



2015 Financial Report

The University of Alabama at Birmingham



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

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Introduction to UAB

Vision

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

Mission

To be a research university and academic health center that discovers, teaches and applies knowledge for the intellectual, cultural, social and economic benefit of Birmingham, the state and beyond.

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

Fall 2015 welcomed UAB's highest-performing class ever academically, with an average ACT of 25 (top 21 percent nationally) and average high school GPA of 3.66. The Honors College enrolled its largest-ever class (an 18 percent increase to 1,260) and its incoming freshmen averaged a 4.14 GPA and 30.4 ACT. More students than ever are living on campus (2,586), including 70 percent of freshmen, and represent 21 countries.

UAB's FY15 funding from NIH (with contracts) is projected to top \$225 million, a 20% increase since FY13 (\$188 million), putting the University 22nd nationally (10th among public universities). Several individual schools also rank highly in NIH funding, such as Dentistry, which is 1st nationally.

In the Center for World University Rankings—which is based on factors such as quality of education, faculty publications, influence, citations in peer-reviewed journals, number of patents, and broad impact—UAB ranks 146th globally (top 1 percent) and 70th in the U.S., among only 8 universities in the Southeast (and the only Alabama university) to make the global top 150.

UAB Hospital is the largest hospital in Alabama (and 3rd largest public hospital in the U.S.) and was recently named among “100 Great Hospitals” by Becker's Hospital Review. UAB is home to the state's only level 1 adult trauma center and a world Comprehensive Transplant Institute, which has done the second most kidney transplants in the history of medicine and is currently conducting the longest-ever kidney transplant chain at a single site. UAB Medicine treats more than a million patients annually.

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.

2015 Overview

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 five-state region. The Center's Wallace Tumor Institute houses an Advanced Imaging Facility and the most powerful cyclotron at any U.S. academic medical center.

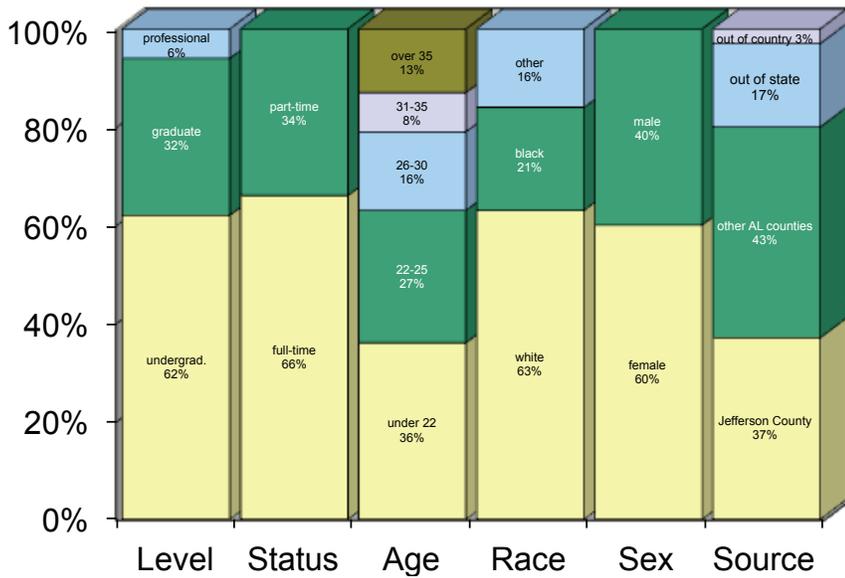
Students are active participants in a robust research enterprise beginning in their freshman year. UAB now offers new undergraduate programs in biomedical sciences and public health and is developing new BS degrees in Informatics, Immunology and Cancer Biology. In 2014-15, UAB produced the most finalists and winners of prestigious national honors and scholarships in its history (51), including the university's third Rhodes Scholar, the most at an Alabama university since the year 2000.

Graduate programs also continue to garner national recognition. In the latest U.S. News & World Report “Best Graduate Schools” issue, UAB has nine programs in the top 20, including its master's in health administration that ranks second in the nation.

UAB remains among only 51 universities—and the only one in Alabama—classified by the Carnegie Foundation for both “Very High Research Activity” and “Community Engagement.”

UAB has an economic impact on Alabama that exceeds \$5 billion annually and is key in growing a tech and knowledge-based economy for Alabama. The Alabama Drug Discovery Alliance (ADDA), a fruitful partnership with Southern Research, has roughly 18 potential new treatments in the pipeline. Innovation Depot, in which UAB is a founding partner, is the largest business incubator in the Southeast, with 100 start-up companies and a \$1.3 billion economic impact over the past five years.

Highlights



Student Profile

Total 18,698*
As of Fall 2014

*Excludes Advanced Professionals

Student Financial Aid

In fiscal year 2015, 73.9% of UAB's students received student financial aid from UAB. Financial aid disbursements of \$220.7 million were provided from the following sources:

Federal Government	
Student Loans	\$ 138,571,243
Grants	18,500,205
Work-Study	<u>1,276,038</u>
Subtotal Federal	\$ 158,347,486
State Government	\$ 150,185
University	
Loans	\$ 333,211
Scholarships	<u>61,822,519</u>
Subtotal University	\$ 62,155,730
Total	\$ <u>220,653,401</u>

Student Headcount

Enrollment for the fall semester of the 2014-2015 school year is outlined in the following table.

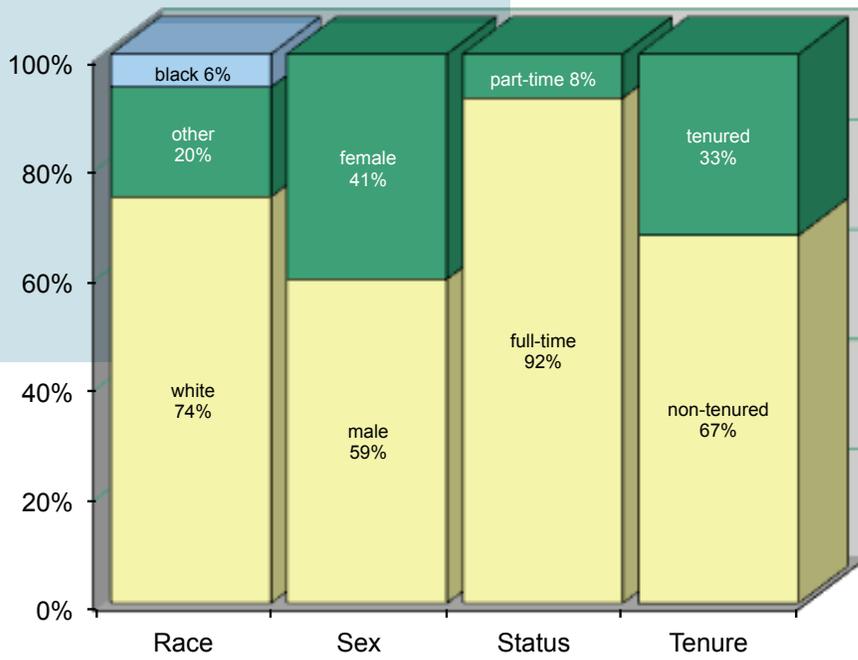
FALL 2014				
	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL / ADVANCED PROFESSIONAL*	TOTAL
SCHOOL OF ARTS AND SCIENCES	6,157	538	15	6,710
SCHOOL OF BUSINESS	2,233	446		2,679
SCHOOL OF EDUCATION	932	793	1	1,726
SCHOOL OF ENGINEERING	913	472	2	1,387
UNCLASSIFIED		225		225
SUBTOTAL	10,235	2,474	18	12,727
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE			1,705	1,705
SCHOOL OF DENTISTRY	20	1	327	348
SCHOOL OF OPTOMETRY			220	220
SCHOOL OF NURSING	606	1,819		2,425
SCHOOL OF HEALTH PROFESSIONS	691	922	15	1,628
SCHOOL OF PUBLIC HEALTH	127	354	9	490
JOINT HEALTH SCIENCES		342	88	430
SUBTOTAL, ACADEMIC HEALTH CENTER	1,444	3,438	2,364	7,246
TOTAL ENROLLMENT	11,679	5,912	2,382	19,973

*Includes 1,107 first professionals and 1,275 advanced professionals.

