

# **UAB Educational Foundation**

**Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

**UAB Educational Foundation**

**Index**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

	<b>Page (s)</b>
<b>Report of Independent Auditors</b> .....	1-2
<b>Consolidated Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-22
<b>The Board of Directors of UAB Educational Foundation (Unaudited)</b> .....	23



## **Report of Independent Auditors**

To the Board of Directors of The UAB Educational Foundation

### ***Opinion***

We have audited the accompanying consolidated financial statements of the UAB Educational Foundation (the “Foundation”) and its subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2022 and September 30, 2021, and the related consolidated statements of activities and changes in net assets and of cash flows for the year ended September 30, 2022 and for the fifteen month period ended September 30, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation and its subsidiaries as of September 30, 2022 and September 30, 2021, and the changes in their net assets and their cash flows for the year ended September 30, 2022 and the fifteen month period ended September 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### ***Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will



always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*PricewaterhouseCoopers LLP*

Birmingham, Alabama  
January 25, 2023

**UAB Educational Foundation**  
**Consolidated Statements of Financial Position**  
**September 30, 2022 and September 30, 2021**

	September 30, 2022	September 30, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,875,859	\$ 3,584,257
Restricted cash	2,246,301	2,246,301
Investments	10,201,914	12,318,279
Accounts receivable	1,153,753	592,510
Inventory	70,893	48,190
Prepaid expenses	57,583	43,960
Current portion of notes receivable	6,000	6,000
Total current assets	<u>19,612,303</u>	<u>18,839,497</u>
Noncurrent assets		
Fixed assets, net	45,957,489	50,357,281
Investment in limited liability company	2,838,791	2,915,536
Note receivable from affiliate	2,700,000	2,700,000
Other notes receivable	84,000	90,000
Other assets	1,679,177	1,654,437
Total noncurrent assets	<u>53,259,457</u>	<u>57,717,254</u>
Total assets	<u><b>\$ 72,871,760</b></u>	<u><b>\$ 76,556,751</b></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,346,264	2,043,915
Current liabilities under split-interest agreements	33,935	43,934
Current portion of debt	1,437,112	2,347,086
Total current liabilities	<u>3,817,311</u>	<u>4,434,935</u>
Long-term liabilities		
Long-term debt, net of current portion	36,166,009	37,843,036
Liabilities under split-interest agreements	264,157	316,212
Deferred tax liability	19,884	195,479
Total long-term liabilities	<u>36,450,050</u>	<u>38,354,727</u>
Total liabilities	<u>40,267,361</u>	<u>42,789,662</u>
Net assets		
Without donor restrictions	29,797,169	29,919,141
With donor restrictions	2,807,230	3,847,948
Total net assets	<u>32,604,399</u>	<u>33,767,089</u>
Total liabilities and net assets	<u><b>\$ 72,871,760</b></u>	<u><b>\$ 76,556,751</b></u>

The accompanying notes are an integral part of these financial statements.

**UAB Educational Foundation**

**Consolidated Statements of Activities and Change in Net Assets**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

	September 30, 2022	September 30, 2021
<b>Changes in net assets without donor restrictions</b>		
<b>Revenues and gains</b>		
Donations of cash and other financial assets	\$ 1,190,303	\$ 1,422,369
Donations of nonfinancial assets	260,000	—
	<u>1,450,303</u>	<u>1,422,369</u>
Revenue from the operation of:		
4th Avenue Parking Deck	3,228,560	3,268,394
Hilton UAB	12,946,739	9,579,850
Medical Towers	1,763,390	2,133,177
Other rental properties	1,007,273	1,315,554
Interest and dividends	252,526	206,571
Realized and unrealized (loss) gains on investments	(1,448,733)	1,795,979
Gain from forgiveness of loans	1,223,827	784,421
Total revenues and gains without donor restrictions	<u>20,423,885</u>	<u>20,506,315</u>
Net assets released from satisfaction of program restrictions	<u>3,464,347</u>	<u>2,981,816</u>
Total revenues, gains, and other support without donor restrictions	<b><u>23,888,232</u></b>	<b><u>23,488,131</u></b>
<b>Expenses and losses</b>		
Program activities:		
General university support	1,761,701	1,473,865
Hospital/health system support	815,985	933,021
Academic and scholarship support	1,067,673	922,233
Fundraising and development support	355,015	322,058
Total program activities	<u>4,000,374</u>	<u>3,651,177</u>
General and administrative expenses	401,639	1,690,239
Expenses related to the operations of:		
4th Avenue Parking Deck	1,245,603	1,214,455
Hilton UAB	9,733,075	8,064,957
Medical Towers	722,976	1,215,052
Other rental properties	236,338	324,163
Depreciation expense	5,818,319	7,164,268
Interest expense	1,851,880	2,393,863
Total operating expenses	<u>19,608,191</u>	<u>20,376,758</u>
Total expenses and losses	<u>24,010,204</u>	<u>25,718,174</u>
Decrease in net assets without donor restrictions	<b><u>(121,972)</u></b>	<b><u>(2,230,043)</u></b>

The accompanying notes are an integral part of these financial statements.

