,754,500,058	2,251,669,042
TOTAL LIABILITIES	3,542,495,404	3,286,798,472	2,815,733,068
Deferred inflows from debt refundings	40,878	54,307	69,653
Deferred inflows pension and OPEB related	224,773,994	218,210,406	70,055,000
TOTAL DEFERRED INFLOWS OF RESOURCES	224,814,872	218,264,713	70,124,653
Net position	2,078,395,440	1,845,436,484	2,147,505,940
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,845,705,716</u>	<u>\$ 5,350,499,669</u>	<u>\$ 5,033,363,661</u>

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

At September 30, 2018, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$1.72 billion of the \$1.83 billion and increased \$81.5 million or 5.0% from 2017. The increase is a result of growth in cash and short term investments.

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

At September 30, 2018, total current liabilities of \$532.3 million consist primarily of accounts payable, accrued payroll and related benefits, and unearned revenue, which totaled \$483.4 million, compared to \$513.8 million at September 30, 2017, a decrease of \$30 million or 5.9% from 2017. The decrease is a result of timing of accrued biweekly payroll and increase in payables related to construction project completions.

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

UAB's endowment and life income investments increased \$29.3 million or 5.9% to \$524.8 million from September 30, 2017 to September 30, 2018. This increase resulted from net investment gains and by the establishment of new endowment funds through gifts and the creation of Board-designated quasi-endowments.

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

At September 30, 2019, 2018, and 2017 respectively, UAB's investment in the Professional Liability Trust Fund (PLTF) totaled approximately \$60.3, \$67.3, and \$69.4 million. The \$7.0 million decrease from September 30, 2018 to September 30, 2019 is a result of a decline in investment values at September 30, 2019. The \$2.1 million decrease from September 30, 2017 to September 30, 2018 is a result of a decline in investment values at September 30, 2018.

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

At September 30, 2018, deferred outflows from pension obligations were \$160.5 million and deferred inflows from pension obligations were \$147.1 million. At September 30, 2017, deferred outflows from pension obligations were \$197.9 million and deferred inflows from pension obligations were \$70.1 million. The decrease in deferred outflows from pension obligations is a result of a decrease in changes in actuarial and other assumptions. The increase in deferred inflows from pension obligations is the result of an increase in net difference between projected and actual earnings on pension plan investments.

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

At September 30, 2018, deferred outflows from OPEB obligations were \$123.7 million and deferred inflows from OPEB obligations were \$71.1 million. UAB recorded these balances for the first time in fiscal year 2018 upon implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)*.

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

the Public Education Employees' Health Insurance Plan (PEEHIP).

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

At September 30, 2019, deferred outflows from debt refundings were \$12.3 million and deferred inflows from debt refundings were \$41 thousand. At September 30, 2018, deferred outflows from debt refundings were \$13.3 million and deferred inflows from debt refundings were \$54 thousand. The decrease of \$1.0 million in deferred outflows from September 30, 2018 to September 30, 2019 is the result of the annual amortization of the debt refunding. At September 30, 2018, deferred outflows from debt refundings were \$13 million and deferred inflows from debt refundings were \$54 thousand. At September 30, 2017, deferred outflows from debt refundings were \$14 million and deferred inflows from debt refundings were \$70 thousand. These changes from September 30, 2017 to September 30, 2018 are related to the annual amortization of these balances.

Capital and Debt Activities

An aspect of UAB's continued growth is an emphasis on the expansion and maintenance of capital assets. UAB continues to implement its long-range capital plan. Capital assets primarily include land, buildings, fixed equipment systems, and inventoried equipment. The original costs of capital assets increased approximately \$188.3 million and \$132.8 million from September 30, 2018 to September 30, 2019 and from September 30, 2017 to September 30, 2018, respectively. The year over year increase consists primarily of additions totaling \$227.0 million (offset primarily by \$38.7 million in disposals) and \$211.8 million (offset primarily by \$78.9 million in disposals) in 2019 and 2018, respectively. Capital additions are comprised primarily of renovation and new construction of student, research and health care facilities, as well as additions to improve information technology systems. Annual additions were funded with capital funds, grants, gifts of \$0.8 million and \$2.3 million, debt proceeds of \$29.6 million and \$45.4 million, and the remainder by UAB funds designated for capital purchases in 2019 and 2018, respectively.

Capital projects in process at September 30, 2019 include Central Utilities, McCallum Building renovations, Science and Engineering Building, Honors College, and Information and Technology Center. Capital projects in process at September 30, 2018 included construction of the Arts and Sciences Building, Central Utilities, and the Gardendale Emergency Clinic.

UAB's long-term debt related to capital assets, consisting of bonds and capital leases, totaled \$1.16, \$0.94, and \$0.98 billion at September 30, 2019, 2018, and 2017, respectively. The increase in debt during 2019 consisted primarily of the \$170.7 million General Revenue Bonds, Series 2019 issued during the year. The decrease in debt during 2018 consisted primarily of the principal payments made in accordance with the debt instruments.

Net Position

Net position represents the residual interest in UAB's assets and deferred outflows after liabilities and deferred inflows are deducted. UAB's net position at September 30, 2019, 2018, and 2017, is summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
NET INVESTMENT IN CAPITAL ASSETS	\$ 759,496,749	\$ 744,768,861	\$ 704,791,969
RESTRICTED			
Nonexpendable	401,733,396	386,738,832	359,844,678
Expendable	377,422,933	354,341,414	337,272,370
UNRESTRICTED	539,742,362	359,587,377	745,596,923
TOTAL NET POSITION	<u>\$ 2,078,395,440</u>	<u>\$ 1,845,436,484</u>	<u>\$ 2,147,505,940</u>

Net position invested in capital assets represent UAB's capital assets, net of accumulated depreciation and outstanding principal of debt in excess of related bond proceeds attributable to the acquisition, construction, or improvement of those assets. The \$14.7 million increase in 2019 reflects continued capital asset development in accordance with UAB's long-range capital plan, offset by the increase in debt related to the bonds issued during the year. The \$40.0 million increase in 2018 reflects the growth in capital assets net of annual depreciation expense, along with the decrease in total debt related to the annual principal payments.

Restricted nonexpendable net position includes UAB's permanent endowment funds and annuity and life income assets that will ultimately become pure endowment funds. The \$15.0 million increase in 2019 and the \$26.9 million increase in 2018 relates to contributions made and investment performance at year-end.

Restricted expendable net position is subject to externally imposed restrictions governing its use. Restricted expendable net position includes UAB's assets whose use is restricted by an external restriction. The \$23.1 million increase in 2019 and \$17.1 million increase in 2018 result primarily from new gifts received during each respective year.

Unrestricted net position includes UAB's assets whose use is not restricted by an external entity. Unrestricted net position increased by \$180.2 million or 50.1% in 2019 and decreased by \$386.0 million or 51.8% in 2018. The decrease was primarily the result of implementing GASB 75 during 2018.

Although unrestricted net position is not subject to externally imposed restrictions, UAB has designated available unrestricted net position to be used for academic and research programs as well as capital projects.

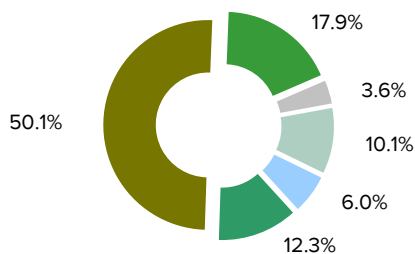
Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents UAB's results of operations, as well as the nonoperating revenues and expenses. Annual state appropriations are classified as nonoperating revenues according to governmental accounting standards, even though the state-appropriated funds are used to support the operations of UAB. Without the nonoperating revenues, in particular the state appropriations and private gifts, UAB would not be able to cover its costs of operations. A summarized comparison of UAB's revenues, expenses and changes in net position for the years ended September 30, 2019, 2018, and 2017 is presented on the following page:

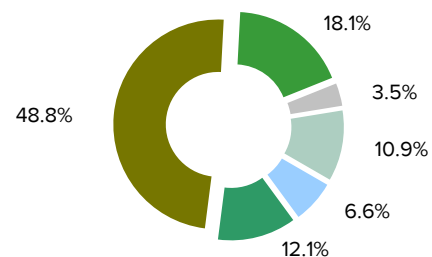
	2019	2018	2017
OPERATING REVENUES			
Student tuition and fees, net	\$ 239,912,344	\$ 253,707,923	\$ 208,481,228
Grants and contracts	494,047,342	461,633,394	439,678,012
Sales and services	2,791,635,652	2,623,643,380	2,377,662,013
Other revenues	76,788,474	65,489,724	58,417,604
TOTAL OPERATING REVENUES	3,602,383,812	3,404,474,421	3,084,238,857
OPERATING EXPENSES			
Operating expenses	3,772,700,839	3,583,867,788	3,353,597,836
OPERATING LOSS	(170,317,027)	(179,393,367)	(269,358,979)
NONOPERATING REVENUES (EXPENSES)			
State educational appropriations	287,691,735	273,351,124	272,166,253
Grants and contracts	35,451,482	34,611,638	30,638,381
Private gifts	48,327,432	37,989,901	35,726,160
Investment income	32,247,107	90,152,323	157,849,551
Interest expense	(29,755,042)	(28,964,461)	(33,472,892)
Net other nonoperating revenue (expense)	419,384	(11,334,915)	424,477
NET NONOPERATING REVENUES	374,382,098	395,805,610	463,331,930
OTHER CHANGES IN NET POSITION	28,893,885	19,891,746	36,409,679
INCREASE IN NET POSITION	232,958,956	236,303,989	230,382,630
Net Position, beginning of year as previously reported	1,845,436,484	2,147,505,940	1,917,123,310
Adoption of GASB 75	—	(538,373,445)	—
Net Position, beginning of year as restated as of October 1, 2017	1,845,436,484	1,609,132,495	1,917,123,310
NET POSITION, END OF YEAR	\$ 2,078,395,440	\$ 1,845,436,484	\$ 2,147,505,940

Figures A and A1 are graphic illustrations of revenues by source (both operating and nonoperating), which are used to fund UAB's operating activities for the years ended September 30, 2019 and 2018, respectively.

**Figure A : Revenue Streams
2019**



**Figure A 1: Revenue Streams
2018**



Gross tuition and fees revenue increased by \$17.1 million and \$30.4 million in 2019 and 2018, respectively. Tuition rates increased 3.5% in 2019 and in 2018. Total student headcount of 21,923 and 20,902 increased by 1,021 or 4.9% in Fall 2018 and increased by 1,367 or 7.0% in Fall 2017. Gross tuition and fees revenue in 2019 and 2018 is offset by scholarship allowances of \$80.2 million and \$49.3 million, respectively.

Figures B and B1 below are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 30, 2019 and 2018, respectively. UAB receives grant and contract revenue from federal, state, local, and private agencies. These funds are used to further the mission of UAB: research, education, and public service. In addition to the funds received in exchange for services performed, UAB received \$296 thousand and \$142 thousand in 2018, and 2017, respectively, in funds to be used to acquire capital assets. UAB did not receive such funds in 2019.

Net hospital sales and service revenue totaled \$2.01, \$1.86, and \$1.71 billion, an increase of 7.7% and 9.1% from 2018 to 2019 and 2017 to 2018, respectively. This increase results from increased volume, contract improvements, and ongoing revenue-cycle improvement activities.

UAB receives state educational appropriations and capital funding from the State of Alabama. UAB recognized educational appropriations and capital funding from the State of Alabama totaling \$287.7, \$273.4, and \$272.7 million, of which \$287.7, \$273.4, and \$272.2 million was primarily from the Educational Trust Fund (ETF), which is included as nonoperating revenue in 2019, 2018, and 2017, respectively. The 0.6 million remaining in 2017 represents Public School and College Authority funds and other state capital funds.

Net investment income decreased \$57.9 million from 2018 to 2019 and decreased \$67.7 million from 2017 to 2018. The decrease was a result of a decrease in the fair value of investments at the end of the year.