Faculty Profile

Total 2,436

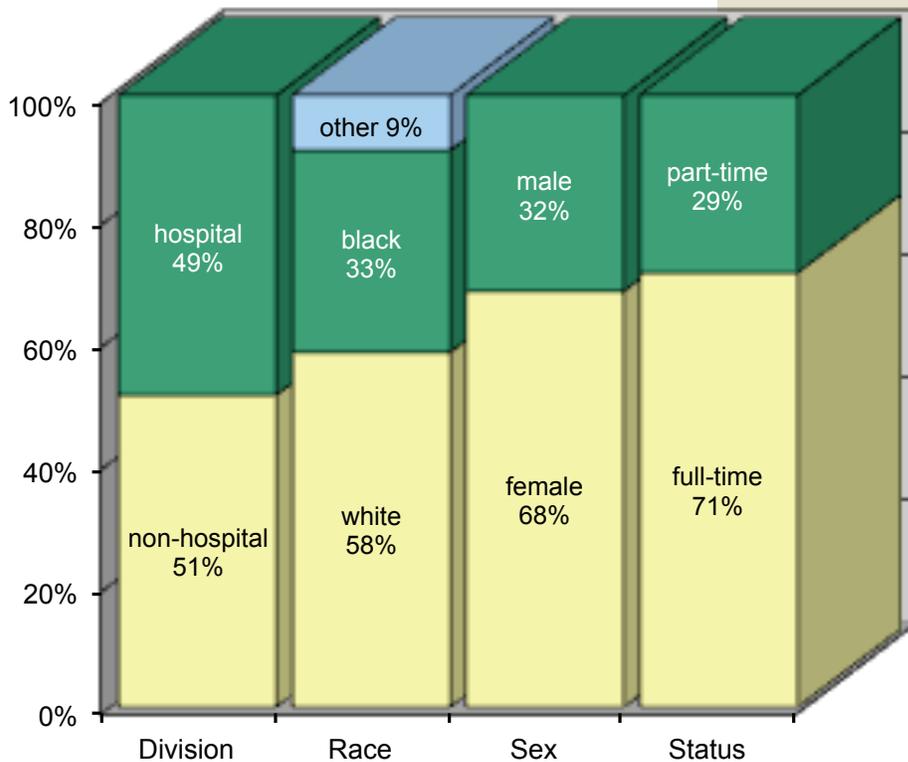
As of Fall 2014



Staff Profile

Total 17,766

As of Fall 2014



State Appropriations

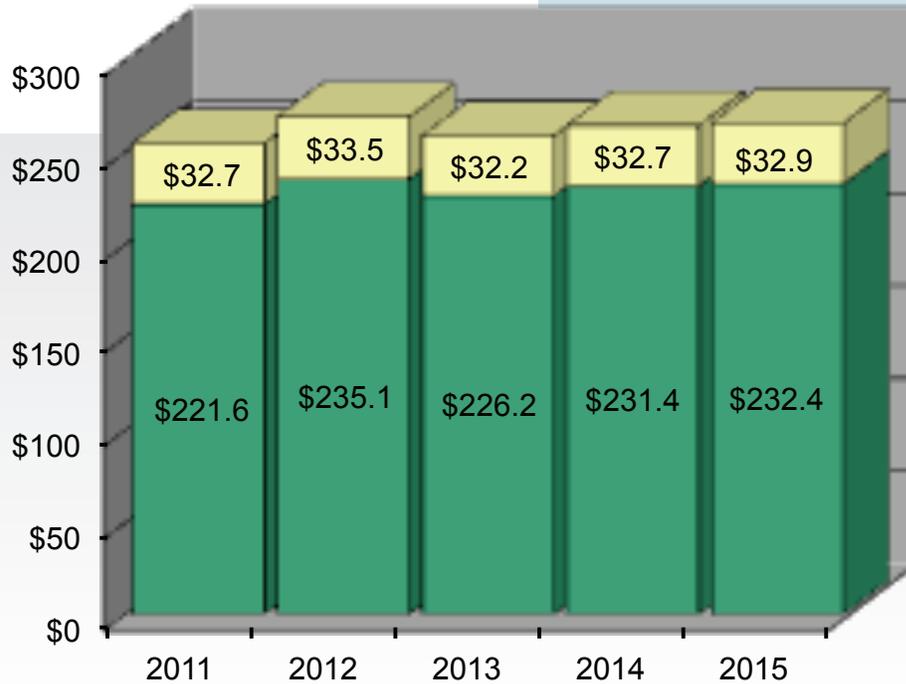
State appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board of Trustees of The University of Alabama, and budget recommendations by the Alabama Commission on Higher Education and the Governor. State funds are appropriated annually from the Educational Trust Fund (ETF) to UAB. For the fiscal year ended September 30, 2015, UAB received direct funding from the ETF in the amount of \$265,293,488.

Appropriations Received

Fiscal years ended September 30

(Dollars in millions)

■ University ■ Hospital



Sponsored Grants and Contracts

During fiscal year 2015, UAB received \$426.7 million in sponsored grants and contracts revenues (including \$77.1 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.

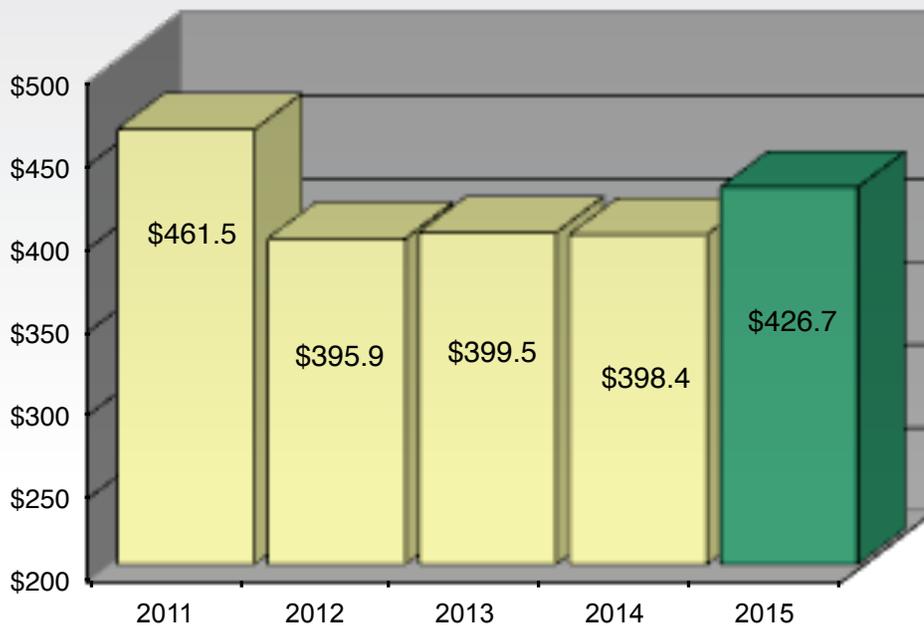
Revenues from grants and contracts (including indirect cost recovery) increased from \$398.4 million during 2014 to \$426.7 million during 2015, an increase of 7.1% for the period. Revenues from grants

and contracts were higher in fiscal year 2011 due to federal funding received under the American Recovery and Reinvestment Act (ARRA). UAB received approximately \$26.8 million in ARRA funds during the year ending September 30, 2011. These funds dropped to approximately \$500,000 for the year ending September 30, 2012. UAB did not receive any ARRA funds during the years ending September 30, 2015, 2014 and 2013.

Grants and Contracts Revenues

Fiscal years ended September 30

(Dollars in millions)



Hospital

The University of Alabama Hospital (the “Hospital”) is a 1,157-bed quaternary and tertiary care medical facility and part of the UAB Health System. The Hospital includes North Pavilion, Women and Infant Center, Jefferson Tower, Hillman Building, Spain Wallace Building, Quarterback Tower, North Wing, Spain Rehabilitation Center, West Pavilion, Russell Ambulatory Center, Medical Education Building, Highlands and the Center for Psychiatric Medicine. Other clinical facilities in the UAB Academic Health Center include Smolian Psychiatric Clinic, Engel Psychiatric Day Treatment Center, Lurleen B. Wallace Tumor Institute, and the 1917 Clinic. The Hospital also has strong ties with other governmental and private nonprofit 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 Kirklin Clinic, the Callahan Eye Hospital, Medical West and Baptist Health (located in Montgomery, Alabama).

Operations

The Hospital has continued to experience strong growth from operations in fiscal year 2015. Inpatient discharges increased 6.3% and adjusted patient discharges increased 8.8%. Operating room cases increased 4.5% over fiscal year 2014. Also emergency room visits increased 8.8% during fiscal year 2015. As a result of volume increases, as well as contract improvements and ongoing revenue cycle improvements, patient service revenue net of allowances for contractual discounts, charity care and bad debt expense, increased \$122 million or 10.1% in fiscal year 2015. The Hospital had an increase in net position of \$53.3 million in fiscal year 2015.

Hospital Awards and Accolades

Six UAB Medicine specialties are among the nation’s top 50 in the 16 categories evaluated at over 4,700 U.S. hospitals this year by U.S. News and World Report. The rankings appear in the 2015-16 annual “America’s Best Hospitals” special edition issue. UAB Hospital has been named by Becker’s Hospital Review among the 2015 “100 Great Hospitals in America,” a compilation of some of the most prominent, forward-thinking and focused healthcare facilities in the nation. UAB is the only Alabama hospital in 2015 to make the list. UAB Hospital was also recognized as the first Baby-Friendly hospital in the Birmingham area. In September 2015, the Hospital was fully reaccredited by The Joint Commission.

Selected Hospital operating statistics are outlined below:

	2015	2014
Beds in service	1,157	1,157
Patient discharges	48,877	45,965
Adjusted patient discharges	79,982	73,500
Patient days	346,983	333,394
Adjusted patient days	567,663	532,537
Operating room cases	33,427	31,996
Emergency department visits	103,743	95,342
Patient origin:		
Jefferson County	47.3%	47.8%
Other Alabama counties	47.1%	46.3%
Out of state	5.6%	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, 2015 and 2014 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 judgment. 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 of account 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 and Finance Committees, 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 Committee, monitors the basis of engagement and reporting of independent auditors.



G. Allen Bolton, Jr.

Vice President for Financial Affairs
and Administration



Stephanie Mullins
UAB Interim Chief Financial Officer



Independent Auditor's Report

To the Board of Trustees of The University of Alabama:

We have audited the accompanying financial statements 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, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which consist of the statements of net position and the related statements of revenues, expenses, and changes in net position and of cash flows of UAB and the statements of net position and of revenues, expenses and changes in net position of the Southern Research Institute ("SRI"), UAB's discretely presented component unit.

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.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of SRI, UAB's discretely presented component unit, as of January 2, 2015 and January 3, 2014 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 the 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 upon our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of UAB and its discretely presented component unit at September 30, 2015 and 2014, 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, where applicable, 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, 2015 and 2014, its changes in 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.

As discussed in Notes 1 and 11 to the basic financial statements, in the year ended September 30, 2015, UAB adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, UAB adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 11 through 17 and the required supplementary information on page 58 and 59 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 25, 2016

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, 2015 and 2014. 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 22. 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. Blended component units include Hospital Management LLC (LLC), Triton Health Systems, L.L.C. (Triton), Alabama Care Plan (ACP), and UAB Research Foundation (UABRF). 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 \$4.11, \$4.07, and \$3.90 billion at September 30, 2015, 2014, and 2013, respectively. Increases of \$40 million or 1% from 2014 to 2015 were primarily due to continued growth in accounts receivable and pledges receivable related to the fundraising campaign launched in FY2014, offset by decreases in investment assets. Increases of \$161 million or 4% from 2013 to 2014 were primarily due to increases in investment assets, the continued growth in accounts receivable and the growth in pledges receivable related to the fundraising campaign launched during the year.

Total liabilities increased \$1.1 billion or 80% from September 30, 2014 to September 30, 2015. This increase relates to the implementation of GASB Statement No. 68, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27* (GASB 68). GASB 68 requires UAB to record a pension liability for its proportionate share of the collective net pension liability held by the Teachers' Retirement System of Alabama (TRS). At September 30, 2015, UAB reported a pension liability of \$1.1 billion. At September 30, 2014, UAB had not recorded a share of this liability.

Total liabilities increased \$15.6 million or 1% from September 30, 2013 to September 30, 2014. The increase relates to growth in accounts payable and

accrued liabilities, offset by reductions in bonds payable related to annual principal payments.

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, 2015, 2014, and 2013, as follows:

	2015	2014	2013
TOTAL OPERATING REVENUES	\$2,757,271,163	\$2,528,819,107	\$2,405,991,627
TOTAL OPERATING EXPENSES	2,971,735,542	2,819,301,958	2,674,554,826
NET OPERATING LOSS	(214,464,379)	(290,482,851)	(268,563,199)
TOTAL NONOPERATING INCOME, CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	276,164,537	435,218,951	410,964,015
INCREASE IN NET POSITION	\$61,700,158	\$144,736,100	\$142,400,816

A majority of 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.