**UAB Educational Foundation****Consolidated Statements of Activities and Change in Net Assets****Year ended September 30, 2022 and fifteen months ended September 30, 2021**

	September 30, 2022	September 30, 2021
<b>Changes in net assets with donor restrictions</b>		
Revenues and gains		
Donations of cash and other financial assets	2,279,832	2,654,912
Vending income	531,253	504,080
Interest and dividends	26,706	26,122
Realized and unrealized gains (losses) on investments	(441,916)	519,198
Changes in the value of split-interest agreements	27,754	50,742
Total revenues and gains	<u>2,423,629</u>	<u>3,755,054</u>
Net assets released from restrictions	<u>(3,464,347)</u>	<u>(2,981,816)</u>
(Decrease) increase in net assets with donor restrictions	<u>(1,040,718)</u>	<u>773,238</u>
Decrease in net assets	(1,162,690)	(1,456,805)
<b>Net assets</b>		
Beginning of year	33,767,089	35,223,894
End of year	<u><b>\$ 32,604,399</b></u>	<u><b>\$ 33,767,089</b></u>

The accompanying notes are an integral part of these financial statements.

**UAB Educational Foundation**

**Consolidated Statements of Cash Flows**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash received from donors	\$ 3,321,178	\$ 4,128,034
Cash received from tenants	2,681,484	3,306,556
Cash received from other service recipients	16,207,471	13,340,573
Cash paid for grants and other university support	(3,961,189)	(3,628,772)
Cash paid to suppliers and employees	(11,949,783)	(11,067,266)
Cash paid for income tax	(88,159)	(72,181)
Cash paid for interest	(1,861,097)	(2,323,392)
Interest and dividends received	607,330	379,370
Total cash flows from operating activities	<u>4,957,235</u>	<u>4,062,922</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(208,910)	(3,428,935)
Proceeds from the sale of investments	103,273	2,890,923
Proceeds from repayment of other note receivable	6,000	9,000
Proceeds from sale of fixed assets	—	—
Capital expenditures	(1,202,822)	(2,059,997)
Total cash flows used in investing activities	<u>(1,302,459)</u>	<u>(2,589,009)</u>
<b>Cash flows from financing activities</b>		
Principal payments on debt	(1,363,174)	(1,446,208)
Proceeds from the issuance of long-term debt	—	1,223,827
Total cash flows used in financing activities	<u>(1,363,174)</u>	<u>(222,381)</u>
Net increase in cash, cash equivalents and restricted cash	<b>2,291,602</b>	<b>1,251,532</b>
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of year	5,830,558	4,579,026
End of year	<b>\$ 8,122,160</b>	<b>\$ 5,830,558</b>
Cash and cash equivalents	5,875,859	3,584,257
Restricted cash	2,246,301	2,246,301
Total cash, cash equivalents and restricted cash	<b>\$ 8,122,160</b>	<b>\$ 5,830,558</b>

The accompanying notes are an integral part of these financial statements.

# **UAB Educational Foundation**

## **Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

### **1. Organization and Summary of Significant Accounting Policies**

#### **Organization**

The UAB Educational Foundation (the "Foundation") was organized primarily to benefit the University of Alabama at Birmingham ("UAB"). The Foundation provides funds and certain facilities to UAB for its educational and scientific functions. UAB is one of three campuses of The University of Alabama System (the "System"). UAB is governed by the Board of Trustees of the University of Alabama, a body corporate under Alabama law. The Foundation is a legal entity formed separate from UAB and operates under an affiliation agreement with the System.

The affairs of the Foundation are managed by its Board of Directors. The number of directors comprising the Board of Directors shall not be less than fifteen (15) nor more than twenty (20) directors. In the event of dissolution of the Foundation, the board of directors, after satisfying all claims against the Foundation, is to transfer any remaining assets to UAB.

The Foundation has an agreement with UAB whereby it will make annual expenditures of not less than \$50,000 for the benefit of UAB. This requirement has been met each previous year, including the year ended September 30, 2022 and fifteen months ended September 30, 2021.

#### **Principles of Consolidation and Basis of Presentation**

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, Medical Towers, Inc., Campus Hospitality Services, LLC and UAB Diabetes Trust Foundation after elimination of intercompany balances and transactions, and have been prepared on the accrual basis of accounting. The Foundation presents a consolidated statement of cash flows and displays its activities and net assets in two classes based on the existence or absence of donor-imposed restrictions, as follows:

#### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions generally result from revenues derived from providing services and receiving contributions without donor-imposed restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions.

#### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired.

Other net assets are restricted by donor-imposed stipulations that the assets be held in perpetuity. Income from these assets can be included in either of these net asset classifications depending on donor restrictions.

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

#### **Adoption of New Resolution**

The Board of Directors of the Foundation approved to modify the fiscal year of the Foundation from June 30 to September 30 effective as of September 30, 2021. The September 30, 2021 amounts within this report reflect fifteen months of the Foundation's activities.

#### **Cash, Cash Equivalents and Restricted Cash**

The Foundation considers cash on hand and all highly liquid financial instruments purchased with an original maturity of three months or less to be cash and cash equivalents. Restricted cash is comprised of cash accounts held in reserve for debt service as required under the terms of the Foundation's credit agreement.

## **UAB Educational Foundation**

### **Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

#### **Contribution Revenue**

Contributions received, including unconditional promises to give, are recognized as revenues at their fair values in the period received. For financial reporting purposes, the Foundation distinguishes between contributions of assets with and without donor restrictions. Contributions for which donors have not stipulated restrictions are reported as donation revenue without donor restrictions. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as donation revenue with donor restrictions if the restrictions are not met in the same reporting period that the gift is reported. When such donor-imposed restrictions are met in subsequent reporting periods, donor-restricted net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions when the purpose or time restrictions are met. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for use, are also classified as assets with donor restrictions.

Unconditional promises to give with payments due in future periods are reported as donor-restricted support and are reported at their estimated fair value at the date of gift in the accompanying consolidated statement of financial position. Gifts of land, buildings, and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulation, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Contributed Nonfinancial Assets**

The Foundation recognized contributed nonfinancial assets of \$260,000 within donation revenue, consisting of residential property comprised of land and a building. Unless otherwise noted, the contributed nonfinancial assets did not have donor-imposed restrictions.