UAB recognized \$77, \$59, and \$72 million in gift revenue (composed partially of \$28, \$18, and \$20 million and \$0.8, \$2.3, and \$16.0 million in capital and endowment gifts, respectively) for the years ended September 30, 2019, 2018, and 2017, respectively.

Figure B: Grants and Contract Revenues 2019

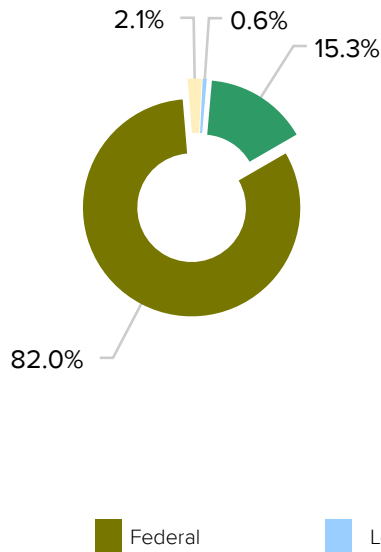
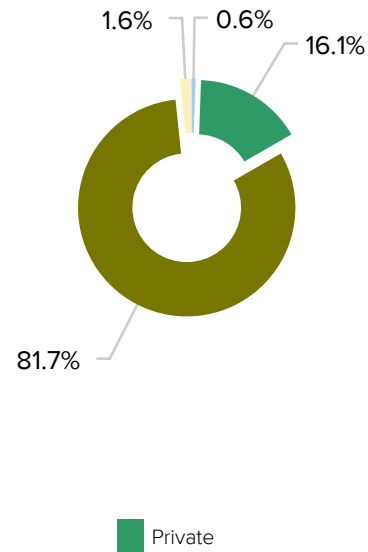


Figure B1: Grants and Contract Revenues 2018



A comparative summary of UAB's operating expenses for the years ended September 30, 2019, 2018, and 2017, is as follows:

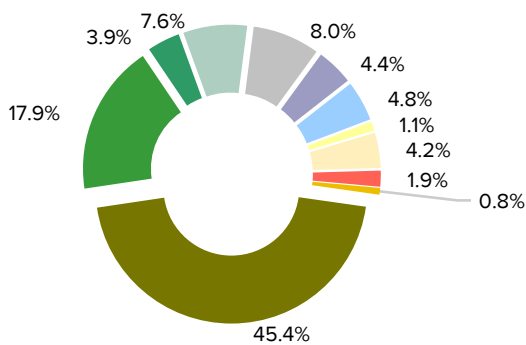
	2019	2018	2017
Salaries, wages, and benefits	\$ 1,749,060,938	\$ 1,674,990,688	\$ 1,598,699,146
Supplies and services	1,846,254,490	1,734,410,959	1,590,907,613
Depreciation	148,344,143	146,686,513	137,431,750
Scholarships and fellowships	29,041,268	27,779,628	26,559,327
	<u>\$ 3,772,700,839</u>	<u>\$ 3,583,867,788</u>	<u>\$ 3,353,597,836</u>

Salaries, wages, and benefits increased \$74.1 million or 4.4% during 2019 and \$76.3 million or 4.8% during 2018. These increases are primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base.

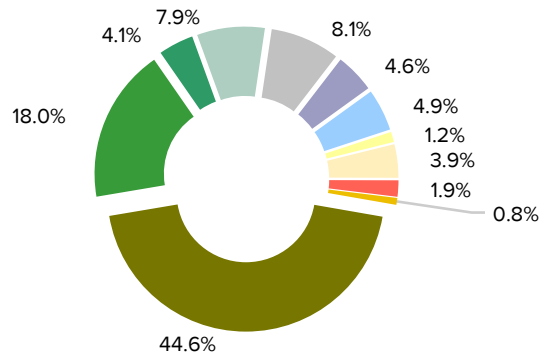
In addition to their natural classification, it is also informative to review operating expenses by function. Graphic illustrations of UAB's operating expenses by function for the years ended September 30, 2019 and 2018, respectively, are presented as follows:

Supplies and services expenses increased \$111.8 million or 6.4% and \$143.5 million or 9.0% during 2019 and 2018, respectively. This increase is primarily attributable to UAB's continued growth.

2019 Operating Expenses by Function



2018 Operating Expenses by Function



- Instruction
- Operations and maintenance of plant
- Research
- Scholarships and fellowships
- Public service
- Hospital
- Academic support
- Auxiliary
- Student services
- Depreciation
- Institutional support

Economic Factors That Will Affect The Future

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

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

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

During fiscal year 2019, 67.6% of UAB students received financial aid, including \$195.4 million of Federal Financial Aid. In recent years, financial aid reform and reauthorization of existing aid programs have been topics in legislative sessions. Management is monitoring proposed future legislation in order to respond in a manner to assist current and future students.

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

Refer within footnote 1 for further information related to COVID 19 impact.

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

The University of Alabama at Birmingham

Statements of Net Position

September 30, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 380,593,397	\$ 341,288,837
Short term investments	1,084,308,490	999,762,476
Accounts receivable, net	481,727,985	379,353,664
Loans receivable, current portion	2,272,848	2,607,520
Pledges receivable, current portion	18,436,977	18,141,677
Inventories	30,625,249	24,485,532
Prepaid expenses and unearned scholarships	62,681,894	56,506,374
Other current assets	11,213,343	7,305,367
Total current assets	2,071,860,183	1,829,451,447
Noncurrent Assets:		
Cash designated for capital activities	141,695,284	12,303,298
Restricted cash and cash equivalents	169,594	1,275,012
Investments for capital activities	825,529,381	807,541,053
Endowment and life income investments	537,457,828	524,782,469
Investment in Professional Liability Trust Fund	60,291,989	67,279,238
Other long-term investments	115,426,770	104,167,675
Loans receivable, net	10,980,614	12,186,968
Pledges receivable	45,409,739	46,369,919
Capital assets, net	1,723,027,158	1,647,560,771
Other noncurrent assets	115,634	55,152
Total noncurrent assets	3,460,103,991	3,223,521,555
Total Assets	5,531,964,174	5,052,973,002
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	12,305,553	13,259,304
Pension and OPEB related obligations	301,435,989	284,267,363
Total Deferred Outflows of Resources	313,741,542	297,526,667
Total Assets and Deferred Outflows of Resources	\$ 5,845,705,716	\$ 5,350,499,669
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 342,830,127	\$ 338,881,337
Deposits	15,788,813	13,912,936
Unearned revenue-grants	44,550,216	38,376,263
Unearned revenue-other	105,781,493	106,176,792
Long-term debt, current portion	35,380,749	34,951,086
Total current liabilities	544,331,398	532,298,414
Noncurrent Liabilities:		
Federal advances-loan funds	11,056,522	12,374,410
Long-term debt, noncurrent portion	1,127,090,695	902,290,484
Pension liability	1,168,305,000	1,161,162,000
OPEB liability	677,611,841	664,329,034
Other noncurrent liabilities	14,099,948	14,344,130
Total noncurrent liabilities	2,998,164,006	2,754,500,058
Total Liabilities	3,542,495,404	3,286,798,472
DEFERRED INFLOWS OF RESOURCES		
Bond deferred refundings	40,878	54,307
Pension and OPEB related obligations	224,773,994	218,210,406
Total Deferred Inflows Of Resources	224,814,872	218,264,713
NET POSITION		
Net investment in capital assets	759,496,749	744,768,861
Restricted		
Nonexpendable	401,733,396	386,738,832
Expendable	377,422,933	354,341,414
Unrestricted	539,742,362	359,587,377
Total Net Position	2,078,395,440	1,845,436,484
Total Liabilities, Deferred Inflows and Net Position	\$ 5,845,705,716	\$ 5,350,499,669

See accompanying notes to financial statements.

The University of Alabama at Birmingham Statements of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2019 and 2018

	2019	2018
Operating Revenues		
Tuition and fees	\$ 320,141,055	\$ 303,042,374
Less: scholarship allowance	(80,228,711)	(49,334,451)
Tuition and fees, net	239,912,344	253,707,923
Grants and contracts:		
Federal	399,343,773	370,528,637
State	10,967,871	8,057,617
Local	2,535,753	2,999,958
Private	81,199,945	80,047,182
Sales and services:		
Educational activities	67,616,490	68,464,868
Hospital, net of bad debt expense of \$157,700,738 in 2019 and \$152,151,403 in 2018	2,008,319,151	1,864,755,549
Other auxiliary enterprises, net of scholarship allowance of \$2,938,161 in 2019 and \$3,137,826 in 2018	715,700,011	690,422,963
Other operating revenues	76,788,474	65,489,724
Total operating revenues	3,602,383,812	3,404,474,421
Operating Expenses		
Salaries, wages and benefits	1,749,060,938	1,674,990,688
Supplies and services	1,846,254,490	1,734,410,959
Depreciation	148,344,143	146,686,513
Scholarships and fellowships	29,041,268	27,779,628
Total operating expenses	3,772,700,839	3,583,867,788
Operating loss	(170,317,027)	(179,393,367)
Nonoperating Revenues (Expenses)		
State educational appropriations	287,691,735	273,351,124
Grants and contracts	35,451,482	34,713,042
Gifts	48,327,432	37,888,497
Investment income	32,247,107	90,152,323
Interest expense	(29,755,042)	(28,964,461)
Loss on asset dispositions, net	(112,196)	(6,760,763)
Other nonoperating income (loss), net	531,580	(4,574,152)
Net nonoperating revenues	374,382,098	395,805,610
Income before other changes in net position	204,065,071	216,412,243
Other Changes in Net Position		
Capital gifts and grants	789,319	2,285,326
Endowment gifts	28,104,566	18,401,517
Intergovernmental transfers	—	(795,097)
Total other changes in net position	28,893,885	19,891,746
Increase in net position	232,958,956	236,303,989
Net Position, beginning of year, as previously reported	1,845,436,484	2,147,505,940
Adoption of GASB 75	—	(538,373,445)
Net Position, beginning of year as restated as of October 1, 2017	1,845,436,484	1,609,132,495
Net Position, end of year	\$ 2,078,395,440	\$ 1,845,436,484

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Student tuition and fees	\$ 222,500,106	\$ 231,115,150
Grants and contracts:		
Federal	392,986,127	361,592,330
State	10,493,650	9,111,345.33
Local	3,007,393	2,814,960
Private	83,027,558	85,374,305
Receipts from sales and services of:		
Educational activities	68,089,396	68,246,848
Patient services	1,988,861,614	1,848,364,473
Auxiliary enterprises, net	47,914,492	45,259,777
Premium and administrative fees collected	669,167,299	645,859,222
Payment to employees and related benefits	(1,337,749,307)	(1,290,542,381)
Payment for contract labor	(402,775,436)	(369,838,457)
Payment to suppliers	(1,874,194,939)	(1,735,169,599)
Payment for scholarships and fellowships	(29,041,268)	(27,779,628)
Other receipts	71,385,889	61,456,951
Net cash used in operating activities	(86,327,426)	(64,134,704)
Cash flows from noncapital financing activities		
State educational appropriations	287,691,735	273,351,124
Private gifts	74,368,931	54,483,523
Student direct lending receipts	169,048,223	168,122,333
Student direct lending disbursements	(167,141,859)	(167,268,364)
Other deposits	39,131,649	37,358,070
Deposits from affiliates	1,374,539	5,225,155
Net cash provided by noncapital financing activities	404,473,218	371,271,841
Cash flows from investing activities		
Interest and dividends from investments, net	90,095,472	76,512,231
Proceeds from notes receivable	139,076	126,747
Proceeds from sales and maturities of investments	30,531,014	56,285,307
Purchases of investments	(206,880,373)	(233,897,521)
Net cash used in investing activities	(86,114,811)	(100,973,236)
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	217,842,498	—
State capital funds	—	127,678
Capital gifts, grants and contracts	3,517,265	4,831,473
Proceeds from sale of capital assets	3,267,701	510,769
Purchases of capital assets	(219,539,415)	(209,155,014)
Principal payments on capital debt	(35,308,922)	(37,773,553)
Interest payments on capital debt	(34,218,980)	(34,374,966)
Net cash used in capital and related financing activities	(64,439,853)	(275,833,613)
Net increase (decrease) in cash and cash equivalents	167,591,128	(69,669,712)
Cash and cash equivalents, beginning of year	354,867,147	424,536,859
Cash and cash equivalents, end of year	\$ 522,458,275	\$ 354,867,147