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, 2015, 2014, and 2013, is as follows:

	2015	2014	2013
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
Capital Assets, Net	\$1,543,382,487	\$1,534,728,580	\$1,524,883,924
Other Assets	2,561,775,690	2,531,149,355	2,379,708,092
TOTAL ASSETS	4,105,158,177	4,065,877,935	3,904,592,016
Deferred outflow from debt refundings	12,166,509	11,970,051	12,958,289
Deferred outflow from pension obligations	84,999,000		
TOTAL DEFERRED OUTFLOW OF RESOURCES	97,165,509	11,970,051	12,958,289
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$4,202,323,686	\$4,077,847,986	\$3,917,550,305
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION			
Current Liabilities	448,846,513	429,071,009	390,353,766
Noncurrent Liabilities	2,011,660,998	937,973,766	961,097,310
TOTAL LIABILITIES	2,460,507,511	1,367,044,775	1,351,451,076
Deferred inflow from debt refundings	213,206	241,400	273,518
Deferred inflow from pension obligations	113,748,000		
TOTAL DEFERRED INFLOW OF RESOURCES	113,961,206	241,400	273,518
Net Position	1,627,854,969	2,710,561,811	2,565,825,711
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$4,202,323,686	\$4,077,847,986	\$3,917,550,305

At September 30, 2015, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$1.27 billion of the \$1.33 billion and increased \$136.3 million or 12.0% from 2014. The increase is a result of growth in short term investments.

At September 30, 2014, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$1.13 billion of the \$1.19 billion and increased \$125.2 million or 12.4% from 2013. The increase is a result of growth in short term investments.

At September 30, 2015, total current liabilities of \$448.8 million consist primarily of accounts payable, accrued payroll and related benefits, and unearned revenue, which totaled \$405.6 million, compared to \$387.1 million at September 30, 2014, an increase of \$18.6 million or 4.8% from 2014.

At September 30, 2014, total current liabilities of \$429.1 million consist primarily of accounts payable, accrued payroll and related benefits, and unearned revenue, which totaled \$387.1 million, compared to \$357.4 million at September 30, 2013, an increase of \$29.7 million or 8.3% from 2013.

UAB's endowment and life income investments decreased \$20.2 million to \$405.4 million from September 30, 2014 to September 30, 2015. This decrease resulted from net investment losses at the end of the year, offset by the establishment of the new endowment funds through gifts and the creation of Board-designated quasi-endowments. UAB's endowment funds consist of both permanent and quasi-endowments.

UAB's endowment and life income investments increased \$32.3 million to \$425.6 million from September 30, 2013 to September 30, 2014. 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.

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, 2015, 2014, and 2013 respectively, UAB's investment in the Professional Liability Trust Fund (PLTF) and other long-term investments totaled approximately \$48.6, \$52.8, and \$50.4 million. The \$4.2 million decrease from September 30, 2014 to September 30, 2015 is a result of net investment losses at the end of the year. The \$2.4 million increase from September 30, 2013 to September 30, 2014 is a result of growth in investment values at September 30, 2014.

Upon implementation of GASB 68 during fiscal year 2015, UAB recorded deferred outflows from pension obligations of \$85.0 million and deferred inflows from pension obligations of \$114.0 million at September 30, 2015. These balances were not previously recorded in the financial statements.

At September 30, 2015, deferred outflows from debt refundings were \$12.2 million and deferred inflows from debt refundings were \$0.2 million. The increase of \$0.2 million in deferred outflows is the result of a bond refunding during fiscal year 2015, net of the annual amortization of these balances. At September 30, 2014, these amounts were \$11.9 million in deferred outflows from debt refundings and \$0.2 million in deferred inflows from debt refundings. These changes from 2013 to 2014 are related to the annual amortization of these balances. At September 30, 2013, \$12.9 million in bond deferred refunding amounts were recorded as deferred outflows of resources and \$0.3 million in bond deferred refunding amounts were recorded as deferred inflows of resources.

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 \$124.1 million and \$66.5 million from September 30, 2014 to September 30, 2015 and from September 30, 2013 to September 30, 2014, respectively. This increase consists primarily of capital expenditures and capital additions totaling \$147.2 million (offset primarily by \$23 million in disposals) and \$143.1 million (offset primarily by \$77 million in disposals) in 2015 and 2014, 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 \$19.0 million and \$24.7 million, debt proceeds of \$25.6 million and \$40.2 million, and the remainder by UAB funds designated for capital purchases in 2015 and 2014, respectively.

The primary capital project in process at September 30, 2015 is the replacement of Hill University Center. Capital projects in process at September 30, 2014 included construction of a new residence hall and the replacement of Hill University Center.

UAB's long-term debt related to capital assets, consisting of bonds and capital leases, totaled \$908.6, \$939.4, and \$956.1 million at September 30, 2015, 2014, and 2013, respectively. The decrease in debt during 2015 and 2014 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, 2015, 2014, and 2013, is summarized as follows:

	2015	2014	2013
NET INVESTMENT IN CAPITAL ASSETS	\$677,862,629	\$694,763,792	\$696,323,637
RESTRICTED			
Nonexpendable	285,371,572	297,300,148	273,651,082
Expendable	276,376,346	238,570,638	212,482,294
UNRESTRICTED	388,244,422	1,479,927,233	1,383,368,698
TOTAL NET POSITION	\$1,627,854,969	\$2,710,561,811	\$2,565,825,711

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 \$16.9 million decrease in 2015 reflects the decrease in unexpended bond proceeds in excess of the growth in capital assets net of annual depreciation expense. The balance remained relatively flat from September 30, 2013 to September 30, 2014, with a decrease of \$1.6 million related to the annual depreciation of capital assets, offset by the use of bond proceeds attributable to the acquisition, construction and improvement of capital assets.

Restricted nonexpendable net position includes UAB's permanent endowment funds and annuity and life income assets that will ultimately become pure endowment funds. The \$11.9 million decrease in 2015 relates to the decrease in fair values of investments and contributions at the end of the year. The \$23.6 million increase in 2014 results primarily from the increase in fair values of investments and contributions.

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 \$37.8 million increase in 2015 and the \$26.1 million increase in 2014 result primarily from gifts.

Unrestricted net position includes UAB's assets whose use is not restricted by an external entity. Unrestricted net position decreased \$1.1 billion or 73.8% in 2015 due to the implementation of GASB 68 and the recording of the \$1.1 billion pension liability. Unrestricted net position increased \$96.6 million or 7.0% in 2014.

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, 2015, 2014, and 2013 is presented on the following page:

	2015	2014	2013
OPERATING REVENUES			
Student tuition and fees, net	\$169,249,316	\$161,170,368	\$146,183,606
Grants and contracts	398,214,165	371,578,206	373,172,028
Sales and services	2,131,411,413	1,940,550,998	1,846,805,110
Other revenues	58,396,269	55,519,535	39,830,883
REVENUES SUPPORTING CORE ACTIVITIES	2,757,271,163	2,528,819,107	2,405,991,627
OPERATING EXPENSES			
Operating expenses	2,971,735,542	2,819,301,958	2,674,554,826
OPERATING LOSS	(214,464,379)	(290,482,851)	(268,563,199)
NONOPERATING REVENUES (EXPENSES)			
State educational appropriations	265,293,488	264,072,721	258,429,840
Grants and contracts	28,451,597	26,863,696	26,282,921
Gifts	54,203,316	43,981,418	32,067,976
Investment income (loss)	(64,196,326)	83,662,716	87,382,279
Interest expense	(30,644,143)	(29,451,270)	(30,895,769)
Loss on asset disposition, net	(231,544)	(4,930,045)	(5,265,734)
Capital state appropriations	5,292,219	30,754,632	8,680,247
Capital gifts and grants	4,398,406	8,293,498	4,507,902
Endowment gifts	14,930,217	17,026,885	9,568,250
Net other nonoperating (expense) revenue	(1,332,693)	(5,055,300)	20,206,103
NET NONOPERATING REVENUES AND OTHER CHANGES	276,164,537	435,218,951	410,964,015
INCREASE IN NET POSITION	61,700,158	144,736,100	142,400,816
Net position, beginning of year as previously reported	2,710,561,811	2,565,825,711	2,423,424,895
Adoption of GASB 68	(1,144,407,000)		
Net Position, beginning of year as restated as of October 1, 2014	1,566,154,811	2,565,825,711	2,423,424,895
NET POSITION, END OF YEAR	\$1,627,854,969	\$2,710,561,811	\$2,565,825,711

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, 2015 and 2014, respectively.

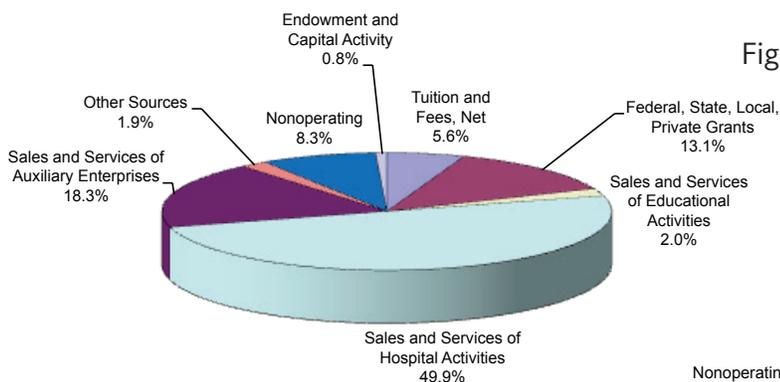


Figure A: Revenue Streams 2015

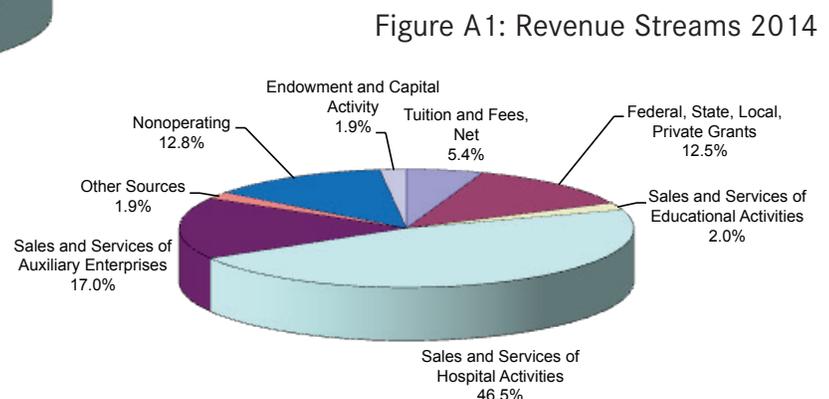


Figure A1: Revenue Streams 2014

Gross tuition and fees revenue increased by \$12.5 million and \$19.5 million in 2015 and 2014, respectively. Tuition rates increased 4% in 2015 and 6% in 2014. Total student headcount of 19,973 and 19,824 increased by 149 and 541 or 0.8% and 2.8% in 2015 and 2014, respectively.