The property was contributed to the Foundation in December 2021. In valuing the contributed property, which is located in Scottsboro, AL, a residential appraisal was provided to substantiate the estimated fair value of the property. Consistent with policy, until the time management of the Foundation decides to sell the property, the asset is considered held for sale at net realizable value. The contributed property underwent minor repair and maintenance and was subsequently sold in November 2022. The sale and any gain or loss will be recognized in the consolidated statement of activities and changes in net assets in fiscal year 2023.

#### **Investments**

The University of Alabama System Short Term Liquidity Pool and Capital Reserve Pool ("LCRP"), and Pooled Endowment Fund ("PEF") (collectively the "UAS Funds"), are investment pools sponsored by the University of Alabama System ("the System") and hold certain investment assets for the beneficial interest of the Foundation. Since the Foundation is organized for the primary benefit of UAB (which is a campus of the System), these organizations are financially interrelated. Accordingly, the Foundation recognizes its interest in the net assets of the UAS Funds and adjusts that interest for its proportionate share of the changes in the net assets of the UAS Funds. Changes due to gifts and investment income are recognized as a component of Revenues, gains, other support, and reclassifications in the accompanying consolidated statements of activities and changes in net assets. The UAS Funds invest in various investment securities, including both marketable and nonmarketable securities. The UAS Funds value all investments with readily determinable market values at fair value. The UAS Funds value certain investments that do not have readily determinable fair values and that meet certain other criteria at Net Asset Value as a practical expedient for fair value. Real estate held by the UAS Funds is carried at fair value as determined by third-party appraisals or other valuation techniques.

Investments held by the Foundation in debt securities, equity securities and mutual funds with readily determinable market values are reported at their fair values based on published market prices.

Investments received by gift are stated at fair value at date of receipt. Changes in fair values are reported as unrealized gains or losses in the consolidated statement of activities and changes in net assets. All interest income and realized gains and losses are reported in the consolidated statements of activities and changes in net assets and are presented net of any investment-related expenses.

## **UAB Educational Foundation**

### **Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

#### **Investment in Limited Liability Company**

The Foundation accounts for its investment in Triton Health Systems, L.L.C., under the equity method of accounting (see Note 5).

In 2016, the Foundation entered into a 50% ownership joint venture with INTO USA, LP, a company specializing in international student recruiting. The joint venture, INTO UAB, L.L.C., will administer English Language Courses and a "Pathway Program" for international students that provide English language and academic courses designed to transition the students into the general student population. The joint venture collects tuition revenue and reimburses UAB and INTO USA for all related costs. For UAB this includes costs associated with instruction and facilities, and for INTO USA this includes recruiting expenses, administrative charges, and a management fee.

The initial capital contribution from the Foundation to INTO UAB, L.L.C. was \$50,000. Subsequent transfers to the joint venture were made through member loans in the form of promissory notes totaling \$4,000,000.

The Foundation accounts for its investment in INTO UAB L.L.C., under the equity method of accounting.

#### **Other Notes Receivable**

The Foundation received several private donations to aid the victims of the April 27, 2011 tornadoes in Alabama. A portion of these funds were restricted to aiding victims in the form of loans and the remaining amount for grants. During 2012, the Foundation loaned \$150,000 to Greater Birmingham Habitat for Humanity for a term of 25 years, payable in semiannual installments of \$3,000. This loan is noninterest bearing. The balance of this note receivable as of September 30, 2022 and September 30, 2021 was \$90,000 and \$96,000, respectively.

#### **Note Receivable from Affiliate**

In conjunction with the establishment of the INTO UAB, L.L.C. ("LLC") joint venture, the Foundation issued a promissory note to provide member loans to the LLC in an amount not to exceed \$4 million, bearing an interest rate of 2%. Principal and interest payments will be made until paid in full before any profit distributions are made to the LLC members. The balance of the note receivable, all of which was still outstanding, was \$4 million as of both September 30, 2022 and September 30, 2021. The Foundation has evaluated the note receivable and concluded the entire note balance of \$4 million is not fully collectable. As such, the Foundation's management has established a reserve for the estimated uncollectible portion of the note based on an annual review of the INTO USA L.L.C., audited financial statements. As of September 30, 2021, the Foundation's management deemed it appropriate to reserve \$1.3 million as uncollectible. The reserve reserve was unchanged as of September 30, 2022. Accrued interest receivable related to this note was \$453,852 and \$373,852 as of September 30, 2022 and September 30, 2021, respectively, and is included in other assets within the accompanying consolidated statements of financial position.

#### **Property and Equipment**

Property and equipment of the Foundation is recorded at cost at the date of acquisition or, in the case of donated property, at fair value at the date of donation. Depreciation of buildings, leasehold improvements, and equipment is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 39 years. Depreciation expense for the year ended September 30, 2022 and fifteen months ended September 30, 2021 was \$5,818,319 and \$7,164,268, respectively.

At the time management of the Foundation decides to sell property and all requisite criteria are met, the asset is classified as property held for sale and reflected at the lower of cost or estimated net realizable value; any loss is recognized in the consolidated statement of activities and changes in net assets. Gains, if any, are recognized in the consolidated statement of activities and changes in net assets upon final disposition of the asset.