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Statements of Cash Flows (continued)

Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 380,593,397	\$ 341,288,837
Cash designated for capital activities	141,695,284	12,303,298
Restricted cash and cash equivalents	169,594	1,275,012
Total cash and cash equivalents	522,458,275	\$ 354,867,147
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (170,317,027)	\$ (179,393,367)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	148,344,143	146,686,513
Pension expense	76,255,000	86,199,000
OPEB expense	52,845,769	58,415,453
Changes in assets and liabilities:		
Accounts receivable, net	(49,790,075)	(27,603,792)
Prepaid expenses and other assets	(17,744,379)	(29,914,634)
Accounts payable and accrued liabilities	(12,188,034)	(11,048,056)
Pension obligations	(97,999,000)	(95,055,000)
OPEB obligations	(21,360,942)	(22,216,217)
Unearned Revenue	5,627,119	9,795,396
Net cash used in operating activities	(86,327,426)	\$ (64,134,704)
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 23,431,082	\$ 16,241,114
Capital assets acquired through capital lease	341,253	309,508
Interest capitalized	2,722,115	3,134,791
Noncash intergovernmental transfers	—	795,098

See accompanying notes to financial statements.

Southern Research Institute

A Discretely Presented Component Unit

Statements of Net Position

December 28, 2018 and December 29, 2017

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 24,474	\$ 5,368,718
Investments	19,911,409	29,820,863
Restricted cash and investments	10,721,291	12,077,419
Accounts receivable, net	16,109,295	14,918,349
Other receivables	2,008,305	3,899,764
Materials and supplies, net	1,073,368	916,804
Prepayments and other current assets	839,722	1,016,594
Total current assets	50,687,864	68,018,511
Noncurrent Assets:		
Net OPEB asset	623,594	360,231
Capital assets:		
Land and improvements	6,273,110	7,468,288
Buildings and major plant equipment	68,640,869	62,311,367
Laboratory equipment and fixtures	61,419,728	66,512,027
Office furniture and equipment	3,559,598	3,665,424
Intangible assets, net	2,466,397	2,241,644
	142,359,702	142,198,750
Less accumulated depreciation	(88,734,253)	(88,983,010)
	53,625,449	53,215,740
Construction-in-progress	1,777,846	5,136,775
Total capital assets, net	55,403,295	58,352,515
Total noncurrent assets	56,026,889	58,712,746
Total Assets	106,714,753	126,731,257
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	403,238	—
Total Assets and Deferred Outflows of Resources	\$ 107,117,991	\$ 126,731,257
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,382,732	\$ 4,663,917
Accrued liabilities	6,302,610	6,763,147
Unearned contract revenue	4,790,805	3,414,680
Current maturities of long-term debt and capital lease obligations	625,110	624,597
Note payable	806,353	—
Total current liabilities	17,907,610	15,466,341
Noncurrent Liabilities:		
Long-term debt and capital lease obligations	14,050,649	14,675,759
Total noncurrent liabilities	14,050,649	14,675,759
Total Liabilities	31,958,259	30,142,100
DEFERRED INFLOWS OF RESOURCES		
OPEB	1,079,066	—
NET POSITION		
Net investment in capital assets	40,727,536	43,052,159
Restricted		
Expendable	11,939,885	14,220,150
Unrestricted	21,413,245	39,316,848
Total Net Position	74,080,666	96,589,157
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 107,117,991	\$ 126,731,257

See accompanying notes to financial statements.

Southern Research Institute

A Discretely Presented Component Unit

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 28, 2018 and December 29, 2017

	2019	2018
Operating Revenues		
Contract revenues	\$ 65,188,876	\$ 63,221,909
Intellectual property revenues, net of direct expenses	2,333,215	3,032,179
Total operating revenues	67,522,091	66,254,088
Operating Expenses		
Salaries, wages and benefits	46,596,897	48,519,346
Supplies and services	29,358,326	24,366,091
Depreciation and amortization	6,949,310	7,445,212
Total operating expenses	82,904,533	80,330,649
Operating loss	(15,382,442)	(14,076,561)
Nonoperating Revenues (Expenses)		
Contributions	491,792	358,792
Investment income (loss)	(1,724,659)	4,272,965
Interest expense	(369,510)	(517,725)
Gain (loss) on disposal of assets	(5,523,672)	1,515,282
Net nonoperating revenues (expenses)	(7,126,049)	5,629,314
Change in net position	(22,508,491)	(8,447,247)
Net Position, beginning of year	96,589,157	105,036,404
Net Position, end of year	\$ 74,080,666	\$ 96,589,157

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Notes to Financial Statements

September 30, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

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

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

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

- **Net Investment in Capital Assets:**

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

- **Restricted:**

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

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

- **Unrestricted:**

The net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated

for specific purposes by action of management. Substantially all of the unrestricted net position is designated for academic and research programs and initiatives and capital programs.

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

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

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

Scope of Statements

UAB is principally comprised of a university (the University) and the University of Alabama Hospital (the Hospital or University Hospital) which are UAB's reportable segments as defined by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments: Omnibus an Amendment of GASB Statements No. 21 and No. 34*. UAB's financial statements present the financial position, changes in financial position, and the cash flows of the University, the Hospital, and UAB's blended component units. Condensed financial information of UAB's reportable segments is presented at Note 16. Refer to Note 2 for information regarding UAB's component units.

UAB is affiliated with the UAB Educational Foundation (UABEF), the University of Alabama Health Services Foundation, P.C. (HSF), UAB Health System (UABHS), and

the Valley Foundation (VF). UAB is not financially accountable for UABEF, HSF, UABHS or VF; therefore, they do not constitute component units under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. These entities are not required to be presented as component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and No. 61, *The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34*. More information regarding HSF, UABHS and VF can be found at Note 15.

UABEF provides funds and certain facilities to UAB for its educational and scientific functions. UABEF has 13 board members, including seven outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with rental expense of approximately \$2.1 million for the year ended September 30, 2019 and \$2.3 million for the year ended September 30, 2018. UABEF made contributions to UAB which totaled approximately \$4.6 million for the year ended June 30, 2019 and approximately \$7.2 million for the year ended June 30, 2018.

Implementation of new standards: During 2019, UAB adopted GASB Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. GASB Statement No. 83, addresses accounting and financial reporting for certain asset retirement obligations (AROs). The impact from its adoption of GASB 83 was not material to the financial statements. GASB Statement No. 88 aims to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Refer to Note 7 for enhanced disclosures related to UAB's long-term debt.

Other significant accounting policies are as follows:

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

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

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

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

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

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

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

Capital assets acquired under capital leases are amortized over the shorter of the lives of the respective leases or the estimated useful lives of the assets. Capital assets acquired through federal grants and contracts in which the Federal government retains a reversionary interest are capitalized and depreciated. Interest costs, net of any related investment earnings, for certain assets acquired with the proceeds of tax-exempt borrowings are capitalized as a component of the cost of acquiring those assets.

Computer software capitalization, which is included as inventoried equipment, includes the costs of software and implementation. Implementation costs include consulting

expenses and allocation of internal salaries and fringes for the core implementation team.

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

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

UAB's policy is to retain the endowment realized and unrealized appreciation within an endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for fiscal years September 30, 2019 and 2018 of 4.5%, based on a moving five-year average of the market (unit) value, and return of gains for underwater endowments.

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

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

Federal refundable loans: Certain loans to students are administered by UAB with funding primarily supported by the federal government. UAB's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions and related activity owed upon termination of the program. The Federal Perkins Loan Program expired June 30, 2018. The University will continue operating the program and remit any excess cash annually for the pro rata federal and institutional capital contributions. As of September 30, 2019, \$1.7 million is payable to the Department of Education for its portion of the excess cash available at June 30, 2019.

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

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

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

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

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

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

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

Auxiliary enterprise revenue: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics and parking as well as subscriber premiums for Triton Health Systems LLC.

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

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

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

Events subsequent to original issuance of financial statements (Unaudited): In January 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and health care providers. The outbreak has also negatively impacted both the global financial markets and UAB's investments, including the investments held within the System Pools, and may continue to do so. Other adverse consequences of COVID-19 in the future may include, but are not limited to, decline in enrollment, decline in demand for UAB housing, decline in demand for UAB programs that involve travel, additional volatility within the UAB's investments, and the rescheduling of elective or non-critical medical procedures. UAB believes it has sufficient liquidity to meet its operating and financing needs; however, given

the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on UAB, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

(2) Component Unit(s)

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

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

UAB includes five blended component units, as follows: UAB Research Foundation (UABRF), UAB Athletics Foundation (UABAF), Alabama Care Plan (ACP), UAB Hospital Management, L.L.C. (LLC) and Triton Health Systems, L.L.C. (Triton). The by-laws and corporate charters of UABRF allow UAB to appoint a majority of the board of directors and allow UAB to impose its will on the entity. UABRF operates for the exclusive benefit of UAB. UABAF was organized to support the UAB Athletics Department in its quest for excellence in all programs. UABAF operates as an extension of the UAB Athletics Department and it almost exclusively benefits the University. The by-laws of ACP

allow UAB to appoint a majority of the members of the Member Board, as defined, which operates in a consultative capacity with the ACP Board of Directors. The by-laws allow the ACP Member Board certain operational and financial protective rights. Additionally, Triton and LLC have governing bodies that are substantively the same as the governing body of UAB and there is a financial benefit or burden relationship between UAB and these entities. Therefore, management has determined that UABRF, UABAF, ACP, LLC and Triton (the Blended Component Units) constitute blended component units of UAB under GASB Statements No. 14 and No. 61. The Blended Component Units report financial results under principles prescribed under the GASB.

UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. UABAF was formed in November 2015 as a nonprofit corporation organized to build loyalty and philanthropic support for the UAB athletic program and support the staff in coordinating, developing and improving a superior inter-collegiate athletics program. UABAF encourages alumni and friends to generously support the Athletics Department and contribute to scholarship funding for UAB's student athletes. ACP was formed in September 2014 to apply to become certified by the Alabama Medicaid Agency as a probationary regional care organization (RCO), with the goal at the time of being eligible to become a fully certified RCO by July 1, 2017. Effective October 17, 2016, ACP resolved to cease its

pursuit of full regional care organization certification from the Alabama Medicaid Agency and cease efforts to enter into a risk contract with Medicaid to provide RCO services to Medicaid beneficiaries. On July 27, 2017, the Alabama Medicaid Agency abandoned its development of regional care organizations. The current Alabama Medicaid Health Home program will end on September 30, 2019 and the new Medicaid program Alabama Coordinated Health Network (ACHN), will begin October 1, 2019. ACP's members are the University of Alabama Hospital, St. Vincent's Health System and Triton. Triton was formed to advance the educational and research mission of UAB and to educate and train physicians and other health care professionals. Triton is owned 99% by UAB and 1% by The UABEF. The LLC was organized for the exclusive purpose of supporting UAB in connection with the management, administration, and operation of the Hospital, including, without limitation, providing management, administrative, and staffing services to the Hospital. UABRF, ACP and LLC maintain a September 30 year-end. UABAF maintains a June 30 year-end. The activities of Triton are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. However, interfund cash transactions during the period from January 1 through September 30 have been eliminated. Since Triton qualifies as a major component unit under GASB Statement No. 61, financial information for the years ended December 31, 2018 and 2017 is presented as follows:

TRITON HEALTH SYSTEMS, LLC

	<u>2019</u>	<u>2018</u>
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 238,243,098	\$ 234,179,153
Capital assets, net	4,242,844	2,747,841
Other assets	115,104,269	103,915,226
TOTAL ASSETS	357,590,211	340,842,220
Current liabilities	101,474,939	115,545,528
Other noncurrent liabilities	1,169,296	1,250,612
TOTAL LIABILITIES	102,644,235	116,796,140
Net investment in capital assets	4,242,844	2,747,841
Restricted nonexpendable	100,000	100,000
Unrestricted	250,603,132	221,198,239
TOTAL NET POSITION	254,945,976	224,046,080
TOTAL LIABILITIES AND NET POSITION	\$ 357,590,211	\$ 340,842,220
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 760,532,147	\$ 736,180,155
Operating expenses	(709,709,115)	(675,366,070)
Depreciation and amortization expense	(955,707)	(1,232,394)
OPERATING INCOME	49,867,325	59,581,691
Investment income	3,426,512	502,257
Interest expense	(200)	—
Income tax benefit (expense)	(3,698,885)	(7,382,182)
INCOME BEFORE OTHER CHANGES IN NET POSITION	49,594,752	52,701,766
Distributions to members	(18,694,856)	(37,660,354)
INCREASE IN NET POSITION	30,899,896	15,041,412
Net position, beginning of year	224,046,080	209,004,668
NET POSITION, END OF YEAR	\$ 254,945,976	\$ 224,046,080
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in): Operating activities	\$ 20,705,580	\$ 70,689,345
Noncapital financing activities	(18,694,856)	(37,660,354)
Capital and related financing activities	(2,450,710)	(208,777)
Investing activities	(16,453,527)	(102,478,582)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,893,513)	(69,658,368)
Cash and cash equivalents, beginning of year	187,920,412	257,578,780
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 171,026,899	\$ 187,920,412

(3) Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for UAB funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama state treasurer as a qualified public depository under the Security for Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the state treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. As of September 30, 2019 and 2018, respectively, UAB had cash and cash equivalents totaling \$522.5 million and \$354.9 million.

(4) Investments

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

UAB applies the same investment policies for separately held investments as those of the System Pools.

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

Pooled Endowment Fund

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

Long Term Reserve Pool Fund

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

Short Term Liquidity Pool Fund

The Short Term Liquidity Pool Fund (STLP) serves as an investment vehicle to manage operating reserves with a time horizon of one to three years. This fund is 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 has an investment objective of income with preservation of capital and is invested in intermediate term fixed income securities. The fund holds at least one large mutual fund to provide daily liquidity.

Fair Value Measurements

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UAB has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect UAB’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include UAB’s own data.

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

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

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

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

The following is a description of the valuation methods and assumptions used by UAB to estimate the fair value of its

investments. There have been no changes in the methods and assumptions used at September 30, 2019. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. UAB management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

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

At September 30, 2019 and 2018, the fair value of UAB’s investments based on the inputs used to value them is summarized as follows:

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

	2018				Total
	Level 1	Level 2	Level 3	NAV	
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	371,611	—	—	—	371,611
Fixed Income Securities:					
U.S. Government Obligations	—	8,941,395	—	—	8,941,395
Corporate bonds	—	116,369,065	—	—	116,369,065
Commingled Funds:					
U.S. equity funds	—	1,023,218	—	—	1,023,218
Non-U.S. equity funds	—	358,586	—	—	358,586
Real Estate	—	—	159,600	—	159,600
	<u>\$ 471,611</u>	<u>\$ 126,692,264</u>	<u>\$ 159,600</u>	<u>\$ —</u>	<u>\$ 127,323,475</u>
					Equity investments in partnerships 67,279,238
					UAB Portion of System Pool Investments:
					Endowment Fund 525,298,896
					Long Term Reserve Pool 1,252,655,537
					Short Term Liquidity Pool 530,975,765
					<u>Total Net Asset Value with System Pooled Investments \$ 2,503,532,911</u>

At September 30, 2019 and 2018, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

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

POOLED ENDOWMENT FUND

	2018				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 941,965
Total Receivables	—	—	—	—	941,965
Cash Equivalents:					
Money Market Funds	48,621,460	—	—	—	48,621,460
Total Cash Equivalents	48,621,460	—	—	—	48,621,460
Equities:					
U.S. Common Stock	134,722,061	—	—	—	134,722,061
U.S. Preferred Stock	271,458	—	—	—	271,458
Foreign Stock	38,697,223	—	—	—	38,697,223
Total Equities	173,690,742	—	—	—	173,690,742
Fixed Income Securities:					
U.S. Government Obligations	—	8,197,916	—	—	8,197,916
Mortgage Backed Securities	—	14,232,582	—	—	14,232,582
Corporate Bonds	—	28,446,907	—	—	28,446,907
Non-U.S. Bonds	—	3,257,623	—	—	3,257,623
Total Fixed Income Securities	—	54,135,028	—	—	54,135,028
Commingled Funds:					
Non-U.S. Equity Funds	—	227,695,748	—	—	227,695,748
U.S. Bond Funds	—	56,400,000	—	—	56,400,000
Non-U.S. Bond Funds	—	27,184,600	—	—	27,184,600
Hedge Funds	—	—	—	429,859,604	429,859,604
Private Equity Funds	—	—	—	144,709,192	144,709,192
Real Asset Funds	—	—	15,904,425	305,862,240	321,766,665
Total Commingled Funds	—	311,280,348	15,904,425	880,431,036	1,207,615,809
Total Fund Investments	222,312,202	365,415,376	15,904,425	880,431,036	1,484,063,039
Total Fund Assets	\$ 222,312,202	\$ 365,415,376	\$ 15,904,425	\$ 880,431,036	\$ 1,485,005,004
Total Fund Liabilities					(281,027)
Affiliated Entity Investments					(238,893,599)
Total Net Asset Value					\$ 1,245,830,378

LONG TERM RESERVE POOL FUND

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

LONG TERM RESERVE POOL FUND

	2018			NAV	Total
	Level 1	Level 2	Level 3		
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,525,275
Total Receivables	—	—	—	—	1,525,275
Cash Equivalents:					
Money Market Funds	100,476,683	—	—	—	100,476,683
Total Cash Equivalents	100,476,683	—	—	—	100,476,683
Equities:					
U.S. Common Stock	242,196,226	—	—	—	242,196,226
U.S. Preferred Stock	407,187	—	—	—	407,187
Foreign Stock	<u>55,465,296</u>	—	—	—	<u>55,465,296</u>
Total Equities	298,068,709	—	—	—	298,068,709
Fixed Income Securities:					
U.S. Government Obligations	—	12,738,159	—	—	12,738,159
Mortgage Backed Securities	—	21,717,846	—	—	21,717,846
Corporate Bonds	—	42,659,327	—	—	42,659,327
Non-U.S. Bonds	—	5,164,476	—	—	5,164,476
Total Fixed Income Securities	—	82,279,808	—	—	82,279,808
Commingled Funds:					
U.S. Equity Funds	—	67,935,522	—	—	67,935,522
Non-U.S. Equity Funds	—	404,044,223	—	—	404,044,223
U.S. Bond Funds	—	79,990,055	—	—	79,990,055
Non-U.S. Bond Funds	—	44,052,238	—	—	44,052,238
Hedge Funds	—	—	—	619,443,622	619,443,622
Real Asset Funds	—	—	—	200,220,778	200,220,778
Total Commingled Funds	—	596,022,038	—	819,664,400	1,415,686,438
Total Fund Investments	398,545,392	678,301,846	—	819,664,400	1,896,511,638
Total Fund Assets	\$ 398,545,392	\$ 678,301,846	\$ —	\$ 819,664,400	\$ 1,898,036,913
Total Fund Liabilities					(460,596)
Affiliated Entity Investments					(134,087,788)
Total Net Asset Value					\$ 1,763,488,529

SHORT TERM LIQUIDITY POOL FUND

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

SHORT TERM LIQUIDITY POOL FUND					
	2018			NAV	Total
	Level 1	Level 2	Level 3		
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 3,378,475
Total Receivables	—	—	—	—	3,378,475
Cash Equivalents:					
Money Market Funds	127,128,864	—	—	—	127,128,864
Total Cash Equivalents	127,128,864	—	—	—	127,128,864
Fixed Income Securities:					
U.S. Government Obligations	—	179,984,745	—	—	179,984,745
Mortgage Backed Securities	—	175,661,110	—	—	175,661,110
Collateralized Mortgage Obligations	—	14,788,045	—	—	14,788,045
Corporate Bonds	—	141,942,756	—	—	141,942,756
Non-U.S. Bonds	—	54,274,651	—	—	54,274,651
Total Fixed Income Securities	—	566,651,307	—	—	566,651,307
Commingled Funds:					
U.S. Bond Funds	—	134,060,134	—	—	134,060,134
Total Commingled Funds	—	134,060,134	—	—	134,060,134
Total Fund Investments	127,128,864	700,711,441	—	—	827,840,305
Total Fund Assets	\$ 127,128,864	\$ 700,711,441	\$ —	\$ —	\$ 831,218,780
Total Fund Liabilities					(277,839)
Affiliated Entity Investments					(80,413,846)
Total Net Asset Value					\$ 750,527,095

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2019 and 2018 is as follows:

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

POOLED ENDOWMENT FUND					
	2018		Remaining Life	Redemption Notice Period	Redemption Restrictions
	Fair Value	Unfunded Commitments			
Hedge funds - absolute return, credit, long/short equities	\$ 429,859,604	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	144,709,192	112,546,521	1-10 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public natural resources, real estate, and infrastructure	152,056,360	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	153,805,880	64,559,680	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 880,431,036	\$ 177,106,201			

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

LONG TERM RESERVE POOL FUND					
2018					
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 619,443,622	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	200,211,837	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	8,941	—	1-10 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 819,664,400</u>	<u>\$ —</u>			

Investment Risk Factors

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

Credit Risk

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

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service ("Moody's") or Standard and Poor's ("S&P"). The lower the rating, the greater the chance—in the rating agency's opinion—that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Board policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark. Credit risk in each investment pool is managed primarily by

diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. Fixed income holdings in a single entity (excluding obligations of the U.S. government and its agencies) may not exceed 5% of a manager's portfolio measured at market value.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the PEF and LTRP, which are tracked against the Barclays U.S. High Yield Index for U.S. investments and the J.P. Morgan Non-U.S. GBI Index for international investments benchmarks for the fixed income portion of these pools. Fixed income investments within the PEF and LTRP include corporate, mortgage backed, and U.S. treasury and/or agency bonds. In addition, approximately \$39.4 million and \$35.2 million in the PEF and LTRP (collectively), at September 30, 2019 and 2018, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$299.5 million and \$356.7 million in the PEF and LTRP (collectively), at September 30, 2019 and 2018, respectively.