UAB recognized \$73.2, \$68.6, and \$46.1 million in gift revenue (composed partially of \$4.1, \$7.6, and \$4.4 million and \$14.9, \$17.0, and \$9.6 million in capital and endowment gifts, respectively) for the years ended September 30, 2015, 2014, and 2013, respectively.

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 \$270.6, \$294.8, and \$267.1 million, of which \$265.3, \$264.1, and \$258.4 million was primarily from the Educational Trust Fund (ETF), which is included as nonoperating revenue in 2015, 2014, and 2013, respectively. The remaining \$5.3, \$30.8, and \$8.7 million represents Public School and College Authority funds and other

state capital funds in 2015, 2014 and 2013, respectively.

Net hospital sales and service revenue totaled \$1.52 billion, \$1.38 billion, and \$1.28 billion, an increase of 9.9% and 7.8% from 2014 to 2015 and 2013 to 2014, respectively. This increase results from increased volume, contract improvements, and ongoing revenue-cycle improvement activities.

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 \$0.33, \$0.65, and \$0.06 million in 2015, 2014, and 2013, respectively, in funds to be used to acquire capital assets. Figures B and B1 are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 2015 and 2014, respectively.

Figure B: Grants and Contract Revenues

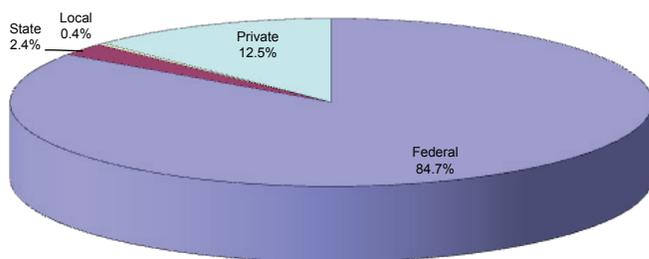
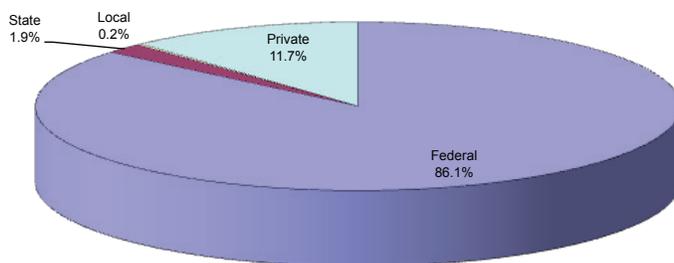


Figure B1: Grants and Contract Revenues



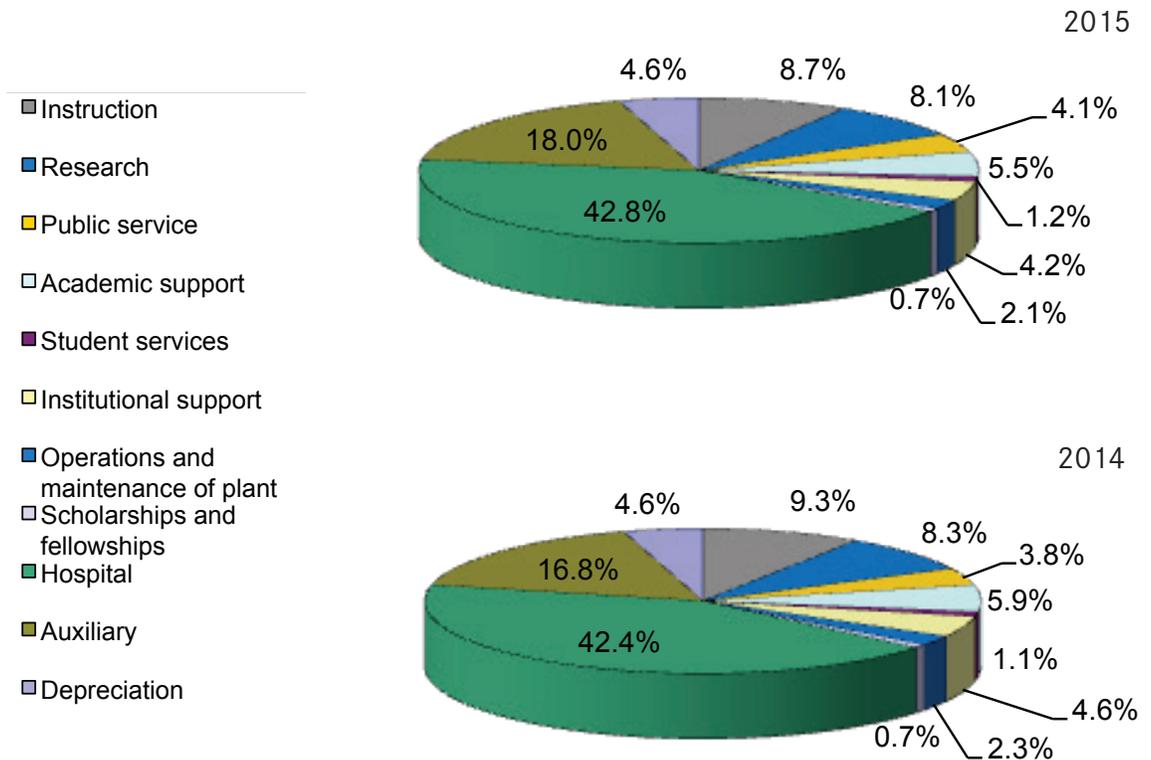
Net investment income decreased \$147.9 million and \$3.7 million from 2014 to 2015 and 2013 to 2014, respectively. The decreases are a result of decreases in the fair value of investments.

A comparative summary of UAB's operating expenses for the years ended September 30, 2015, 2014, and 2013, is as follows:

	2015	2014	2013
Salaries, Wages, and Benefits	\$1,390,766,703	\$1,380,369,207	\$1,327,917,671
Supplies and Services	1,422,828,210	1,288,371,950	1,227,334,700
Depreciation	137,027,585	129,547,649	98,303,065
Scholarships and Fellowships	21,113,044	21,013,152	20,999,390
	\$2,971,735,542	\$2,819,301,958	\$2,674,554,826

Salaries, wages, and benefits increased \$10.4 million or 0.8% during 2015 and \$52.5 million or 4.0% during 2014. These increases are primarily due to the growth of UAB's salary base and rising benefit costs. Supplies and services expenses increased \$134.5 million or 10.4% and \$61.0 million or 5.0% during 2015 and 2014, respectively. This increase is primarily attributable to UAB's continued growth.

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, 2015 and 2014, respectively, are presented as follows:



Statements of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. UAB's cash, primarily

held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts on a daily basis.

	2015	2014	2013
Net Cash Used In Operating Activities	\$(128,984,849)	\$(164,743,273)	\$(179,888,501)
Net Cash Used In Capital and Related Financing Activities	(196,379,304)	(145,181,642)	(15,544,611)
Net Cash Provided By Noncapital Financing Activities	341,930,501	345,440,094	326,613,818
Net Cash Used In Investing Activities	(113,957,362)	(2,707,331)	(60,852,837)
Net (Decrease) Increase In Cash And Cash Equivalents	(97,391,014)	32,807,848	70,327,869
Cash and Cash Equivalents, Beginning Of Year	371,960,135	339,152,287	268,824,418
Cash and Cash Equivalents, End Of Year	\$274,569,121	\$371,960,135	\$339,152,287

UAB used \$129.0, \$164.7, and \$179.8 million of cash for operating activities, offset by \$341.9, \$345.4, and \$326.6 million of cash provided by noncapital financing activities in 2015, 2014 and 2013, respectively. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operating expenses.

Cash of \$196.4, \$145.2, and \$15.5 million in 2015, 2014 and 2013, respectively, was used for capital and related financing activities, primarily purchases of capital assets and principal and interest payments on long-term debt, partially offset by sources that included bond proceeds, gifts, and grants and contracts for capital purposes. Cash used in investing activities totaled \$114.0, \$2.7, and \$60.9 million in 2015, 2014 and 2013, respectively.

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. During the year ending September 30, 2011, the State implemented proration. As the State could implement proration in future years, UAB continues implementing cost-saving measures in order to balance its own budget.

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 October 2013, UAB launched its largest fundraising campaign to date known as "Give something change everything." The fundraising goal is \$1 billion and will run through 2018.

During fiscal year 2015, 74% of UAB students received financial aid, including \$158.3 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.

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 Vice President for Financial Affairs 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, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 248,272,848	\$ 331,194,282
Short term investments	685,513,907	521,161,680
Accounts receivable, net	334,200,375	279,342,066
Loans receivable, current portion	2,637,651	2,473,999
Pledges receivable, current portion	19,163,293	13,530,960
Inventories	17,341,148	18,322,119
Other current assets	26,013,396	22,024,960
Total current assets	1,333,142,618	1,188,050,066
Noncurrent Assets:		
Cash and cash equivalents designated for capital activities	25,647,600	40,228,737
Restricted cash and cash equivalents	648,673	537,116
Investments for capital activities	679,164,557	768,598,367
Endowment and life income investments	405,437,955	425,625,236
Investment in Professional Liability Trust Fund	48,615,182	52,839,465
Other long-term investments	18,076,824	19,312,548
Loans receivable, net	14,049,787	14,943,681
Pledges receivable	36,938,307	20,135,528
Capital assets, net	1,543,382,487	1,534,728,580
Other noncurrent assets	54,187	878,611
Total noncurrent assets	2,772,015,559	2,877,827,869
Total Assets	\$ 4,105,158,177	\$ 4,065,877,935
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow from debt refundings	12,166,509	11,970,051
Deferred outflow from pension obligations	84,999,000	
Total Deferred Outflow of Resources	\$ 97,165,509	\$ 11,970,051
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 300,851,972	\$ 286,733,632
Deposits	9,121,344	10,024,334
Unearned revenue-grants	25,474,095	23,655,869
Unearned revenue-other	79,301,319	76,680,686
Long-term debt, current portion	34,097,783	31,976,488
Total current liabilities	448,846,513	429,071,009
Noncurrent Liabilities		
Federal advances-loan funds	14,371,308	14,559,124
Long-term debt, noncurrent portion	874,533,980	907,466,173
Pension liability	1,107,275,000	
Other noncurrent liabilities	15,480,710	15,948,469
Total noncurrent liabilities	2,011,660,998	937,973,766
Total Liabilities	\$ 2,460,507,511	\$ 1,367,044,775
DEFERRED INFLOW OF RESOURCES		
Deferred inflow from debt refundings	213,206	241,400
Deferred inflow from pension obligations	113,748,000	
Total Deferred Inflow of Resources	\$ 113,961,206	\$ 241,400
NET POSITION		
Net investment in capital assets	677,862,629	694,763,792
Restricted		
Nonexpendable	285,371,572	297,300,148
Expendable	276,376,346	238,570,638
Unrestricted	388,244,422	1,479,927,233
Total Net Position	\$ 1,627,854,969	\$ 2,710,561,811

See accompanying notes to financial statements.