#### **Gift Annuities**

The Foundation enters into agreements in which donors contribute to UAB via the Foundation in the form of charitable gift annuities. Under these agreements, the Foundation acts as a trustee and has the duty to hold and manage the assets for the benefit of UAB. An annuity is to be paid to the donor or their designee for a specified period of time. The assets received for an annuity are recorded by the Foundation at fair value at the date of the gift. The liabilities to the annuitants are recorded at the present value of expected future annuity payments. These

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

#### Year ended September 30, 2022 and fifteen months ended September 30, 2021

liabilities are calculated using assumptions from the 2012 IAR mortality table. The difference between the asset and liability value is recorded as contribution revenue in the year the asset is received.

Interest income and realized and unrealized gains and losses on the underlying assets are recognized as changes in net assets with donor restrictions in the period earned. Payments made to annuitants reduce the liability. Upon termination of the agreements, the remaining investments are to be transferred to UAB as the ultimate beneficiary.

The following is a summary of these assets and related liabilities as of September 30, 2022 and September 30, 2021:

	2022	2021
<b>Charitable Gift Annuities</b>		
Total assets	\$ 321,036	\$ 465,064
Total liabilities	298,092	360,146

#### Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) and is an organization described in Section 170(c)(2) of the United States Internal Revenue Code. However, certain of the Foundation's activities are considered by the Internal Revenue Service to provide unrelated business income and, accordingly, these activities are subject to federal income tax. In addition, Medical Towers, Inc. and Campus Hospitality Services, LLC are not exempt from income taxes and file separate tax returns. The Foundation's income tax (expense) benefit totaled \$87,436 and \$(131,745) for the year ended September 30, 2022 and fifteen months ended September 30, 2021, respectively.

The Foundation accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The following is a summary of these deferred tax assets and liabilities as of September 30, 2022 and September 30, 2021:

	2022	2021
<b>Campus Hospitality Services, LLC</b>		
Deferred tax asset	\$ 4,836,564	\$ 3,944,590
Valuation allowance	(4,836,564)	(3,944,590)
<b>Medical Towers, Inc.</b>		
Deferred tax liability	(19,883)	(195,479)
Net deferred tax liability	<u>\$ (19,883)</u>	<u>\$ (195,479)</u>

**UAB Educational Foundation****Notes to Consolidated Financial Statements****Year ended September 30, 2022 and fifteen months ended September 30, 2021****Allocation of Expenses**

The table below presents expenses by both their nature and their function for the year ended September 30, 2022 and fifteen months ended September 30, 2021:

	September 30, 2022			
	Program Activities	Management and General	Rental and Other Property	Total Expenses
Contribution in support of UAB				
General University	\$ 1,761,701	\$ —	\$ —	\$ 1,761,701
Hospital/Health System	815,985	—	—	815,985
Academic/Scholarship	1,067,673	—	—	1,067,673
Fundraising/Development	355,015	—	—	355,015
Salaries, wages and benefits	—	150,573	3,387,877	3,538,450
Depreciation	—	—	5,818,319	5,818,319
Other operating expenses	—	—	1,712,659	1,712,659
Repairs and maintenance	—	—	1,192,996	1,192,996
Utilities	—	—	1,187,497	1,187,497
Interest expense	—	—	1,851,880	1,851,880
Marketing	—	—	909,357	909,357
Reserve for uncollectible Note receivable	—	—	—	—
Other administration and general	—	122,334	631,839	754,173
Professional and management fees	—	117,840	440,963	558,803
Income and other taxes	—	—	268,568	268,568
Security	—	—	337,168	337,168
Franchise fees	—	—	564,179	564,179
Bank and credit card fees	—	10,892	337,242	348,134
Cost of sales	—	—	637,010	637,010
Insurance	—	—	330,637	330,637
Total expenses	<u>\$ 4,000,374</u>	<u>\$ 401,639</u>	<u>\$ 19,608,191</u>	<u>\$ 24,010,204</u>

**UAB Educational Foundation****Notes to Consolidated Financial Statements****Year ended September 30, 2022 and fifteen months ended September 30, 2021**

	September 30, 2021			
	<u>Program Activities</u>	<u>Management and General</u>	<u>Rental and Other Property</u>	<u>Total Expenses</u>
Contribution in support of UAB				
General University	\$ 1,473,865	\$ —	\$ —	\$ 1,473,865
Hospital/Health System	933,021	—	—	933,021
Academic/Scholarship	922,233	—	—	922,233
Fundraising/Development	322,058	—	—	322,058
Salaries, wages and benefits	—	298,987	2,803,778	3,102,765
Depreciation	—	—	7,164,268	7,164,268
Other operating expenses	—	—	1,148,530	1,148,530
Repairs and maintenance	—	—	1,330,932	1,330,932
Utilities	—	—	1,440,526	1,440,526
Interest expense	—	—	2,393,863	2,393,863
Marketing	—	—	664,436	664,436
Reserve for uncollectible Note	—	1,300,000	—	1,300,000
Other administration and general	—	33,741	596,435	630,176
Professional and management fees	—	46,100	453,494	499,594
Income and other taxes	—	—	673,542	673,542
Security	—	—	368,311	368,311
Franchise fees	—	—	328,272	328,272
Bank and credit card fees	—	11,411	234,332	245,743
Cost of sales	—	—	373,911	373,911
Insurance	—	—	402,128	402,128
Total expenses	<u>\$ 3,651,177</u>	<u>\$ 1,690,239</u>	<u>\$ 20,376,758</u>	<u>\$ 25,718,174</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, professional fees and technology fees which are all allocated on the basis of estimates of time, effort, and usage.

**Risks and Uncertainties**

Marketable securities and other investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the Foundation's net assets.