The STLP is benchmarked against the 1-3 Year Barclays Government Credit Index with funds invested with four separate fund managers. Fixed income investments include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. For September 30, 2019 and 2018, approximately \$173.2 million and \$106 million, respectively, was invested by the STLP in unrated fixed income securities, excluding commingled bond funds, and money market funds. Fixed income commingled funds totaled approximately \$263.1 million and \$261.2 million at September 30, 2019 and 2018, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2019 and 2018 is as follows:

	POOLED ENDOWMENT FUND		LONG TERM RESERVE POOL FUND		SHORT TERM LIQUIDITY POOL	
	2019	2018	2019	2018	2019	2018
Fixed or Variable Income Securities						
U.S. Government Obligations	\$ 9,526,821	\$ 8,197,916	\$ 17,123,633	\$ 12,738,159	\$ 106,695,991	\$179,984,745
Other U.S. Denominated:						
AAA	1,445,545	779,600	2,399,062	968,280	82,360,918	70,741,960
AA	4,937,086	3,796,225	8,500,014	5,708,359	49,502,664	30,793,835
A	8,922,674	9,462,969	16,639,285	14,112,658	87,465,527	87,893,696
BBB	10,537,413	13,268,623	19,983,283	20,151,133	91,050,594	82,640,685
BB	4,105,601	4,245,245	6,954,906	6,381,065	6,106,262	6,436,205
B	595,375	548,625	963,425	807,975	1,140,474	1,955,776
C and < C	—	—	—	—	343,702	641,329
Unrated	14,679,105	13,835,825	24,682,349	21,412,180	173,218,443	105,563,075
Commingled Funds:						
U.S. Bond Funds: Unrated	53,608,300	56,400,000	91,511,322	79,990,055	185,315,252	134,060,134
Non-U.S. Bond Funds: Unrated	—	27,184,600	41,238,753	44,052,238	—	—
Money Market Funds: Unrated	45,659,810	48,621,460	67,436,949	100,476,683	77,781,811	127,128,864
TOTAL	\$ 154,017,730	\$ 186,341,088	\$ 297,432,981	\$ 306,798,785	\$ 860,981,638	\$ 827,840,304

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

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2019 and 2018 is as follows:

	2019	2018
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ —	\$ 8,941,395
Other U.S. and Non U.S.		
AAA	136,048,332	116,369,065
AA	—	—
A	—	—
BBB	—	—
BB	—	—
B	—	—
CCC	—	—
CC	—	—
Unrated	—	—
Commingled Funds:		
U.S. Bond Funds: Unrated	—	—
Non-U.S. Bond Funds: Unrated	—	—
Money Market Funds: Unrated	—	—
Commercial Paper: Unrated	100,000	100,000
TOTAL	\$ 136,148,332	\$ 125,410,460

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

As previously mentioned, credit risk in each investment pool and UAB's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. As of September 30, 2019 and 2018, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools or UAB's separately held

investment portfolio except for investments issued by the U.S. government and money market fund investments.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the

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

The information presented does not take into account the relative weighting of the portfolio components to the total investment pool. The effective durations in years for fixed or variable income securities, for the System Pools at September 30, 2019 and 2018 are as follows:

	POOLED ENDOWMENT FUND		LONG TERM RESERVE POOL FUND		SHORT TERM LIQUIDITY POOL FUND	
	2019	2018	2019	2018	2019	2018
U.S. Government Obligations	9.2	11.3	9.2	11.2	2.1	2.0
Corporate Bonds	6.3	5.2	6.3	5.1	1.8	1.8
Non-US Bonds	6.3	5.2	6.3	5.1	1.8	1.8
Commingled Bond Funds	3.6	2.4	2.0	2.3	2.7	2.7

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

for fixed or variable income securities for UAB's separately held investments at September 30, 2019 and 2018 are as follows:

	2019	2018
Commingled Bond Funds	—	—

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

features. At September 30, 2019 and 2018, the fair market values of these investments in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LONG TERM RESERVE POOL FUND		SHORT TERM LIQUIDITY POOL FUND	
	2019	2018	2019	2018	2019	2018
Mortgage Backed Securities	\$ 16,998,880	\$ 14,232,582	\$ 28,505,448	\$ 21,717,846	\$ 256,770,944	\$ 175,661,110
Collateralized Mortgage Obligations	—	—	—	—	18,530,989	14,788,045
Total Fixed	\$ 16,998,880	\$ 14,232,582	\$ 28,505,448	\$ 21,717,846	\$ 275,301,933	\$ 190,449,155

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, 2019 and 2018, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LONG TERM RESERVE POOL FUND		SHORT TERM LIQUIDITY POOL FUND	
	2019	2018	2019	2018	2019	2018
Mortgage Backed Securities	3.6	5.3	3.7	5.3	1.5	1.1
Collateralized Mortgage Obligations	—	—	—	—	1.7	2.6

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2019 and 2018.

Foreign Currency Risk

The strategic asset allocation policy for the PEF, the LTRP, and UAB's separately held investments includes an allocation to non-United States equity and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2019 and 2018, all foreign investments in the System Pools and UAB's separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the three pools as disclosed in previous tables.

Securities Lending

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

At September 30, 2019 and 2018, there were no securities on loan from the investment pools.

Joint Ventures

UAB accounts for its ownership of the PLTF as a joint venture, using the equity method in the amount of approximately \$60.3 million and \$67.3 million at September 30, 2019 and 2018, respectively. See Note 8 for further discussion of the PLTF.

(5) Receivables

Accounts receivable consist of patient receivables, tuition charged to students and amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to UAB's contracts and grants. The composition of accounts receivable at September 30, 2019 and 2018 is summarized as follows:

ACCOUNTS RECEIVABLE:	2019	2018
Patient care	\$ 397,838,014	\$ 369,621,511
Receivables from sponsoring agencies	84,934,092	73,677,226
Student accounts	64,237,628	47,453,418
Other	95,222,427	45,947,939
Total accounts receivable	\$ 642,232,161	\$ 536,700,094
Less: Allowances for doubtful accounts from patient care	153,011,998	151,532,091
Less: Allowances for doubtful accounts from student accounts	4,427,039	3,203,474
Less: Allowances for doubtful accounts other	3,065,139	2,610,865
Accounts receivable, net	\$ 481,727,985	\$ 379,353,664

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

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

The composition of loans and pledges receivable at September 30, 2019 and 2018 is summarized in the following table.

	<u>2019</u>	<u>2018</u>
LOANS RECEIVABLE:		
Federal loan program	13,928,150	15,596,718
University loan funds	2,348,143	2,326,445
Other	317,153	454,539
Total loans receivable	\$ 16,593,446	\$ 18,377,702
Less allowance for doubtful accounts	3,339,984	3,583,214
Total loans receivable, net	\$ 13,253,462	\$ 14,794,488
Less: current portion	2,272,848	2,607,520
Total loans receivable outstanding, noncurrent	\$ 10,980,614	\$ 12,186,968
PLEDGES RECEIVABLE:		
GIFT PLEDGES OUTSTANDING:		
Operations	52,842,041	50,778,975
Capital	11,004,675	13,732,621
Total gift pledges	63,846,716	64,511,596
Less: current portion	18,436,977	18,141,677
Total gift pledges, noncurrent	\$ 45,409,739	\$ 46,369,919

(6) Capital Assets

Capital assets as of September 30, 2019 and 2018 are summarized as follows: Net interest costs capitalized for the University and component units in 2019 and 2018, respectively, were approximately \$2.7 million and \$3.1 million (net of \$0.58 million and \$0.60 million investment earnings in 2019 and 2018, respectively). There were no net interest costs capitalized in 2019 or 2018 for the Hospital.

September 30, 2019

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

September 30, 2018

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 84,782,036	\$ 1,039,608	\$ (158,861)	\$ 85,662,783
Construction in progress	45,786,482	52,646,709	(39,322,896)	59,110,295
	130,568,518	53,686,317	(39,481,757)	144,773,078
Capital assets being depreciated				
Land Improvements	40,035,668	2,860,143	—	42,895,811
Buildings	1,508,744,034	119,815,652	(26,151,904)	1,602,407,782
Fixed Equipment Systems	87,484,453	568,481	—	88,052,934
Equipment	383,463,045	15,710,714	(25,472,138)	373,701,621
Library Materials	114,400,497	5,559,989	—	119,960,486
	2,134,127,697	144,514,979	(51,624,042)	2,227,018,634
Total Capital Assets	2,264,696,215	198,201,296	(91,105,799)	2,371,791,712
Less: Accumulated Depreciation	1,263,589,129	76,098,299	(35,768,101)	1,303,919,327
Total Net Capital Assets	\$ 1,001,107,086	\$ 122,102,997	\$ (55,337,698)	\$ 1,067,872,385
HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,862,268	\$ —	\$ (48,723)	\$ 20,813,545
Construction in progress	6,850,161	11,484,536	(2,993,051)	15,341,646
	27,712,429	11,484,536	(3,041,774)	36,155,191
Capital assets being depreciated				
Land Improvements	656,874	—	—	656,874
Buildings	921,784,216	7,367,415	—	929,151,631
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	472,994,687	37,085,486	(27,237,579)	482,842,594
	1,405,653,619	44,452,901	(27,237,579)	1,422,868,941
Total Capital Assets	1,433,366,048	55,937,437	(30,279,353)	1,459,024,132
Less: Accumulated Depreciation	833,533,093	70,588,214	(24,785,561)	879,335,746
Total Net Capital Assets	\$ 599,832,955	\$ (14,650,777)	\$ (5,493,792)	\$ 579,688,386
TOTAL UAB				
Capital assets not being depreciated				
Land	\$ 105,644,304	\$ 1,039,608	\$ (207,584)	\$ 106,476,328
Construction in progress	52,636,643	64,131,245	(42,315,947)	74,451,941
	158,280,947	65,170,853	(42,523,531)	180,928,269
Capital assets being depreciated				
Land Improvements	40,692,542	2,860,143	—	43,552,685
Buildings	2,430,528,250	127,183,067	(26,151,904)	2,531,559,413
Fixed Equipment Systems	97,702,295	568,481	—	98,270,776
Equipment	856,457,732	52,796,200	(52,709,717)	856,544,215
Library Materials	114,400,497	5,559,989	—	119,960,486
	3,539,781,316	188,967,880	(78,861,621)	3,649,887,575
Total Capital Assets	3,698,062,263	254,138,733	(121,385,152)	3,830,815,844
Less: Accumulated Depreciation	2,097,122,222	146,686,513	(60,553,662)	2,183,255,073
Total Net Capital Assets	\$ 1,600,940,041	\$ 107,452,220	\$ (60,831,490)	\$ 1,647,560,771

(7) Long-Term Debt

During fiscal year 2019, Standard & Poor's Ratings Services reaffirmed its AA rating on UAB's general revenue bonds. The outlook is stable. Long-term debt activity for the years ended September 30, 2019 and 2018 is summarized as follows:

September 30, 2019

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 3.19% due annually through 2019 and 4.47% due monthly through 2020	\$ 434,443	\$ 341,253	\$ 430,357	\$ 345,339	\$ 135,538
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually from 2007 through 2021	9,710,000	—	3,090,000	6,620,000	3,230,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2041	46,430,000	—	1,715,000	44,715,000	1,800,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2041	46,590,000	—	1,550,000	45,040,000	1,605,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2028	12,165,000	—	1,520,000	10,645,000	1,600,000
Birmingham General Revenue Bonds Series 2013A-1, 11% due annually through 2020	9,730,000	—	3,205,000	6,525,000	3,245,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	—
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2029	33,465,000	—	3,085,000	30,380,000	3,135,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2019	1,030,000	—	505,000	525,000	525,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2023	13,855,000	—	2,200,000	11,655,000	2,240,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	27,090,000	—	2,605,000	24,485,000	2,730,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	—	24,495,000	—
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2028 through 2030	—	24,775,000	—	24,775,000	—
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2028 through 2049	—	145,940,000	—	145,940,000	—
	\$ 471,499,443	\$ 171,056,253	\$ 19,905,357	\$ 622,650,339	\$ 20,245,538
Less (Plus): unamortized bond discount (premium)				(22,534,845)	—
TOTAL UNIVERSITY DEBT				\$ 645,185,184	\$ 20,245,538
HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 7,556,927	\$ —	\$ 2,992,749	\$ 4,564,178	\$ 1,590,450
Note payable UAB Health System, 3.0% to 5.0% due annually through 2048	—	77,000,000	138,818	76,861,182	1,106,761
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	13,316,000	—	1,327,000	11,989,000	1,363,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	44,565,000	—	10,945,000	33,620,000	11,075,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	18,385,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	44,810,000	—
	\$ 431,162,927	\$ 77,000,000	\$ 15,403,567	\$ 492,759,360	\$ 15,135,211
Less (Plus): unamortized bond discount (premium)				(24,526,900)	—
TOTAL HOSPITAL DEBT				\$ 517,286,260	\$ 15,135,211
TOTAL UAB	\$ 902,662,369	\$ 248,056,253	\$ 35,308,922	\$ 1,115,409,699	\$ 35,380,749
Less (Plus): unamortized bond discount (premium)				(47,061,745)	—
TOTAL UAB DEBT				\$ 1,162,471,444	\$ 35,380,749