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

Years Ended September 30, 2015 and 2014

	2015	2014
Operating Revenues		
Tuition and fees	\$ 226,080,561	\$ 213,508,162
Less: scholarship allowance	(56,356,037)	(51,781,171)
Less: bad debt expense	(475,208)	(556,623)
Tuition and fees, net	169,249,316	161,170,368
Grants and contracts:		
Federal	332,836,851	316,141,798
State	10,314,365	7,678,988
Local	1,517,304	910,231
Private	53,545,645	46,847,189
Sales and services:		
Educational activities	60,916,483	59,147,027
Hospital, net of bad debt expense of \$213,771,766 and \$247,495,640	1,515,127,206	1,378,598,120
Other auxiliary enterprises, net of scholarship allowance of \$2,876,928 and \$3,178,403	555,367,724	502,805,851
Other operating revenues	58,396,269	55,519,535
Total operating revenues	2,757,271,163	2,528,819,107
Operating Expenses		
Salaries, wages and benefits	1,390,766,703	1,380,369,207
Supplies and services	1,422,828,210	1,288,371,950
Depreciation	137,027,585	129,547,649
Scholarships and fellowships	21,113,044	21,013,152
Total operating expenses	2,971,735,542	2,819,301,958
Operating loss	(214,464,379)	(290,482,851)
Nonoperating Revenues (Expenses)		
State educational appropriations	265,293,488	264,072,721
Federal grants and contracts	28,304,839	26,767,145
State grants and contracts	115,969	96,551
Private grants and contracts	30,789	
Gifts	54,203,316	43,981,418
Investment (loss) income	(64,196,326)	83,662,716
Interest expense	(30,644,143)	(29,451,270)
Loss on asset dispositions, net	(231,544)	(4,930,045)
Net other nonoperating expense	(1,332,693)	(5,055,300)
Net nonoperating revenues	251,543,695	379,143,936
Income before other revenues, expenses, gains, and losses	37,079,316	88,661,085
Other Changes in Net Position		
Capital and endowment activities		
State capital funds	5,292,219	30,754,632
Capital grants and contracts	328,772	653,356
Capital gifts	4,069,634	7,640,142
Endowment gifts	14,930,217	17,026,885
Net other changes in net position	24,620,842	56,075,015
Increase in net position	61,700,158	144,736,100
Net Position, beginning of year as previously reported	2,710,561,811	2,565,825,711
Adoption of GASB 68	(1,144,407,000)	
Net Position, beginning of year as restated as of October 1, 2014	1,566,154,811	2,565,825,711
Net Position, end of year	\$ 1,627,854,969	\$ 2,710,561,811

See accompanying notes to financial statements.

The University of Alabama at Birmingham Statements of Cash Flows

Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Student tuition and fees	\$ 169,363,822	\$ 161,049,083
Grants and contracts	397,357,860	372,584,257
Receipts from sales and services of:		
Educational activities	59,771,671	59,721,908
Patient services	1,493,494,050	1,364,628,527
Auxiliary enterprises, net	34,767,339	32,208,514
Premium and administrative fees collected	523,097,933	478,403,219
Payment to employees and related benefits	(1,197,347,390)	(1,208,073,177)
Payment for contract labor	(222,941,090)	(167,784,313)
Payment to suppliers	(1,416,396,865)	(1,287,314,322)
Payment for scholarships and fellowships	(21,113,044)	(21,013,152)
Other receipts	50,960,865	50,846,183
Net cash used in operating activities	(128,984,849)	(164,743,273)
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	36,703,017	
State capital funds	5,292,219	30,754,632
Capital grants and contracts	311,232	938,849
Private gifts	2,903,083	5,363,699
Proceeds from sale of capital assets	1,301,121	158,538
Purchases of capital assets	(142,583,094)	(120,805,268)
Principal payments on capital debt	(67,021,224)	(28,404,283)
Interest payments on capital debt	(33,285,658)	(33,187,809)
Net cash used in capital and related financing activities	(196,379,304)	(145,181,642)
Cash flows from noncapital financing activities		
State educational appropriations	265,293,488	264,072,721
Private gifts	47,864,971	47,470,963
Student direct lending receipts	135,941,130	133,843,950
Student direct lending disbursements	(136,484,916)	(132,819,504)
Other deposits	30,406,634	29,819,198
Deposits (to) from affiliates	(1,090,806)	3,052,766
Net cash provided by noncapital financing activities	341,930,501	345,440,094
Cash flows from investing activities		
Interest and dividends from investments, net	57,433,031	52,568,839
Proceeds from (issuances of) notes receivable	172,700	(381,845)
Proceeds from sales and maturities of investments	98,509,353	29,209,437
Investments in system pooled investment funds	(270,072,446)	(41,959,528)
Purchases of investments		(42,144,234)
Net cash used in investing activities	(113,957,362)	(2,707,331)
Net (decrease) increase in cash and cash equivalents	(97,391,014)	32,807,848
Cash and cash equivalents, beginning of year	371,960,135	339,152,287
Cash and cash equivalents, end of year	\$ 274,569,121	\$ 371,960,135
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (214,464,379)	\$ (290,482,851)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	137,027,585	129,547,649
Pension expense	76,616,000	
Changes in assets and liabilities:		
Accounts receivable, net	(48,829,259)	(22,487,918)
Prepaid expenses and other assets	(6,519,218)	(1,682,966)
Accounts payable and accrued liabilities	7,972,970	13,165,765
Pension obligations	(84,999,000)	
Unearned revenue	4,210,452	7,197,048
Net cash used in operating activities	\$ (128,984,849)	\$ (164,743,273)

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Statements of Cash Flows (continued)

Years Ended September 30, 2015 and 2014

	2015	2014
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 12,949,689	\$ 10,835,577
Interest capitalized	1,568,225	4,266,422
Capital assets acquired through donations		1,900,000
Capital assets acquired through capital lease	943,971	11,977,740

See accompanying notes to financial statements.

Southern Research Institute

A Discretely Presented Component Unit

Statements of Net Position

January 2, 2015 and January 3, 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,209,023	\$ 175,262
Investments	45,801,195	55,483,638
Restricted cash and investments	11,414,279	11,258,073
Funds held by trustee		547,236
Accounts receivable, net	13,517,190	13,796,467
Other receivables	22,502,617	2,410,282
Materials and supplies, net	923,199	1,041,835
Prepayments and other current assets	1,541,946	1,250,613
Total current assets	96,909,449	85,963,406
Noncurrent Assets:		
Capital assets:		
Land and improvements	8,086,347	8,009,676
Buildings and major plant equipment	70,626,838	75,618,971
Laboratory equipment and fixtures	63,091,569	53,656,662
Office furniture and equipment	2,480,925	2,487,449
Intangible assets, net	1,957,006	1,809,705
	146,242,685	141,582,463
Less accumulated depreciation	76,940,647	70,316,524
	69,302,038	71,265,939
Construction-in-progress	476,933	4,249,626
Total capital assets, net	69,778,971	75,515,565
Total noncurrent assets	69,778,971	75,515,565
Total Assets	\$ 166,688,420	\$ 161,478,971
DEFERRED OUTFLOW OF RESOURCES		
Accumulated change in fair value of interest rate swap	563,516	732,578
Total Deferred Outflow of Resources	\$ 563,516	\$ 732,578
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 3,497,750	\$ 5,031,433
Accrued liabilities	16,796,398	8,098,373
Unearned contract revenue	2,955,368	3,594,576
Current maturities of long-term debt and capital lease obligations	560,000	480,000
Note payable	1,849,029	1,250,747
Total current liabilities	25,658,545	18,455,129
Noncurrent Liabilities:		
Long-term debt and capital lease obligations	17,840,000	18,400,000
Derivative instrument - interest rate swap	563,516	732,578
Postretirement benefits	947,362	947,620
Total noncurrent liabilities	19,350,878	20,080,198
Total Liabilities	\$ 45,009,423	\$ 38,535,327
NET POSITION		
Net investment in capital assets	51,378,971	57,182,801
Restricted		
Expendable	11,414,279	11,258,073
Unrestricted	59,449,263	55,235,348
Total Net Position	\$ 122,242,513	\$ 123,676,222

See accompanying notes to financial statements.

Southern Research Institute

A Discretely Presented Component Unit

Statements of Revenues, Expenses, and Changes in Net Position

January 2, 2015 and January 3, 2014

	2015	2014
Operating Revenues		
Contract revenues	\$ 65,326,361	\$ 67,063,914
Intellectual property revenues, net of direct expenses	16,551,805	5,507,147
Total operating revenues	81,878,166	72,571,061
Operating Expenses		
Salaries, wages and benefits	44,282,420	43,701,039
Supplies and services	31,448,080	33,718,079
Depreciation and amortization	8,064,463	6,810,380
Total operating expenses	83,794,963	84,229,498
Operating loss	(1,916,797)	(11,658,437)
Nonoperating Revenues (Expenses)		
Contributions	97,552	135,093
Investment income (loss)	2,961,079	8,106,195
Interest expense	(588,610)	(582,727)
Loss on disposal of assets	(1,880,472)	(1,602,035)
Net nonoperating revenues (expenses)	589,549	6,056,526
Loss before other revenues, expenses, gains and losses	(1,327,248)	(5,601,911)
Other Changes in Net Position		
Environmental cleanup	78,016	-
Loss from discontinued operations	(184,477)	(20,958)
Net other changes in net position	(106,461)	(20,958)
(Decrease) increase in net position	(1,433,709)	(5,622,869)
Net Position, beginning of year	123,676,222	129,299,091
Net Position, end of year	\$ 122,242,513	\$ 123,676,222

See accompanying notes to financial statements.