**Concentration of Credit Risk**

The UAB Health System, a related party, has agreed to allocate funds annually to the Foundation and various restricted funds held by the Foundation. These allocations are determined annually and paid monthly to the Foundation. They are recorded in the statement of activities and changes in net assets as donation revenue. The following is a summary of these contributions and their corresponding percentage of overall revenue for the year ended September 30, 2022 and fifteen months ended September 30, 2021:

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

Year ended September 30, 2022 and fifteen months ended September 30, 2021

	2022		2021	
	Contributions	Percentage of Overall Revenue	Contributions	Percentage of Overall Revenue
Without donor restrictions	\$ 1,332,000	6 %	\$ 1,582,000	7 %
With donor restrictions	1,440,000	6 %	1,883,000	8 %
Total contributions	<u>\$ 2,772,000</u>	<u>12 %</u>	<u>\$ 3,465,000</u>	<u>15 %</u>

#### Use of Estimates

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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Recent Revisions to Authoritative Guidance

In February 2016, the FASB issued ASC 842, Leases. ASC 842 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASC 842, as amended, is effective for annual reporting periods beginning after December 15, 2021. The Foundation is currently evaluating the effect of adoption to the financial statements.

In September 2020, the FASB issued ASC 958, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets. The standard requires not-for-profit (NFP) entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFP's are also required to disclose information related to contributed nonfinancial assets. The new standard is effective for the Foundation for fiscal years beginning after June 15, 2021 and early adoption is permitted. The Foundation implemented the provisions of ASC 958 during fiscal year 2022 and is reflected in the statements and footnote disclosures.

#### COVID-19 Pandemic

In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for not-for-profit organizations. The outbreak has also negatively impacted both the global financial markets and Foundation'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 hotel and parking revenue, and additional volatility within the Foundation's investments. The Foundation believes it has sufficient liquidity to meet its operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on the Foundation, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

#### Subsequent Events

In October 2022, the Foundation executed a gift agreement and transfer of real property to the University. A formal appraisal was not obtained at the time of the transfer; however the estimated value of the property at the time of the agreement was approximately \$950,000. The disposition of this property will be reflected in the Foundation's fiscal 2023 financial statements.

In September 2022, the Foundation entered into a contract to sale a piece of residential property. The property was donated to the Foundation in fiscal 2022. Per the terms of the contract, the sale closed November 2022 for \$225,500. The sale and any gain or loss will be reflected in fiscal year 2023.

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

Year ended September 30, 2022 and fifteen months ended September 30, 2021

---

#### 2. Financial Assets

The following reflects the Foundation's financial assets as of September 30, 2022 and September 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Additionally, the amount of liquidity available for general expenditures has been reduced by any board-designated net assets.

	<u>2022</u>	<u>2021</u>
Cash, cash equivalents and restricted cash	\$ 8,122,160	\$ 5,830,558
Investments	10,201,914	12,318,279
Total financial assets, at year end	<u>18,324,074</u>	<u>18,148,837</u>
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(2,437,165)	(3,385,816)
Restricted by lender to meet debt-service requirements	<u>(2,246,301)</u>	<u>(2,246,301)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><b>\$ 13,640,608</b></u>	<u><b>\$ 12,516,720</b></u>

The Foundation is substantially supported by restricted contributions, and these restrictions require resources to be used in a particular manner. The most common restriction on the use of these contributions is that the expenditures be for the benefit of and at the direction of a certain UAB school or department. Because of the uncertainty regarding the timing of expenditures for these restricted funds, the Foundation generally invests 70% of the financial assets of a given restricted fund into cash and short-term investments and 30% into equity investments, with rebalancing occurring on a quarterly basis.

The Foundation also rebalances its unrestricted financial assets on a quarterly basis, and after reserving cash for specific large outlays expected in the next 90 days, invests 25% of the unreserved balance into cash and short-term investments and 75% into equity investments. Substantially all investments are made with the University of Alabama System funds and can be accessed for liquidity needs with minimal notice.

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

Year ended September 30, 2022 and fifteen months ended September 30, 2021

#### 3. Investments

The following is a summary of investments held by the Foundation as of September 30, 2022 and September 30, 2021:

	2022		2021	
	Cost or Amortized Cost	Reported Value	Cost or Amortized Cost	Reported Value
<b>University of Alabama System Funds</b>				
Liquidity and Capital Reserve Pool	\$ 10,024,452	\$ 9,277,978	\$ 9,815,542	\$ 11,139,954
The UAB School of Business Green and Gold Fund	511,759	602,900	485,079	713,261
Charitable Gift Annuity Fund Investment	337,547	321,036	374,143	465,064
Total investments	<u>\$ 10,873,758</u>	<u>\$ 10,201,914</u>	<u>\$ 10,674,764</u>	<u>\$ 12,318,279</u>

The Foundation invests substantially all of its funds in the Liquidity and Capital Reserve Pool ("LCRP"). The target asset allocation of the LCRP is approximately 45% equities, 35% fixed income, 10% real assets, and 10% diversifying strategies. Additionally, all net investment income from the LCRP is automatically reinvested.