September 30, 2018

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 3.19% due annually through 2019 and 4.47% due monthly through 2020	\$ 287,794	\$ 309,508	\$ 162,859	\$ 434,443	\$ 211,337
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually from 2007 through 2021	12,665,000	—	2,955,000	9,710,000	3,090,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2041	48,060,000	—	1,630,000	46,430,000	1,715,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2041	48,100,000	—	1,510,000	46,590,000	1,550,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2028	15,467,896	—	3,302,897	12,164,999	1,520,000
Birmingham General Revenue Bonds Series 2013A-1, 11.1% due annually through 2020	12,925,000	—	3,195,000	9,730,000	3,205,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	—
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2029	36,485,000	—	3,020,000	33,465,000	3,085,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2019	1,525,000	—	495,000	1,030,000	505,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2023	16,010,000	—	2,155,000	13,855,000	2,200,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	29,595,000	—	2,505,000	27,090,000	2,605,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	—	24,495,000	—
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—
	\$ 492,120,690	\$ 309,508	\$ 20,930,756	\$ 471,499,442	\$ 19,686,337
Less (Plus): unamortized bond discount (premium)				(8,816,063)	—
TOTAL UNIVERSITY DEBT				\$ 480,315,505	\$ 19,686,338
HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 12,029,620	\$ —	\$ 4,472,693	\$ 7,556,927	\$ 2,992,749
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2010C, 2.0% to 4.0% due annually through 2018	262,104	—	262,104	—	—
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	14,609,000	—	1,293,000	13,316,000	1,327,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	55,380,000	—	10,815,000	44,565,000	10,945,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	18,385,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	44,810,000	—
	\$ 448,005,724	\$ —	\$ 16,842,797	\$ 431,162,927	\$ 15,264,749
Less (Plus): unamortized bond discount (premium)				(25,763,138)	—
TOTAL HOSPITAL DEBT				\$ 456,926,065	\$ 15,264,749
TOTAL UAB	\$ 940,126,414	\$ 309,508	\$ 37,773,553	\$ 902,662,369	\$ 34,951,087
Less (Plus): unamortized bond discount (premium)				(34,579,201)	—
TOTAL UAB DEBT				\$ 937,241,570	\$ 34,951,087

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

Direct Borrowings and Direct Placement Other

FISCAL YEAR	UNIVERSITY			HOSPITAL			TOTAL		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	\$ 135,538	\$ 21,015	\$ 156,552	\$ 2,685,251	\$ 2,464,859	\$ 5,150,110	\$ 2,820,790	\$ 2,485,874	\$ 5,306,663
2021	78,572	15,097	93,669	2,674,442	2,405,225	5,079,667	2,753,014	2,420,322	5,173,336
2022	81,160	10,174	91,334	2,577,944	2,344,524	4,922,468	2,659,104	2,354,698	5,013,802
2023	50,069	3,640	53,709	1,263,338	2,300,077	3,563,415	1,313,407	2,303,717	3,617,124
2024	—	—	—	1,244,791	2,274,672	3,519,463	1,244,791	2,274,672	3,519,463
2025-2029	—	—	—	10,003,730	10,874,409	20,878,139	10,003,730	10,874,409	20,878,139
2030-2034	—	—	—	15,397,444	9,518,826	24,916,270	15,397,444	9,518,826	24,916,270
2035-2039	—	—	—	15,184,870	7,460,679	22,645,549	15,184,870	7,460,679	22,645,549
2040-2044	—	—	—	17,992,503	4,781,744	22,774,247	17,992,503	4,781,744	22,774,247
2045-2049	—	—	—	12,401,047	1,479,473	13,880,520	12,401,047	1,479,473	13,880,520
Total	\$ 345,339	\$ 49,926	\$ 395,264	\$ 81,425,360	\$ 45,904,488	\$ 127,329,848	\$ 81,770,700	\$ 45,954,414	\$ 127,725,113

General Receipts Bonds

FISCAL YEAR	UNIVERSITY			HOSPITAL			TOTAL		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2020	\$ 20,110,000	\$ 22,140,157	\$ 42,250,157	\$ 12,438,000	\$ 16,137,024	\$ 28,575,024	\$ 32,548,000	\$ 38,277,181	\$ 70,825,181
2021	23,525,000	23,064,632	46,589,632	12,605,000	15,967,753	28,572,753	36,130,000	39,032,385	75,162,385
2022	21,795,000	22,371,650	44,166,650	12,777,000	15,796,814	28,573,814	34,572,000	38,168,464	72,740,464
2023	22,655,000	21,625,672	44,280,672	10,276,000	15,623,290	25,899,290	32,931,000	37,248,962	70,179,962
2024	22,505,000	20,878,985	43,383,985	10,711,000	15,145,280	25,856,280	33,216,000	36,024,265	69,240,265
2025-2029	115,035,000	92,583,453	207,618,453	70,392,000	69,662,368	140,054,368	185,427,000	162,245,821	347,672,821
2030-2034	109,475,000	69,955,591	179,430,591	93,105,000	52,014,780	145,119,780	202,580,000	121,970,371	324,550,371
2035-2039	113,345,000	45,250,896	158,595,896	119,080,000	29,672,925	148,752,925	232,425,000	74,923,821	307,348,821
2040-2044	118,635,000	21,165,463	139,800,463	69,950,000	5,237,313	75,187,313	188,585,000	26,402,776	214,987,776
2045-2049	55,225,000	4,720,731	59,945,731	—	—	—	55,225,000	4,720,731	59,945,731
Total	\$ 622,305,000	\$ 343,757,230	\$ 966,062,230	\$ 411,334,000	\$ 235,257,547	\$ 646,591,547	\$ 1,033,639,000	\$ 579,014,777	\$ 1,612,653,777

Pledged revenues for 2019 and 2018, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

HOSPITAL BONDS	2019	2018
Total pledged revenues	\$ 2,046,900,133	\$ 1,895,229,398

Pledged revenues for 2019 and 2018, as defined by the Series 2005A, 2010A, 2010B, 2010C, 2013A, 2013B, 2013C, 2013D, 2015A, 2016A, 2016B, 2019A and 2019B General Revenue Trust Indentures, are as follows:

UNIVERSITY BONDS	2019	2018
Tuition fees	\$ 320,141,055	\$ 303,042,374
Indirect cost recovery	99,408,108	91,761,073
Sales and service of educational activities	67,616,490	68,464,868
Auxiliary sales and service	46,959,821	44,253,545
Endowment and investment income	47,116,443	43,674,010
Other sources	69,676,133	59,084,775
TOTAL PLEDGED REVENUES	\$ 650,918,050	\$ 610,280,645

In June 2019, the University issued \$24.8 million in Series 2019A General Revenue Bonds. The bonds pay interest at a rate of 4.00% with principal due annually through October 1, 2029. In June 2019, the University issued \$145.9 million in Series 2019B General Revenue Bonds, \$75.1 million of which was in the form of Serial Bonds and \$71.9 million of which was in the form of Term Bonds. The bonds pay interest at varying rates of 3.0% to 5.0% with principal due annually through October 1, 2041 and October 1, 2048, respectively.

The proceeds of both the Series 2019A and 2019B bonds will be used for the purposes of financing a portion of the cost of certain capital improvements to the UAB campus, as well as paying costs and expenses associated with this issue. These bonds were issued at a premium of \$16.4 million resulting in total cash received of \$187.1 million.

In June 2019, The UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Health System pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, the Hospital entered into a loan agreement with UAB Health System to borrow \$77.0 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. Of this \$77.0 million, \$31.4 million was distributed to the Hospital as of September 30, 2019. As the Hospital is legally obligated to repay \$77.0 million and is currently paying principal and interest on this full amount, The Hospital has reflected the full \$77.0 million on its statement of net position as long-term debt and \$45.6 million as Due from UAB Health System which is classified as Due from affiliate on the statement of net position. The Hospital pays interest to UAB Health System on the entire amount borrowed, regardless of the amount outstanding. There are no financial covenants related to the loan between the Hospital and UAB Health System.

The UAB general revenue bonds and the Hospital Revenue Trust Indentures are subject to certain covenants with the most restrictive being those on the Hospital's 2012A series issuance. These covenants, among other things, require the Hospital to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. UAB and the Hospital are in compliance with all financial covenants as of September 30, 2019.

The UAB Medicine Financing Authority's Revenue Trust Indentures are also subject to certain covenants. These covenants require the obligated group to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. The obligated group is in compliance with all financial covenants as of September 30, 2019.

In November 2019, the University refunded certain of the outstanding Series 2010 Bonds through the issuance of \$39.8 million in Series 2019-C Bonds and \$35.7 million in Series 2019-D Bonds. The Series 2010 Bonds were issued to provide financing for various capital improvements on campus.

(8) Self-Insurance

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

UAB's medical malpractice liability is managed by PLTF, a professional liability trust fund. PLTF functions as a risk-sharing vehicle for UAB and more than ten nongovernmental organizations. PLTF covers liabilities of the covered parties, including UAB, arising from reported claims, claims that are incurred but not reported, and future costs of handling these claims. The liabilities are generally based on present value actuarial valuations discounted using interest rates from 2% to 5%. The discount rate used in both 2019 and 2018 was 2%. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

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

The PLTF agreement requires 10% of all PLTF assets to be held in liquid assets. At September 30, 2019 and 2018, the liquid assets of the PLTF, as defined by the agreement, were in compliance with the agreement.

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

General liability is subject to various claims and aggregate limits, with excess liability coverage provided by an independent insurer. General liability and employee health care claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The general liability liabilities are generally based on actuarial valuations and are reported at present value. The discount rate used for the general liability was 2% in both 2019 and 2018.

Changes in the total self-insured liabilities for the years ended September 30, 2019 and 2018 are presented as follows for UAB:

SELF INSURED LIABILITIES	2019	2018
Balance, beginning of year	\$ 10,412,292	\$ 9,779,035
Claims incurred and changes in estimates	64,012,041	68,545,978
Claim payments	(66,754,598)	(67,912,722)
BALANCE, END OF YEAR	\$ 7,669,735	\$ 10,412,291

(9) Employee Benefits

Most employees of the University and the Hospital, participate in the Teachers' Retirement System of Alabama (TRS), a cost-sharing, multiple-employer public retirement system. Certain employees also participate in an optional 403(b) plan (403(b) Plan). TRS is a defined benefit plan and the 403(b) Plan is a defined contribution plan.

Defined Benefit Plan - TRS

Plan Description. The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 members. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16 Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions. Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

UAB's contractually required contribution rate for the year ended September 30, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members. UAB's contribution rate for the year ended September 30, 2018 was 12.24% of annual pay for Tier 1 members and 11.01% 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 2019, 2018 and 2017 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer Contributions	\$ 97,824,000	\$ 94,481,000	\$ 91,311,000
Employee Contributions	57,345,000	56,754,000	56,000,000
TOTAL CONTRIBUTIONS	<u>\$ 155,169,000</u>	<u>\$ 151,235,000</u>	<u>\$ 147,311,000</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2019 and September 30, 2018, the financial statements of UAB reflected a liability of \$1.17 billion and \$1.16 billion, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB 68. At September 30, 2019, the collective net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. At September 30, 2018, the collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016.

UAB's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. As of September 30, 2018, UAB's proportion was 11.75%, which was a decrease of 0.06% from its proportion measured as of September 30, 2017. At September 30, 2017, UAB's proportion was 11.81%, which was a decrease of 0.05% from its proportion measured as of September 30, 2016.