The University of Alabama at Birmingham Notes to Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies

The University of Alabama at Birmingham (UAB) is one of three campuses 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. 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* (GASB Statement No. 35), 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) 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 22. GASB Statement No. 14, *The Financial Reporting Entity* (GASB Statement No. 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB Statement No. 61), 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 by-laws and corporate charter of the Southern Research Institute (SRI) allow UAB to appoint a majority of the board of directors and UAB is financially accountable for SRI. Therefore, 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 fis-

cal year-end of September 30. The financial results of SRI are discretely presented in the accompanying financial statements.

The by-laws and corporate charters of the UAB Research Foundation (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. The by-laws of the Alabama Care Plan (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 Health Systems, LLC (Triton) and UAB Hospital Management LLC (LLC) have governing bodies that are substantively the same as the governing body of UAB and there is a financial benefit or burden relationship with UAB and these entities. Therefore, management has determined that UABRF, Triton, ACP and LLC (the Blended Component Units) constitute blended component units of UAB under GASB Statements No. 14 and 61. The Blended Component Units report financial results under principles prescribed under the GASB.

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 UAB Educational Foundation (UABEF). UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. 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. 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 of being eligible to become a fully certified RCO by October 2016. ACP's members are the University of Alabama for the University of Alabama Hospital, St. Vincent's Health System, and Triton. UABRF, ACP, and the LLC maintain a September 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, condensed financial information is presented at Note 23. Separate financial statements are available for Triton, ACP, and UABRF by contacting UAB.

Implementation of New Standard

During the year ended September 30, 2015, UAB adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (GASB 71). These statements revise existing standards for employer financial statements relating to measuring and reporting pension liabilities for multi-employer cost-sharing pension plans provided by UAB to its employees. UAB is required to recognize a liability equal to its proportionate share of the Teachers' Retirement System of Alabama Plan's net pension liability. The implementation of GASB 68 and GASB 71 resulted in an adjustment to net position of

approximately \$1.14 billion as of October 1, 2014 (refer to Note 11). The standards were not applied retroactively to the 2014 financial statements because the Teachers' Retirement System of Alabama Plan did not provide the necessary information.

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 investments.

Investments: UAB accounts for its investments, other than land and other real estate held as investments by endowments, in accordance with the provisions of GASB Statement No. 31, *Accounting and Reporting for Certain Investments and For External Investment Pools* (GASB 31) (see Note 4). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at their fair value. UAB invests certain amounts in a commingled investment pool sponsored by the System. The value of the investments in the pools is determined by the System and based on UAB's proportionate share of the net asset value of the investment pools. 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, which primarily invest in readily marketable securities. Certain real estate and non-readily marketable securities held in the System-sponsored Endowment Fund and Prime Fund are carried at cost (Note 4). Investments carried at cost are subject to review for impairment.

UAB accounts for its land and other real estate held as investments by endowments in accordance with GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Investments are reported in four categories in the statement of net assets. Investments recorded as endowment and life income investments are those invested funds considered by management to be of long duration. Other long-term investments include amounts resulting from UAB's equity investment in other entities, as discussed in Note 4 and Note 19. Investments for capital projects are included in noncurrent assets. 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 fair 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. The University has identified a misclassification error between buildings and fixed equipment systems of \$199,629 and equipment and fixed equipment systems in the amount of \$40,891,634 as of September 30, 2014 and 2013 and has revised the previously reported amounts for those asset categories in Note 7 accordingly.

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 (GASB Statement No. 33)*.

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 the fiscal years September 30, 2015 and 2014 of 5% of a moving three-year average of the market (unit) value.

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 statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

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.

Student tuition and fees: Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

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.

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) revenues.

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 19.

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.

(2) Related Parties

UAB is affiliated with the UABEF, HSF, UAB Health System (UABHS), and the Valley Foundation (VF). UAB is not financially accountable for HSF, VF, UABEF, and UABHS; therefore, they do not constitute component units under the provisions of GASB Statement No. 14. These entities are not required to be presented as component units under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, or by GASB Statement No. 61, both of which amend GASB 14.

UABEF provides funds and certain facilities to UAB for its educational and scientific functions and provides support for UAB athletic programs. UABEF has 13 board members, including seven outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with rental expense of approximately \$2,433,000 for the year ended September 30, 2015 and \$2,409,000 for the year ended September 30, 2014. In December 2014, UABEF changed its fiscal year-end from September 30th to June 30th. UABEF made contributions to UAB which totaled approximately \$3,590,000 for the nine months ended June 30, 2015 and \$9,097,000 for the year ended September 30, 2014. UABEF's total assets were approximately \$53,777,000 and \$53,574,000 at June 30, 2015 and September 30, 2014, respectively. UABEF's total liabilities were approximately \$16,743,000 and \$17,578,000 at June 30, 2015 and September 30, 2014, respectively.

HSF's primary purpose is to provide a group medical practice for physicians who are members of the regular faculty of the School of Medicine at UAB and serve on the University of Alabama Hospital's medical staff. It is governed by a 19-member board of directors, 16 of whom are not affiliated with UAB. An affiliation agreement (the Agreement) documents the relationship between HSF and UAB. The University's other operating revenues include approximately \$33,485,000 and \$31,351,000 of funding from HSF in 2015 and 2014, respectively, which is used to support the educational and research activities of UAB. These funds were paid by HSF pursuant to its tax-exempt purpose and in recognition of the mutual benefit derived by the two organizations from the enhancement and continued development of UAB's programs. The funds were negotiated with HSF as part of UAB's budget development process. In the normal course of business, HSF purchases various services from the Hospital, aggregating approximately \$19,264,000 and \$11,197,000 in 2015 and 2014, respectively, and the Hospital purchases various services from HSF, aggregating approximately \$40,089,000 and \$34,633,000 for the years ended September 30, 2015 and 2014, respectively. As a result of these transactions, the Hospital had a net payable to HSF of approximately \$108,000 and \$1,169,000, respectively, at September 30, 2015 and September 30, 2014.

During 2009, the Hospital entered into an operating agreement with HSF whereby HSF began leasing two floors of the UAB Women and Infants' Facility when construction was completed in February 2010. HSF reimbursed the 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 20, 2010 when the building was placed into service. The Hospital had received reimbursements from HSF totaling approximately \$13,582,000 and \$13,745,000, which is included in the accompanying statement of net position as unearned revenue-other for the years ended September 30, 2015 and 2014, respectively. Approximately \$163,000 was recognized as rent revenue during each of the years ended September 30, 2015 and 2014.

The Board and HSF's board have entered into an agreement under which UAB and HSF have established a common management group, the UAB Health System to provide management for their existing and future health care delivery operations. The UAB Health System Board of Directors is composed of 18 members, of whom nine are appointed by the Board. For the fiscal years ended September 30, 2015 and 2014, respectively, UAB contributed approximately \$8,100,000 and \$8,221,000 to the UAB Health System Board to support Health System administrative functions. In addition, the Health System periodically makes payments on behalf of the Hospital for which it is reimbursed. The Hospital had a net receivable from the Health System of approximately \$84,000 and \$3,091,000 for the years ended September 30, 2015 and 2014, 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. VF's total assets were approximately \$10,340,000 (unaudited) and \$10,157,000 (unaudited) and total liabilities were approximately \$1,432,000 (unaudited) and \$1,427,000 (unaudited) at September 30, 2015 and 2014, respectively.

The Hospital received premium revenue (capitation fees) of approximately \$64,599,000 and \$61,862,000 from Triton during the years ended September 30, 2015 and 2014.

The Hospital purchased \$197,971,000 and \$155,786,000 in management, administrative, and staffing services from the LLC during the years ended September 30, 2015 and 2014, respectively. Payment for contract labor as reported on the Statements of Cash Flows includes amounts paid to employees of the LLC and HSF.

(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, 2014, the System sponsored a short-term investment pool for the System entities to invest operating cash reserves. The Short-Term Fund was invested in a treasury obligation money market fund managed by Federated. As of October 1, 2014, the Short-Term Fund became part of the Short Term Liquidity Pool. Refer to Note 4 for additional information related to the Short Term Liquidity Pool. As of September 30, 2014, the University had approximately \$138,200,000 in the Short-Term Fund, all of which was invested in the money market fund. The assets held in the money market fund are presented in cash and cash equivalents and restricted cash and cash equivalents. As of September 30, 2015 and 2014, respectively, UAB had cash and cash equivalents totaling \$274,569,121 and \$371,960,135.

(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 Endowment Fund, Long Term Reserve Pool and the Short Term Liquidity Pool (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, with the assets pooled on a market value basis. Separately managed funds that are resident 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.

Endowment Fund

The purpose of the Endowment Fund is to pool endowment and similar funds to support the System campuses, the Hospital and related entities in carrying out their respective missions over a perpetual time frame. Accordingly, the primary investment objectives of the Endowment Fund 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 Endowment Fund 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. As discussed in Note 1, certain investments within the Endowment Fund are valued at cost, unless impaired. UAB's portion of investments in the Endowment Fund which are measured at cost totaled approximately \$48,500,000 and \$42,700,000 at September 30, 2015 and 2014, respectively.

Long Term Reserve Pool

The Long Term Reserve Pool is a longer-term fund used as an investment vehicle to manage operating reserves with a time horizon of seven to ten years. This fund has an investment objective of growth and income and is invested in a diversified asset mix of liquid and semi-liquid securities. This fund is not currently invested in long-term lockup funds with illiquid assets. As discussed in Note 1, certain investments in the Long Term Reserve Pool are valued at cost, unless impaired. UAB's portion of investments which are measured at cost totaled approximately \$1,500,000 at September 30, 2015 and \$6,600,000 at September 30, 2014.

Short Term Liquidity Pool

The Short Term Liquidity Pool serves as an investment vehicle to manage operating reserves with a time horizon of two to six 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 Short Term Liquidity Pool has an investment objective of income with preservation of capital and is invested in intermediate term fixed income securities. System policy states that at least one of the Short Term Liquidity Pool investment managers must be a large mutual fund providing daily liquidity.

Short-Term Fund

As of October 1, 2014, the Short-Term Fund became part of the Short Term Liquidity Pool. As of September 30, 2014, the Short-Term Fund contained the short-term operating reserves of the various System entities. Because of the different income and disbursement requirements of each entity, consolidation of these funds reduced daily cash fluctuations and minimized the amount of short-term cash reserves needed. Assets held in the Short-Term Fund were invested with the primary objective of stability of principal and liquidity. Such investments were restricted to high quality, liquid, money market funds and other fixed income obligations with a maturity of one year or less. Refer to Note 3 for additional information related to the Short-Term Fund.

At the September 2014 Investment Committee meeting of the Board of Trustees of The University of Alabama, the committee approved the consolidation of three working capital pools to two and a name change for these investment pools. The Intermediate Fund was renamed the Short Term Liquidity Pool and the Prime Investment Fund was renamed the Long Term Reserve Pool. The Short-Term Fund became part of the Short Term Liquidity Pool. These changes became effective as of October 1, 2014.