#### 4. Fair Value Hierarchy

United States generally accepted accounting principles require the entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value of financial assets and liabilities. The guidance establishes a 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 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity 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 asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth, by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2022 and September 30, 2021:

**UAB Educational Foundation**

**Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

		September 30, 2022			
		Level 1	Level 2	Level 3	Total
<b>Investment in the UAB School of Business Green and Gold Fund</b>					
Cash, money funds, and FDIC deposits	\$	29,722	\$ —	\$ —	\$ 29,722
Fixed income		70,598	—	—	70,598
Equities		267,267	—	—	267,267
Mutual funds		21,639	—	—	21,639
Exchange-traded products		213,674	—	—	213,674
<b>Charitable Gift Annuity Fund Investment</b>					
Cash, money funds, and FDIC deposits		19,775	—	—	19,775
Fixed income		172,556	—	—	172,556
Mutual funds		90,194	—	—	90,194
Exchange-traded products		38,511	—	—	38,511
Total	<b>\$</b>	<b>923,936</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 923,936</b>

		September 30, 2021			
		Level 1	Level 2	Level 3	Total
<b>Investment in the UAB School of Business Green and Gold Fund</b>					
Cash, money funds, and FDIC deposits	\$	68,697	\$ —	\$ —	\$ 68,697
Fixed income		88,309	—	—	88,309
Equities		285,464	—	—	285,464
Mutual funds		23,940	—	—	23,940
Exchange-traded products		246,851	—	—	246,851
<b>Charitable Gift Annuity Fund Investment</b>					
Cash, money funds, and FDIC deposits		21,521	—	—	21,521
Fixed income		251,256	—	—	251,256
Mutual funds		64,308	—	—	64,308
Exchange-traded products		127,979	—	—	127,979
Total	<b>\$</b>	<b>1,178,325</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,178,325</b>

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

For assets measured at fair value, they are valued at quoted market prices for securities traded on an active exchange.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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.

**5. Investment in Limited Liability Company**

During fiscal 1997, the Foundation purchased a 1% share of all outstanding membership units of Triton Health Systems, L.L.C. ("Triton"), for \$800 from UAB. UAB and the Foundation are the sole members of Triton. Triton was formed in 1995 to advance the educational and research mission of UAB and to educate and train physicians and

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

#### Year ended September 30, 2022 and fifteen months ended September 30, 2021

other healthcare professionals. The Foundation's reported equity position as of September 30, 2022 and September 30, 2021 was \$2,788,791 and \$2,865,536, respectively. Earnings on the investment were \$331,353 and \$393,843 and are included in changes in net assets without donor restrictions under realized and unrealized investment gain (loss), within the accompanying consolidated statements of activities and changes in net assets for the year ended September 30, 2022 and fifteen months ended September 30, 2021, respectively.

#### 6. The UAB Diabetes Trust Foundation

On October 6, 2006, the UAB Diabetes Trust Foundation ("UABDTF") was established as a successor organization (in interest and purpose) to the now dissolved Diabetes Trust Foundation ("DTF"). The mission of the UABDTF is to support research and other charitable activities at the UAB Comprehensive Diabetes Center. A substantial portion of the DTF assets were transferred directly to UAB upon dissolution of the organization. The UABDTF, however, received all life insurance policies held by the DTF, a designated balanced pool endowment held by the San Diego Foundation, both an irrevocable and revocable charitable remainder trust, and a small amount of cash to fund operations of the new entity. All directors of the UABDTF must be directors of the UAB Educational Foundation.

#### 7. Property and Equipment

Property and equipment were as follows as of September 30, 2022 and September 30, 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 8,923,774	\$ 8,621,590
Building and leasehold improvements	38,852,469	38,333,493
Equipment	40,557,360	39,959,993
	<u>88,333,603</u>	<u>86,915,076</u>
Less: Accumulated depreciation	(42,376,114)	(36,557,795)
Total property and equipment, net	<u><u>\$ 45,957,489</u></u>	<u><u>\$ 50,357,281</u></u>

#### 8. Description of Leasing Arrangements

The Foundation's leasing operations consist principally of the leasing of various types of office buildings and other real property. The Foundation leases substantially all of its property to UAB and others under operating leases. These leases are all cancellable with a 60, 90 or 180-day notice.

The following schedule provides an analysis of the Foundation's investment in property held for lease by major classes as of September 30, 2022 and September 30, 2021:

	<u>2022</u>	<u>2021</u>
Building and leasehold improvements	26,034,117	25,216,702.01
Land	8,923,774	8,621,590
	<u>34,957,891</u>	<u>33,838,292.01</u>
Less: Accumulated depreciation	(15,275,675)	(14,225,997)
	<u><u>\$ 19,682,216</u></u>	<u><u>\$ 19,612,295</u></u>

#### 9. Major Properties

The Foundation, either directly or through one of its subsidiaries, owns several properties that comprise substantially all of its rental activity and fixed assets. These properties are the 4th Avenue Parking Deck, Medical Towers, and the Hilton UAB Hotel. Hotel and leasing revenues from the operation of 4th Avenue Parking Deck, Medical Towers, Hilton

## UAB Educational Foundation

### Notes to Consolidated Financial Statements

#### Year ended September 30, 2022 and fifteen months ended September 30, 2021

UAB Hotel, and other rental properties are recognized monthly on a straight-line basis over the life of the lease or daily as services are rendered.

In September 2016, the Foundation entered into an agreement to acquire the DoubleTree Birmingham Hotel located at 808 20th Street South on the UAB campus for total consideration of \$6.7 million. Subsequently, a single-member LLC was established named Campus Hospitality Services, L.L.C. ("CHS") for the purpose of owning and operating the hotel. The Foundation entered into a financing agreement (Note 11) in order to finance both the initial purchase and the property improvement plan required to upgrade the hotel to a Hilton. The hotel was acquired on November 1, 2016 and renovations were completed in 2019. Upon completion of the renovations the hotel was rebranded and renamed Hilton Birmingham at UAB.