For the years ended September 30, 2019 and September 30, 2018, UAB recognized pension expense of \$76.3 million and \$86.2 million, respectively. At September 30, 2019 and 2018, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

2018	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ 49,787,000
Changes of assumptions	69,307,000	—
Net difference between projected and actual earnings on pension plan	—	69,426,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	—	27,849,000
Employer contributions subsequent to the measurement date	91,228,000	—
TOTAL	<u>\$ 160,535,000</u>	<u>\$ 147,062,000</u>

\$94.9 million reported as deferred outflows of resources related to pensions resulting from UAB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:		
2020	\$	(265)
2021		(27,925)
2022		(24,287)
2023		(1,821)
2024		1,759
Thereafter		—

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

	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	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.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective the beginning of fiscal year 2016. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of UAB's proportionate share of the net pension liability to changes in the discount rate. The following table reflects UAB's proportionate share of the net pension liability, as prescribed by GASB 68, calculated using the discount rate of 7.70%, as well as what UAB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
UAB's proportionate share of collective net pension liability	\$ 1,626,293,000	\$ 1,168,305,000	\$ 780,918,000

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, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Other Retirement Plans

Certain employees also participate in an optional 403(b) plan (403(b) Plan), which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. UAB contributes a matching amount of up to 5% of total salaries for participating employees. UAB's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for fiscal years 2019 and 2018, excluding employee amounts not eligible for matching, were approximately \$60.1 million and \$55.4 million, which included approximately \$30.1 million and \$27.7 million each from UAB and its employees, respectively.

The University, the Hospital, LLC and UABRF total salaries and wages for fiscal years 2019 and 2018 were approximately \$1.25 billion and \$1.21 billion, respectively. Total salaries and wages during fiscal years 2019 and 2018 for covered employees participating in TRS were approximately \$806.4 million and \$786.1 million, respectively. Total salaries and wages during fiscal years 2019 and 2018 for covered employees participating in the 403(b) Plan were approximately \$649.0 million and \$591.9 million, respectively.

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

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

Compensated Absences

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

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the financial statements include accruals of approximately \$71 million and \$69 million as of September 30, 2019 and 2018, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

(10) Post-Employment Benefits

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

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases.

PEEHIP

Plan description. The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized

and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

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

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

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative

services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

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

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

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2019 and 2018, the financial statements of UAB reflected a liability of \$659.9 million and \$644.0 million, respectively for its proportionate share of collective net OPEB liability, as prescribed by GASB 75. The collective net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. UAB's proportion of collective net OPEB liability was based on a projection of UAB's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, UAB's proportion was 8.03%, which was a decrease of 0.64% from its proportion measured as of September 30, 2017. At September 30, 2017, the UAB's proportion was 8.67%, which was an increase of 1.51% from its proportion measured as of September 30, 2016.

For the years ended September 30, 2019 and 2018, UAB recognized OPEB expense of \$52.9 million and \$58.3 million, respectively with no special funding situations. At September 30, 2019 and 2018, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

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

2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	66,866,314
Net difference between projected and actual earnings on OPEB plan investments	—	3,428,753
Changes in proportion and differences between Employer contributions and proportionate share of contributions	101,516,146	—
Employer contributions subsequent to the measurement date	19,713,541	—
Total	\$ 121,229,687	\$ 70,295,067

\$20.0 million reported as deferred outflows of resources related to OPEB resulting from UAB's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending September 30:		
2020	\$	3,806,827
2021	\$	3,806,827
2022	\$	3,806,827
2023	\$	4,600,617
2024	\$	(940,168)
Thereafter	\$	(509,474)

Actuarial assumptions. The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases ¹	3.25% - 5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement	4.18%
Municipal Bond Index Rate at the Prior	3.57%
Projected Year for Fiduciary Net Position (FNP) to be	2029
Single Equivalent Interest Rate the Measurement	4.44%
Single Equivalent Interest Rate the Prior	4.63%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible (beginning in 2019)	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible (in 2026)	4.75%
Medicare Eligible (in 2024)	4.75%

¹Includes 3.00% wage inflation.

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

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

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during PEEHIP's fiscal year 2018.

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.) used in the September 30, 2017 PEEHIP valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 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 Real Rate of Return*
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed	15.00 %	9.50 %
Cash	5.00 %	1.50 %
	100.00 %	

* Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the PEEHIP total OPEB liability at September 30, 2018 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2116. The long term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

Sensitivity of the UAB's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate. A one percent point decrease would change the current healthcare trend rate from 7.00% to 6.00%, the pre-Medicare from 5% to 4%, the Medicare eligible from 4.75% to 3.75%. A one percent point increase would change the current healthcare trend rate from 7.00% to 8.00%, the pre-Medicare from 5% to 6%, the Medicare eligible from 4.75% to 5.75%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 542,463,733	\$ 659,913,266	\$ 809,442,914

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 4.44%, 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 (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
UAB's proportionate share of the collective net OPEB liability	\$ 788,316,306	\$ 659,913,266	\$ 556,337,758

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, 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

UAB Plan

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

Benefits provided. UAB employees can participate in the UAB plan as a retiree if the following condition are met; retiree has 25 years of creditable service, regardless of age

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

Employees included in the actuarial valuation include active employees, retirees and disabled employees enrolled in the medical plan and retirees not enrolled in the medical plan with retiree life insurance. The following table summarizes the membership of the UAB Plan as of September 30, 2018, the Valuation Date.

Membership:	2019
Inactive Employees or Beneficiaries Currently Receiving Benefits	302
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	12,427
Total Membership	12,729

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2019 and 2018, UAB reported a liability of \$17.7 million and \$20.3 million, respectively for the total OPEB liability (TOL). The TOL is based upon an actuarial valuation as of the valuation date, September 30, 2018. An expected TOL is determined as of September 30, 2017, the prior measurement date, using standard roll back techniques. The roll back calculation begins with the TOL, as of the Measurement Date, September 30, 2017, adds the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also called the Service Cost).

For the years ended September 30, 2019 and 2018, UAB recognized OPEB expense of \$576,312 and \$102,851, respectively with no special funding situations. At September 30, 2019, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

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

2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	853,339
Employer contributions subsequent to the measurement period	2,502,675	—
Total	<u>\$ 2,502,675</u>	<u>\$ 853,339</u>

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:	
2019	\$ (283,351)
2020	\$ (283,351)
2021	\$ (283,351)
2022	\$ (283,351)
2023	\$ (283,351)
Thereafter	\$ (707,756)

Actuarial assumptions. The total OPEB liability for the UAB plan was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.25%
Projected Salary Increases ¹	3.25% - 5.00%
Wage inflation.	3.00%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.75% by 2026)	7.00%
Medicare Medical and Prescription Drug (beginning in 2019 decreasing to an ultimate rate of 4.75 % by 2024)	4.75%

¹Includes 3.00% wage inflation.

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

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments to the UAB plan, during fiscal year 2019.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 UAB plan valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

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

Discount Rate. The discount rate, as defined by Paragraph 155 of GASB 75 to be a 20-year tax- exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used for this purpose is the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer (www.bondbuyer.com). On the Prior Measurement Date, the Municipal Bond Index Rate was 3.57%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date. The Municipal Bond Index Rate as of the Measurement Date was 4.18%.

Sensitivity of the UAB Plan's net OPEB liability to changes in the healthcare cost trend rates. The following table presents the total OPEB Liability of the UAB Plan, calculated using the current healthcare trend rate, as well as what the total OPEB Liability would be if calculated using one percentage point lower or one percentage point higher than the current rate. A one percent point decrease would change the current healthcare trend rate from 7.00% to 6.00% and pre-Medicare from 4.75% to 3.75%. A one percent point increase would change the current healthcare trend rate from 7.00% to 8.00% and the pre-Medicare from 4.75% to 5.75%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's total OPEB liability	\$ 16,689,006	\$ 17,698,575	\$ 18,824,560

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 4.18%, as well as what the total OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
UAB's total OPEB liability	\$ 18,988,831	\$ 17,698,575	\$ 16,558,440

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

	2019
Total OPEB Liability as of September 30, 2018	\$ 20,320,823
Changes for the year:	
Service Cost as end of year*	168,312
Interest on TOL and Cash Flows	691,351
Changes in benefit terms	—
Difference between expected and actual experience	(787,087)
Changes of assumptions or other inputs	(767,436)
Benefit payments	(1,927,388)
Net changes	\$ (2,622,248)
Total OPEB Liability as of September 30, 2019	\$ 17,698,575

*The service cost include interest for the year.

(11) Federal Direct Student Loan Program

The Federal Direct Student Loan Program (FDSLP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly through the university rather than through private lenders. UAB began participation in the FDSLP on July 1, 1994. As a university qualified to originate loans, UAB is responsible for handling the complete loan process, including funds management, as well as promissory note functions. UAB is not responsible for collection of these loans. During the years ended September 30, 2019 and 2018, respectively, UAB disbursed approximately \$167.1 million and \$167.3 million under the FDSLP, respectively.

(12) Grants and Contracts

At September 30, 2019 and 2018, respectively, UAB had been awarded approximately \$546.3 million and \$512.3 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.

(13) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2019 and 2018 are as follows for UAB:

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

2018 Operating Expenses					
(by functional classification)					
	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 250,164,211	\$ 34,646,118	\$ —	\$ —	\$ 284,810,329
Research	173,462,671	115,171,617	—	—	288,634,288
Public service	113,420,025	50,991,271	—	—	164,411,296
Academic support	152,857,956	21,446,293	—	—	174,304,249
Student services	28,148,560	14,544,409	—	—	42,692,969
Institutional support	82,186,048	59,165,635	—	—	141,351,683
Operations and maintenance of plant	34,208,815	32,705,420	—	—	66,914,235
Scholarships and fellowships	—	—	—	27,779,628	27,779,628
Hospital	774,548,034	827,709,076	—	—	1,602,257,110
Auxiliary	65,994,368	578,031,120	—	—	644,025,488
Depreciation	—	—	146,686,513	—	146,686,513
Total Operating Expenses	\$ 1,674,990,688	\$ 1,734,410,959	\$ 146,686,513	\$ 27,779,628	\$ 3,583,867,788

(14) Contingencies and Commitments

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

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

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

UAB has contracted for the construction and renovation of several facilities. At September 30, 2019 and 2018, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$246 million and \$282 million, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

(15) Segment Reporting

As discussed in Note 1, UAB's two significant identifiable activities that have bonds outstanding where revenue is pledged in support of the bonds are the University and the Hospital. Condensed financial statement information related to the University and Hospital as of and for the years ended September 30, 2019 and 2018 is as follows:

UNIVERSITY	2019	2018
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 803,788,221	\$ 729,161,329
Capital assets, net	1,123,608,474	1,064,526,904
Other assets	951,213,153	807,443,751
TOTAL ASSETS	\$ 2,878,609,848	\$ 2,601,131,984
DEFERRED OUTFLOW OF RESOURCES	\$ 203,548,877	\$ 188,944,572
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,082,158,725	\$ 2,790,076,556
Current liabilities	323,028,646	308,190,717
Long-term debt	624,939,646	460,629,168
Other noncurrent liabilities	1,180,783,793	1,168,595,713
TOTAL LIABILITIES	\$ 2,128,752,085	\$ 1,937,415,598
DEFERRED INFLOW OF RESOURCES	\$ 143,674,851	\$ 140,753,365
Net investment in capital assets	620,309,247	606,482,225
Restricted nonexpendable	401,505,297	385,517,036
Restricted expendable	330,611,740	305,697,808
Unrestricted	(542,694,495)	(585,789,476)
TOTAL NET POSITION	\$ 809,731,789	\$ 711,907,593
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,082,158,725	\$ 2,790,076,556
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN		
Tuition and fees, net	\$ 239,912,344	\$ 253,707,923
Grant and contract revenue	494,047,342	461,633,394
Sales and services, educational	67,616,490	68,464,868
Other operating revenues	116,635,954	103,338,320
Salaries, wages, and benefits	(891,465,112)	(856,904,362)
Supplies and services	(367,622,835)	(360,697,738)
Depreciation	(75,251,119)	(74,865,905)
Scholarships and fellowships	(29,040,392)	(27,779,628)
OPERATING LOSS	(445,167,328)	(433,103,128)
State appropriations	253,102,906	239,944,876
Investment income	13,591,529	51,583,890
Interest expense	(13,088,125)	(12,789,385)
Gifts	46,152,386	33,913,813
Other nonoperating revenues	40,282,427	33,261,051
LOSS BEFORE OTHER CHANGES IN NET POSITION	(105,126,205)	(87,188,883)
Capital gifts and grants	789,044	2,282,241
Endowment gifts	29,098,263	18,401,517
Intergovernmental transfers	173,063,095	160,097,420
INCREASE IN NET POSITION	97,824,197	93,592,295
Net position, beginning of year	711,907,593	928,095,581
Adoption of 75	—	(309,780,283)
Net Position, beginning of year as restated as of October 1, 2017	711,907,593	618,315,298
NET POSITION, END OF YEAR	\$ 809,731,790	\$ 711,907,593
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ (389,066,206)	\$ (368,620,596)
Noncapital financing activities	540,437,693	495,726,637
Investing activities	(51,845,275)	59,561,004
Capital and related financing activities	21,952,161	(186,017,051)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,478,373	649,994
Cash and cash equivalents, beginning of year	97,466,495	96,816,501
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 218,944,868	\$ 97,466,495

HOSPITAL	2019	2018
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 984,037,176	\$ 825,383,460
Capital assets, net	594,578,200	579,688,386
Other assets	662,765,113	655,167,341
TOTAL ASSETS	\$ 2,241,380,489	\$ 2,060,239,187
DEFERRED OUTFLOW OF RESOURCES	\$ 110,192,665	\$ 108,582,095
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,351,573,154	\$ 2,168,821,282
Current liabilities	127,767,027	116,909,996
Long-term debt	502,151,049	441,661,316
Other noncurrent liabilities	689,120,222	682,363,248
TOTAL LIABILITIES	\$ 1,319,038,298	\$ 1,240,934,560
DEFERRED INFLOW OF RESOURCES	\$ 81,140,021	\$ 77,511,348
Net investment in capital assets	134,347,019	134,941,156
Restricted nonexpendable	128,099	1,121,797
Restricted expendable	35,878,430	36,186,903
Unrestricted	781,041,287	678,125,518
TOTAL NET POSITION	\$ 951,394,835	\$ 850,375,374
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 2,351,573,154	\$ 2,168,821,282
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN		
Operating revenues	\$ 2,008,333,371	\$ 1,864,776,264
Operating expenses	(1,713,161,226)	(1,602,357,111)
Depreciation expense	(72,137,317)	(70,588,213)
OPERATING INCOME	223,034,828	191,830,940
State appropriations	34,588,829	33,406,248
Investment income	15,224,317	38,191,857
Interest expense	(16,666,917)	(16,175,076)
Gifts	111,817	95,670
Other nonoperating revenues	(1,706,373)	(2,500,741)
INCOME BEFORE OTHER CHANGES IN NET POSITION	254,586,501	244,848,898
Capital gifts and grants	275	3,085
Intergovernmental transfers	(153,567,313)	(144,260,386)
INCREASE IN NET POSITION	101,019,463	100,591,597
Net position, beginning of year	850,375,374	978,376,939
Adoption of 75	—	(228,593,162)
Net Position, beginning of year as restated as of October 1, 2017	850,375,374	749,783,777
NET POSITION, END OF YEAR	\$ 951,394,837	\$ 850,375,374
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	279,439,132	252,068,699
Noncapital financing activities	(119,860,364)	(110,758,469)
Investing activities	(18,118,961)	(57,905,657)
Capital and related financing activities	(83,941,304)	(89,607,785)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,518,503	(6,203,212)
Cash and cash equivalents, beginning of year	31,003,295	37,206,507
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 88,521,798	\$ 31,003,295

(16) Health Care Services

Net Patient Service Revenue

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

Medicare. Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, University Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Hospital generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. The Hospital's cost reports have been audited and settled for all fiscal years through 2012. Revenue from the Medicare program accounted for approximately 21% of the Hospital's net patient service revenue for the years ended September 30, 2019 and 2018.

Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. As of September 30, 2019, the Hospital reported claims in various stages of review based on the requests received by the RACs during the fiscal year. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and the Hospital intends to pursue the reversal of adverse determinations, where appropriate. The Hospital cannot predict with certainty the impact of the Medicare RAC program on our future results of operations or cash flows.

Blue Cross. Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed at a prospectively determined rate or under a cost reimbursement methodology. The method of reimbursement is determined by the procedures that are performed. For outpatient services reimbursed under the cost reimbursement methodology, a final settlement is determined after submission of annual cost reports by the Hospital and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited and settled for all fiscal years through 2016. Effective December 1, 2016 Blue Cross outpatient services began being reimbursed under the Enhanced Ambulatory Payment Group (EAPG) methodology. This is a prospective payment methodology with no retroactive settlement. Revenue from the Blue Cross program accounted for approximately 34% of the Hospital's net patient service revenue for the years ended September 30, 2019 and 2018.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule. The Hospital is designated as a Disproportionate Share Hospital (DSH) and receives payments under the Medicaid DSH program. In addition, as a participant in the Alabama Medicaid Plan, the Hospital also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. The net benefit associated with the Hospital's participation in these programs, totaling approximately \$65.1 million and \$56.8 million in 2019 and 2018, respectively, is included in net patient service revenue in the accompanying statement of revenues, expenses and changes in net position. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 16% of the Hospital's net patient service revenue for the year ended September 30, 2019 and 14% for the year ended September 30, 2018.

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

The composition of Hospital operating revenue follows:

	<u>2019</u>	<u>2018</u>
Gross Patient Service Revenue	\$ 7,839,365,711	\$ 6,995,013,022
Less Provision for Contractual and Other Adjustments	(5,969,587,958)	(5,294,475,882)
Less Provision for Bad Debts	(157,700,738)	(152,151,403)
Net Patient Service Revenue	\$ 1,712,077,015	\$ 1,548,385,737
Capitation Revenue	73,206,414	75,816,425
Other Operating Revenue	223,035,722	240,553,387
Total Hospital Sales Revenue	\$ 2,008,319,151	\$ 1,864,755,549

Charity Care

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

The estimated cost of charity care provided during the years ended September 30, 2019 and 2018 was approximately \$32.3 million and \$34.8 million, respectively, calculated based on the ratio of total direct and indirect costs to establish charges applied to the charges foregone under the charity care policy.

	<u>2019</u>	<u>2018</u>
Approximate charges foregone, based on established rates	\$ 123,735,691	\$ 143,380,483
Percentage of charity charges to total charges	1.6%	2.0%

Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Other	45%	48%
Blue Cross	35%	33%
Medicare	13%	12%
Medicaid	7%	7%
	100%	100%

As noted in footnote 7, in June 2019, University Hospital borrowed \$77.0 million of UAB Medicine Finance Authority 2019A and 2019B Revenue Bond proceeds from UAB Health System. \$31.4 million of the loan amount was distributed to the Hospital during the year ended September 30, 2019 for capital improvement project spending during the year and the remaining \$45.6 million is held in trust for future projects. The Hospital recorded a note payable for the \$77.0 million loan amount and the undistributed amounts are recorded as Due from UAB Health System and classified as Due from affiliate on the statement of net position.

Related Parties

The Hospital and the other divisions of UAB provide a variety of support services to each other. The cost of these services is allocated to the end user on bases which vary according to the service being furnished. These services are paid for by transfers of funds which reduce operating expenses of the unit providing the service and are included in the operating costs of the unit receiving the service. Administrative and purchased services provided by UAB and allocated to and reimbursed by the Hospital during the years ended September 30, 2019 and 2018 were approximately \$38.7 million and \$36.8 million, respectively. In addition, during the years ended September 30, 2019 and 2018, the Hospital transferred approximately \$153.6 million and \$144.3 million, respectively, to UAB to support UAB's academic and medical programs.

During 2008, University Hospital entered into an operating agreement with HSF whereby HSF would lease two floors of the Women and Infants Center ("WIC"). HSF reimbursed University Hospital for construction costs of this space as they were incurred on a square-footage basis. Total reimbursements are being amortized as rent revenue on a straight-line basis over a period equal to the 90 year total lease term, commencing on February 22, 2010, the date the building was placed into service. The Hospital had received reimbursements from HSF totaling approximately \$14.7 million in 2019 and 2018, of which approximately \$12.9 million and \$13.1 million respectively, is included in the accompanying statement of net position as unearned revenue-other for the years ended September 30, 2019 and 2018, respectively.

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

In connection with its agreement with the Health System, the Hospital partially funded the operations of the Health System and its corporate office, charging approximately \$13.2 million and \$13.3 million to other operating expense in fiscal year 2019 and 2018, respectively. The Hospital also received equity transfers of approximately \$3.7 million and made equity transfers of \$9.9 million to the Health System during fiscal 2019 and 2018, respectively. In addition, the Health System periodically makes payments on behalf of the Hospital for which it is reimbursed. The Hospital had a net payable to the Health System of approximately \$6.7 million and \$7.2 million at September 30, 2019 and 2018, respectively.

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

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

The Hospital received premium revenue (capitation fees) of approximately \$73 million and \$76 million from Triton during the years ended September 30, 2019 and 2018, respectively.

The Hospital purchased \$406 million and \$354 million in management, administrative, and staffing services from the LLC during the years ended September 30, 2019 and 2018, respectively. Payment for contract labor as reported on the Statements of Cash Flows includes amounts paid to employees of the LLC and HSF.

(17) Recently Issued Pronouncements

The GASB issued Statement No. 83, Certain Asset Retirement Obligations, in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement is effective for reporting periods beginning after June 15, 2018. UAB evaluated its assets subject to this guidance and determined that the impact from its adoption of GASB 83 was not material to the financial statements.

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, 2018. UAB is evaluating whether there will be any material impact from its adoption of GASB 84.

The GASB issued Statement No. 87, Leases, in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. UAB is evaluating whether there will be any material impact from its adoption of GASB 87.

The GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, in April 2018. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for reporting periods beginning after June 15, 2018. Refer to Note 7 for enhanced disclosures related to UAB's long-term debt.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for reporting periods beginning after December 15, 2019. UAB is evaluating whether there will be any material impact from its adoption of GASB 89.

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

The GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for reporting periods beginning after December 15, 2020. UAB is evaluating whether there will be any material impact from its adoption of GASB 91.

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

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

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

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

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

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

Notes to Schedules

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

Measurement period:

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedules

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

Measurement period:

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

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

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

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

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

	2019	2018
Total OPEB Liability	\$ 20,320,823	\$ 26,032,496
Service Cost as end of year*	168,312	6,230,996
Interest on TOL and Cash Flows	691,351	690,596
Changes in benefit terms	—	(6,710,449)
Difference between expected and actual experience	(787,087)	—
Changes of assumptions or other inputs	(767,436)	(961,631)
Benefit payments	(1,927,388)	(4,961,185)
Net changes in Total OPEB Liability	\$ (2,622,248)	\$ (5,711,673)
Total OPEB Liability - Beginning	\$ 20,320,823	\$ 26,032,496
Total OPEB Liability - Ending	\$ 17,698,575	\$ 20,320,823
Covered-employee payroll	\$ 922,919,000	\$ 908,353,000
Total OPEB Liability as a percentage of covered-employee payroll	1.92%	2.24%

*The service cost include interest for the year.

Notes to Schedules

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

Measurement period:

For fiscal year 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

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As of September 30, 2019



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