Although the investment philosophy of the Board is to minimize the direct ownership of investment vehicles, preferring ownership in appropriate investment fund groups, there are certain direct investments that are held in the name of the Board. All other investments in the System Pools are classified as commingled funds.

The composition of investments, by investment type, for the System Pools at September 30, 2015 is as follows:

September 30, 2015		ENDOWMENT FUND	LONG TERM RESERVE POOL	SHORT TERM LIQUIDITY POOL	SHORT TERM FUND
Receivables:					
Accrued Income Receivables	\$	732,281	\$ 928,183	\$ 2,875,267	\$
TOTAL RECEIVABLES		732,281	928,183	2,875,267	
Cash Equivalents:					
Money Market Funds		45,827,694	53,715,774	107,786,001	
TOTAL CASH EQUIVALENTS		45,827,694	53,715,774	107,786,001	
Equities:					
U.S. Common Stock		91,674,908	78,549,689		
U.S. Preferred Stock					
Non-U.S. Stock		6,733,725	7,331,290		
TOTAL EQUITIES		98,408,633	85,880,979		
Fixed Income Securities:					
U.S. Government Obligations		11,925,085	17,681,310	233,056,868	
Mortgage Backed Securities				155,032,472	
Collateralized Mortgage Obligations				22,197,142	
Corporate Bonds		22,370,872	32,050,655	185,111,586	
Non-U.S. Bonds		2,573,773	3,857,095	67,420,921	
TOTAL FIXED INCOME SECURITIES		36,869,730	53,589,060	662,818,989	
Commingled Funds:					
U.S. Equity Funds			52,678,292		
Non-U.S. Equity Funds		196,196,151	299,302,691		
U.S. Bond Funds		59,672,727	55,754,545	208,669,176	
Non-U.S. Bond Funds		27,041,898	33,568,513		
Hedge Funds		448,537,456	528,911,449		
Private Equity Funds		77,314,663			
Real Estate Funds		121,833,226	67,950,890		
TOTAL COMMINGLED FUNDS		930,596,121	1,038,166,380	208,669,176	
TOTAL FUND INVESTMENTS		1,111,702,178	1,231,352,193	979,274,166	
TOTAL FUND ASSETS		1,112,434,459	1,232,280,376	982,149,433	
TOTAL FUND LIABILITIES		(138,496)	(100,561)	(320,823)	
AFFILIATED ENTITY INVESTMENT IN FUNDS		(145,926,518)	(72,859,331)	(76,155,181)	
TOTAL NET ASSET VALUE	\$	966,369,445	\$ 1,159,320,484	\$ 905,673,429	\$

The composition of investments, by investment type, for the System Pools at September 30, 2014 is as follows:

September 30, 2014	ENDOWMENT FUND		LONG TERM RESERVE POOL		SHORT TERM LIQUIDITY POOL		SHORT TERM FUND
Receivables:							
Accrued Income Receivables	\$	1,003,301	\$	881,205	\$	3,704,124	\$
TOTAL RECEIVABLES		1,003,301		881,205		3,704,124	
Cash Equivalents:							
Money Market Funds		57,886,211		40,085,105		89,200,493	176,466,706
TOTAL CASH EQUIVALENTS		57,886,211		40,085,105		89,200,493	176,466,706
Equities:							
U.S. Common Stock		91,626,275		64,167,500			
U.S. Preferred Stock		1,081,641		970,703			
Non-U.S. Stock		9,122,500		7,016,834			
TOTAL EQUITIES		101,830,416		72,155,037			
Fixed Income Securities:							
U.S. Government Obligations		16,426,862		14,060,742		356,983,685	
Mortgage Backed Securities						107,336,734	
Collateralized Mortgage Obligations						36,037,561	
Corporate Bonds		32,525,648		25,320,584		243,885,772	
Non-U.S. Bonds		4,717,740		3,586,194		86,740,041	
TOTAL FIXED INCOME SECURITIES		53,670,250		42,967,520		830,983,793	
Commingled Funds:							
U.S. Equity Funds		70,497,226		90,049,678			
Non-U.S. Equity Funds		299,154,328		277,766,811			
U.S. Bond Funds		59,672,727		44,754,545		88,967,993	
Non-U.S. Bond Funds		62,211,203		61,965,572			
Hedge Funds		237,682,807		196,514,795			
Private Equity Funds		67,605,100					
Real Estate Funds		136,647,983		90,219,359			
TOTAL COMMINGLED FUNDS		933,471,374		761,270,760		88,967,993	
TOTAL FUND INVESTMENTS		1,146,858,251		916,478,422		1,009,152,279	176,466,706
TOTAL FUND ASSETS		1,147,861,552		917,359,627		1,012,856,403	176,466,706
TOTAL FUND LIABILITIES		(254,559)		(175,311)		(566,898)	
AFFILIATED ENTITY INVESTMENT IN FUNDS		(147,147,272)		(56,162,298)		(106,232,340)	
TOTAL NET ASSET VALUE	\$	1,000,459,721	\$	861,022,018	\$	906,057,165	\$ 176,466,706

The composition of investments, by investment type, of UAB's separately held investments, and UAB's interest in the System Pools, at September 30, 2015 and 2014 is as follows:

	2015	2014
Cash and cash equivalents:		
Commercial paper	\$ 100,000	\$ 100,000
Money market funds	543,707	1,017,428
TOTAL CASH AND CASH EQUIVALENTS	643,707	1,117,428
Equities:		
Common stock	196,753	39,389,694
Equity investment in partnerships	48,615,182	52,839,465
TOTAL EQUITIES	48,811,935	92,229,159
Fixed Income Securities:		
U.S. government obligations	5,511,003	48,026,721
Corporate bonds	15,923,291	15,607,631
TOTAL FIXED INCOME SECURITIES	21,434,294	63,634,352
Commingled Funds:		
U.S. equity funds	10,978,603	12,491,458
Non-U.S. equity funds	7,068,191	8,225,868
U.S. bond funds	3,867,067	3,988,420
Non-U.S. bond funds	1,109,981	1,307,721
Liquid alternatives	5,220,313	5,421,225
Private equity funds	1,298,809	1,790,980
Real estate funds	2,473,407	3,173,244
TOTAL COMMINGLED FUNDS	32,016,371	36,398,916
REAL ESTATE	159,600	159,600
Portion of System Pooled Investments:		
Endowment Fund	374,410,146	389,954,734
Long Term Reserve Pool	761,784,071	592,982,140
Short Term Liquidity Pool	597,548,301	611,060,967
Short-Term Fund	138,238,607	138,238,607
Total Portion of System Pooled Investments	1,733,742,518	1,732,236,448
Total Cash and Investments	1,836,808,425	1,925,775,903
Less Short-Term Fund		138,238,607
TOTAL INVESTMENTS	\$ 1,836,808,425	\$ 1,787,537,296

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. At least 95% of these fixed income investments must be in investment grade securities (securities with ratings of BBB- or Baa3) or higher. However, multi-strategy fixed income managers may have up to 20% of their investments in non-investment grade securities. Securities of foreign entities denominated in U.S. dollars are limited to 10% of a manager's portfolio. Securities denominated in currencies other than U.S. dollars are not permissible unless part of a multi-strategy fixed income account where the limitation is 20% of the manager's portfolio.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the Endowment Fund and Long Term Reserve Pool, which are tracked against the Barclays Government Credit Index for U.S. investments and the Citigroup WGBI Index for international investments benchmarks for the fixed income portion of these pools. Fixed income investments within the Endowment Fund and Long Term Reserve Pool include corporate and U.S. treasury and/or agency bonds with a minimum BBB- rating and an average duration of four years. In addition, approximately \$1,350,000 and \$1,512,000 in the Endowment Fund and Long Term Reserve Pool,

at September 30, 2015 and 2014, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds were approximately \$275,600,000 and \$326,600,000 in the Endowment Fund and Long Term Reserve Pool, at September 30, 2015 and 2014, respectively.

The Short Term Liquidity Pool 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 with an average minimum rating of BB or higher. For September 30, 2015 and 2014, approximately \$86,671,000 and \$64,912,000, respectively, was invested by the Short Term Liquidity Pool in unrated fixed income securities, excluding commingled bond funds and money market funds. Fixed income commingled funds and commercial paper totaled approximately \$316,500,000 and \$178,200,000 at September 30, 2015 and 2014, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2015 and 2014 is as follows:

September 30, 2015 and 2014

	ENDOWMENT FUND		LONG TERM RESERVE POOL		SHORT TERM LIQUIDITY POOL		SHORT TERM FUND	
	2015	2014	2015	2014	2015	2014	2015	2014
Fixed or Variable Income Securities								
U.S. Government Obligations	\$ 11,925,084	\$ 16,426,862	\$ 17,681,310	\$ 14,060,742	\$ 233,056,868	\$ 356,983,685	\$	
Other U.S. and Non-U.S. Denominated:								
AAA					76,994,388	48,981,389		
AA	5,308,729	6,632,713	7,818,545	5,082,925	56,012,019	83,143,881		
A	10,171,266	16,894,747	14,500,606	13,410,517	99,306,842	151,341,278		
BBB	8,504,328	12,850,553	12,154,468	9,766,791	77,043,546	84,810,054		
BB	410,273		634,058		21,027,641	29,352,911		
B					8,654,442	8,810,464		
C and < C					4,052,387	2,648,442		
Unrated	550,050	865,375	800,073	646,545	86,670,856	64,911,689		
Commingled Funds:								
U.S. Bond Funds: Unrated	59,672,727	59,672,727	55,754,545	44,754,545	208,669,176	88,967,993		
Non-U.S. Bond Funds: Unrated	27,041,898	62,211,203	33,568,513	61,965,572				
Money Market Funds: Unrated	45,827,694	57,886,211	53,715,774	40,085,105	107,786,001	89,200,493		176,466,706
TOTAL	\$ 169,412,049	\$ 233,440,391	\$ 196,627,892	\$ 189,772,742	\$ 979,274,166	\$ 1,009,152,279	\$	\$ 176,466,706

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2015 and 2014 is as follows:

September 30, 2015 and 2014

	2015	2014
Fixed or Variable Income Securities		
U.S. Government Obligations	\$ 5,511,003	\$ 48,026,721
Other U.S. and Non U.S. Denominated:		
AAA	15,923,291	15,607,631
AA		
A		
BBB		
BB		
B		
CCC		
CC		
Unrated		
Commingled Funds:		
U.S. Bond Funds: Unrated	3,867,067	3,988,420
Non-U.S. Bond Funds: Unrated	1,109,981	1,307,721
Money Market Funds: Unrated	543,707	1,017,428
Commercial Paper: Unrated	100,000	100,000
TOTAL	\$ 27,055,049	\$ 70,047,921