The results of operations of these major properties for the year ended September 30, 2022 and fifteen months ended September 30, 2021, which are included in the accompanying statements of activities and changes in net assets, are summarized as follows:

	<b>September 30, 2022</b>		
	<b>Hilton UAB</b>	<b>4th Avenue Parking Deck</b>	<b>Medical Towers</b>
<b>Rental property operating revenue</b>	\$ 12,946,739	\$ 3,228,560	\$ 1,763,390
<b>Gain from forgiveness of loans</b>	1,223,827	—	—
	<b>\$ 14,170,566</b>	<b>\$ 3,228,560</b>	<b>\$ 1,763,390</b>
Rental property expenses			
Salaries, wages, and benefits	\$ 3,100,156	\$ 287,721	\$ 44,804
Other operating expenses	2,636,785	222,141	78,275
Depreciation	3,943,081	825,561	679,177
Other administration and general expenses	1,505,677	29,888	4,892
Interest expense	1,564,970	286,910	67,464
Utilities	765,881	167,203	234,319
Repairs and maintenance	316,213	281,050	435,897
Income and other taxes	353,746	300	(125,302)
Professional and management fees	383,669	24,285	24,681
Security	33,938	233,015	70,214
Cost of sales	637,010	—	—
Total expenses	<u>15,241,126</u>	<u>2,358,074</u>	<u>1,514,421</u>
Excess (deficit) of revenues over expenses	<b><u>\$ (1,070,560)</u></b>	<b><u>\$ 870,486</u></b>	<b><u>\$ 248,969</u></b>

**UAB Educational Foundation**

**Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

	September 30, 2021		
	Hilton UAB	4th Avenue Parking Deck	Medical Towers
<b>Rental property operating revenue</b>	\$ 9,579,850	\$ 3,268,394	\$ 2,133,177
<b>Gain from forgiveness of loans</b>	784,421	—	—
	<u>\$ 10,364,271</u>	<u>\$ 3,268,394</u>	<u>\$ 2,133,177</u>
Rental property expenses			
Salaries, wages, and benefits	\$ 2,567,345	\$ 300,433	\$ 100,000
Other operating expenses	1,765,014	248,438	23,012
Depreciation	5,026,802	921,548	772,400
Other administration and general expenses	1,192,521	23,829	94,436
Interest expense	2,007,958	385,905	71,909
Utilities	917,558	168,293	299,353
Repairs and maintenance	319,222	269,490	555,431
Income and other taxes	479,966	300	140,178
Professional and management fees	392,121	40,777	18,523
Security	57,299	226,894	84,118
Cost of sales	373,911	—	—
Total expenses	<u>15,099,717</u>	<u>2,585,907</u>	<u>2,159,360</u>
Excess (deficit) of revenues over expenses	<u><b>\$ (4,735,446)</b></u>	<u><b>\$ 682,487</b></u>	<u><b>\$ (26,183)</b></u>

**10. Other Properties**

Rental income and expense from the operation of other properties includes activity related to various smaller properties including the Burleson Building, Pita Stop Building, 506 10th Street Warehouse, the Davita Clinic and the 508 8th Street Warehouse, as well as rental income from a master ground lease for retail space in the Fourth Avenue Parking Deck.

**11. Debt**

Debt consists of the following as of September 30, 2022 and September 30, 2021:

	<u>2022</u>	<u>2021</u>
2014 Revenue Bond, the UAB Educational Foundation Project, due serially through 2032	\$ 10,243,600	\$ 10,928,600
Regions Commercial Equipment Finance - Hotel Project, due serially through 2026	27,359,521	28,037,695
Iberia Bank/Small Business Administration - Paycheck Protection Program Loan	—	1,223,827
Total long term debt	<u>37,603,121</u>	<u>40,190,122</u>
Less: Amounts due in less than one year	(1,437,112)	(2,347,086)
Long-term debt, net of current amounts	<u><b>\$ 36,166,009</b></u>	<u><b>\$ 37,843,036</b></u>

*2014 Revenue Bond*

On February 1, 2014, the Foundation refinanced the bonds issued in 2002 (and previously refinanced in 2009) by the City of Birmingham Downtown Redevelopment Authority (the "Authority") which financed the construction of the 4th

## **UAB Educational Foundation**

### **Notes to Consolidated Financial Statements**

#### **Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

Avenue Parking Deck (the "2014 bond"). The 2014 Bond was issued to Regions Capital Advantage as the sole bondholder.

As additional security for the payment of the Bonds, the Foundation entered into a Bond Guaranty Agreement (the "Guaranty") with Regions Bank dated February 1, 2014, whereby the Foundation guaranteed payment when due of debt service on the 2014 Bond and the purchase price of the bonds tendered for purchase under the trust indenture. The Guaranty on the 2014 Bond contains a "put" option where Regions Bank can have tendered the 2014 Bond for purchase on December 1, 2023, effectively giving the Guaranty a term just under 10 years. The rate on the bonds is fixed at 2.77%. Accrued interest related to the bonds was \$94,583 and \$100,907 as of September 30, 2022 and September 30, 2021, respectively. The 2014 Bond matures serially through December 1, 2032, in annual installments ranging from \$410,000 to \$1,178,600.

In conjunction with the issuance of the 2014 Bond, the Foundation entered into a capital lease agreement with the Authority dated February 1, 2014 pursuant to which the Foundation will lease certain real property and facilities from the Authority. The real property and facilities were acquired by the Authority pursuant to the provisions of the lease agreement. Rental payments due under the lease agreement are to be sufficient to pay the principal and interest on the Bonds when due. The Bond is a limited obligation of the Authority payable solely from amounts payable by the Foundation pursuant to the lease agreement with respect to debt service on the Bonds and any other revenues, rentals and receipts derived by the Authority from the leasing or sale of the Fourth Avenue Parking Deck. The Foundation will gain title to the facilities and equipment from the Authority when the project lease expires. The 2014 Bond is collateralized by the assignment of the Authority's interest in the lease agreement, a pledge by the Authority of the revenues received under the lease.

#### *Regions Commercial Equipment Finance Loans*

On November 1, 2016, *Regions Commercial Equipment Finance Loans* ("Regions") issued two taxable bank loans totaling \$26 million (\$13 million each) to Campus Hospitality Services ("CHS") for the purpose of acquiring and renovating the Doubletree Hotel (the "CHS notes"). The first promissory note (Note A) for \$13 million was funded at closing and bears a fixed interest rate of 4.93%. The second \$13 million note (Note B) was funded on March 13, 2018 and bears a fixed interest rate of 6.11%. The loans are amortized based on a 25-year term and have a 10 year maturity. The notes are secured by a mortgage on the property.

As additional security for payment of the CHS notes, the Foundation entered into a guaranty agreement. Under this agreement, the Foundation gave an unconditional guaranty for all obligations to Regions (including the bonds for the 4th Avenue Parking Deck), including the cross-collateralization of these obligations. Furthermore, the Foundation is required to maintain a global debt-service coverage ratio of 1.25, a requirement that was met in both the year ended September 30, 2022 and fifteen months ended September 30, 2021.

On August 29, 2018, Regions issued an additional taxable bank loan totaling \$4 million to CHS to fund additional improvements related to the Doubletree Hotel renovation project. The note bears a fixed interest rate of 6.48%. The loans are amortized based on a 25-year term and have a 10 year maturity, with principal payments due beginning on September 1, 2019. All other terms from the original debt issued in 2016 remain in effect.

#### *Paycheck Protection Program Loans*

In March 2021 and May 2020, CHS secured *Paycheck Protection Program Loans* from the Small Business Administration through IBERIABank - First Horizon. The loans were for \$1,223,827 and \$784,421, respectively, with a 1% fixed rate. A substantial portion of the loans were eligible for forgiveness if spent primarily on payroll and related expenses and staffing levels were maintained at a specified level. Any unforgivable amount of the loan following the 24 week period (in which the proceeds must be spent) was payable in 18 monthly installments plus interest at 1%. In July 2021, the Foundation recognized a gain of \$784,421 for the forgiveness of the first Paycheck Protection Program loan. In May 2022, the Foundation recognized a gain of \$1,223,827 for the forgiveness of the second Paycheck Protection Program loan.

**UAB Educational Foundation**

**Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

The aggregate contractual maturities of debt for the years ended September 30, 2022 are as follows:

	Parking Deck Bonds Principal	Hotel Project Loan Payable Principal	Total
2023	\$ 720,000	\$ 717,112	\$ 1,437,112
2024	9,523,600	758,317	10,281,917
2025	—	801,922	801,922
2026	—	848,068	848,068
2027	—	20,924,231	20,924,231
Thereafter	—	3,309,871	3,309,871
	<b>\$ 10,243,600</b>	<b>\$ 27,359,521</b>	<b>\$ 37,603,121</b>

**12. Net Assets with Donor Restrictions**

**University Funds**

These net assets are provided by proceeds from vending machines and contributions received from the UAB Health System, and any interest income earned on these funds. These net assets are to be used for the benefit of administrative departments at UAB.

**Hospital Funds**

These net assets are provided by proceeds from vending machines and any interest earned on such funds. These net assets are to be used for the benefit of University of Alabama Hospital and UAB Health System.

**Academic Funds**

These net assets are provided by a combination of private contributions and contributions received from the UAB Health System and any interest income earned on these funds. These net assets are to be used for the benefit of academic units, including the UAB School of Medicine.

**Development Funds**

These net assets are provided by a combination of private contributions and contributions received from the UAB Health System and any interest income earned on these funds. These net assets are to be used to support the university's development and fundraising activities, including the charitable gift annuity program.

Total net assets consisted of the following as of September 30, 2022 and September 30, 2021:

	September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Without donor restrictions</b>			
Unappropriated	\$ 29,797,169	\$ —	\$ 29,797,169
<b>With donor restrictions</b>			
University funds	—	405,379	405,379
Hospital funds	—	168,638	168,638
Academic funds	—	2,040,599	2,040,599
Development funds	—	192,614	192,614
Total net assets	<b>\$ 29,797,169</b>	<b>\$ 2,807,230</b>	<b>\$ 32,604,399</b>

**UAB Educational Foundation**

**Notes to Consolidated Financial Statements**

**Year ended September 30, 2022 and fifteen months ended September 30, 2021**

---

	September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Without donor restrictions</b>			
Unappropriated	\$ 29,919,141	\$ —	\$ 29,919,141
<b>With donor restrictions</b>			
University funds	—	596,729	596,729
Hospital funds	—	457,796	457,796
Academic funds	—	2,466,707	2,466,707
Development funds	—	326,716	326,716
Total net assets	<u>\$ 29,919,141</u>	<u>\$ 3,847,948</u>	<u>\$ 33,767,089</u>

**UAB Educational Foundation**  
**The Board of Directors (Unaudited)**  
**As of September 30, 2022**

---

**Name**

---

Dr. Ray L. Watts  
Dr. Brian Burnett  
Dr. Pamela Benoit  
Ms. Dawn Bulgarella  
Ms. Vanessa Leonard  
Mr. Al Vance  
Ms. Kate Cotton  
Mr. T. Michael Goodrich  
Dr. Dana Keith  
Ms. Odessa Woolfolk  
Mr. James W. Smith