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, 2015 and 2014, 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 portfolio 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 portfolio. The effective durations for fixed or variable income securities, for the System Pools at September 30, 2015 and 2014 are as follows:

	ENDOWMENT FUND		LONG TERM RESERVE POOL		SHORT TERM LIQUIDITY POOL	
	2015	2014	2015	2014	2015	2014
U.S. Government Obligations	7.3	7.1	7.2	6.5	1.7	3.2
Corporate Bonds	4.4	3.8	4.4	3.8	2.0	1.9
Commingled Bond Funds	2.4	2.3	2.1	2.2	2.7	2.8
Non-U.S. Bonds					2.0	1.9

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, 2015 and 2014 are as follows:

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, 2015 and 2014, the fair market values of these investments in the System Pools are as follows:

	2015	2014
Commingled Bond Funds	2.6	3.1
U.S. Government Obligations		0.6

	SHORT TERM LIQUIDITY POOL	
	2015	2014
Mortgage Backed Securities	\$ 155,032,472	\$ 107,336,734
Collateralized Mortgage Obligations	22,197,142	36,037,561
TOTAL	\$ 177,229,614	\$ 143,374,295

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, 2015 and 2014, the effective durations for these securities held in the System Pools are as follows:

September 30, 2015 and 2014

	SHORT TERM LIQUIDITY POOL	
	2015	2014
Mortgage backed securities	1.1	1.3
Collateralized mortgage obligations	0.9	1.0

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2015 and 2014.

Foreign Currency Risk

The strategic asset allocation policy for the Endowment Fund, the Long Term Reserve Pool, and UAB's separately held investments includes an allocation to non-United States equity and fixed income securities. Each international equity manager must hold a minimum of 30 individual stocks with equity holdings in a single company remaining below 8% of the investment manager's portfolio, measured at market value. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2015 and 2014, 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 approximately \$67.4 million and \$86.7 million of foreign bonds denominated in U.S. dollars and held by the Short Term Liquidity Pool at September 30, 2015 and 2014, respectively.

Securities Lending

Board policies permit 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, 2015 and 2014, 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 \$48,620,000 and \$52,840,000 at September 30, 2015 and 2014, respectively. See Note 19 for further discussion of the PLTF.

(5) Accounts Receivable

The composition of accounts receivable at September 30, 2015 and 2014 is summarized as follows:

	2015	2014
Patient care	\$ 322,921,280	\$ 317,171,578
Receivables from sponsoring agencies	63,272,058	59,548,780
Student accounts	26,928,717	25,414,127
Other	58,963,793	31,969,258
	\$ 472,058,848	\$ 434,103,743
Less: Provision for doubtful accounts from patient care	134,980,641	152,833,331
Less: Provision for doubtful accounts from student accounts	1,507,683	774,293
Less: Provision for doubtful accounts other	1,370,149	1,154,053
Total accounts receivable	\$ 334,200,375	\$ 279,342,066

(6) Loans and Pledges Receivable

The composition of loans and pledges receivable at September 30, 2015 and 2014, is summarized in the following table.

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 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.

LOANS RECEIVABLE:	2015	2014
Federal loan program	\$ 16,101,806	\$ 16,982,788
University loan funds	2,132,448	2,092,549
Other	1,241,004	1,226,687
Total loans receivable	19,475,258	20,302,024
Less allowance for doubtful accounts	2,787,820	2,884,344
Total loans receivable, net	16,687,438	17,417,680
Less: current portion	2,637,651	2,473,999
Total loans receivable outstanding, noncurrent	\$ 14,049,787	\$ 14,943,681
GIFT PLEDGES OUTSTANDING:		
Operations	\$ 47,427,041	\$ 25,981,904
Capital	8,674,559	7,684,584
Total gift pledges	56,101,600	33,666,488
Less: current portion	19,163,293	13,530,960
Total gift pledges, noncurrent	\$ 36,938,307	\$ 20,135,528

(7) Capital Assets

Capital assets activity for the years ended September 30, 2015 and 2014 is summarized below:

Net interest costs capitalized for the University and Component Units in 2015 and 2014, respectively, were approximately \$1,568,000 and \$4,266,000 (net of \$191,000 and \$577,000 investment earnings in 2015 and 2014, respectively). There were no net interest costs capitalized in 2015 or 2014 for the Hospital.

September 30, 2015

	BEGINNING BALANCE		ADDITIONS		SALES/RETIREMENTS/ TRANSFERS		ENDING BALANCE
UNIVERSITY AND COMPONENT UNITS							
Capital assets not being depreciated							
Land	\$	77,062,960	\$		\$		\$ 77,062,960
Construction in progress		36,896,860		28,989,710		20,478,771	45,407,799
		113,959,820		28,989,710		20,478,771	122,470,759
Capital assets being depreciated							
Land Improvements		26,548,899		1,965,900			28,514,799
Buildings		1,324,306,753		65,128,788		2,395,702	1,387,039,839
Fixed Equipment Systems		84,253,630		1,537,459			85,791,089
Equipment		359,069,698		22,103,769		8,160,183	373,013,284
Library Materials		100,240,733		4,146,786			104,387,519
		1,894,419,713		94,882,702		10,555,885	1,978,746,530
Total Capital Assets		2,008,379,533		123,872,412		31,034,656	2,101,217,289
Less: Accumulated Depreciation		1,086,682,317		72,670,169		9,690,861	1,149,661,625
Total Net Capital Assets	\$	921,697,216	\$	51,202,243	\$	21,343,795	\$ 951,555,664
HOSPITAL							
Capital assets not being depreciated							
Land	\$	19,044,954	\$		\$		\$ 19,044,954
Construction in progress		21,191,657		3,931,612		17,880,372	7,242,897
		40,236,611		3,931,612		17,880,372	26,287,851
Capital assets being depreciated							
Land Improvements		656,874					656,874
Buildings		853,351,238		23,829,722			877,180,960
Fixed Equipment Systems		10,002,839					10,002,839
Equipment		361,699,309		33,934,799		12,540,005	383,094,103
		1,225,710,260		57,764,521		12,540,005	1,270,934,776
Total Capital Assets		1,265,946,871		61,696,133		30,420,377	1,297,222,627
Less: Accumulated Depreciation		652,915,507		64,357,416		11,877,119	705,395,804
Total Net Capital Assets	\$	613,031,364	\$	(2,661,283)	\$	18,543,258	\$ 591,826,823
TOTAL UAB							
Capital assets not being depreciated							
Land	\$	96,107,914	\$		\$		\$ 96,107,914
Construction in progress		58,088,517		32,921,322		38,359,143	52,650,696
		154,196,431		32,921,322		38,359,143	148,758,610
Capital assets being depreciated							
Land Improvements		27,205,773		1,965,900			29,171,673
Buildings		2,177,657,991		88,958,510		2,395,702	2,264,220,799
Fixed Equipment Systems		94,256,469		1,537,459			95,793,928
Equipment		720,769,007		56,038,568		20,700,188	756,107,387
Library Materials		100,240,733		4,146,786			104,387,519
		3,120,129,973		152,647,223		23,095,890	3,249,681,306
Total Capital Assets		3,274,326,404		185,568,545		61,455,033	3,398,439,916
Less: Accumulated Depreciation		1,739,597,824		137,027,585		21,567,980	1,855,057,429
Total Net Capital Assets	\$	1,534,728,580	\$	48,540,960	\$	39,887,053	\$ 1,543,382,487

September 30, 2014

	BEGINNING BALANCE		ADDITIONS		SALES/RETIREMENTS/ TRANSFERS		ENDING BALANCE
UNIVERSITY AND COMPONENT UNITS							
Capital assets not being depreciated							
Land	\$	75,091,788	\$	2,262,863	\$	291,691	\$ 77,062,960
Construction in progress		21,458,729		38,500,258		23,062,127	36,896,860
		96,550,517		40,763,121		23,353,818	113,959,820
Capital assets being depreciated							
Land Improvements		25,777,821		771,078			26,548,899
Buildings		1,284,007,795		43,203,934		2,904,976	1,324,306,753
Fixed Equipment Systems		83,522,628		731,002			84,253,630
Equipment		350,229,176		22,133,056		13,292,534	359,069,698
Library Materials		96,740,340		3,500,393			100,240,733
		1,840,277,760		70,339,463		16,197,510	1,894,419,713
Total Capital Assets		1,936,828,277		111,102,584		39,551,328	2,008,379,533
Less: Accumulated Depreciation		1,031,910,019		68,011,875		13,239,577	1,086,682,317
Total Net Capital Assets	\$	904,918,258	\$	43,090,709	\$	26,311,751	\$ 921,697,216
HOSPITAL							
Capital assets not being depreciated							
Land	\$	19,044,954	\$		\$		19,044,954
Construction in progress		13,920,348		8,423,480		1,152,171	21,191,657
		32,965,302		8,423,480		1,152,171	40,236,611
Capital assets being depreciated							
Land Improvements		624,729		32,145			656,874
Buildings		842,900,609		10,450,629			853,351,238
Fixed Equipment Systems		10,002,839					10,002,839
Equipment		384,484,960		37,568,622		60,354,273	361,699,309
		1,238,013,137		48,051,396		60,354,273	1,225,710,260
Total Capital Assets		1,270,978,439		56,474,876		61,506,444	1,265,946,871
Less: Accumulated Depreciation		651,012,773		61,533,684		59,630,950	652,915,507
Total Net Capital Assets	\$	619,965,666	\$	(5,058,808)	\$	1,875,494	\$ 613,031,364
TOTAL UAB							
Capital assets not being depreciated							
Land	\$	94,136,742	\$	2,262,863	\$	291,691	\$ 96,107,914
Construction in progress		35,379,077		46,923,738		24,214,298	58,088,517
		129,515,819		49,186,601		24,505,989	154,196,431
Capital assets being depreciated							
Land Improvements		26,402,550		803,223			27,205,773
Buildings		2,126,908,404		53,654,563		2,904,976	2,177,657,991
Fixed Equipment Systems		93,525,467		731,002			94,256,469
Equipment		734,714,136		59,701,678		73,646,807	720,769,007
Library Materials		96,740,340		3,500,393			100,240,733
		3,078,290,897		118,390,859		76,551,783	3,120,129,973
Total Capital Assets		3,207,806,716		167,577,460		101,057,772	3,274,326,404
Less: Accumulated Depreciation		1,682,922,792		129,545,559		72,870,527	1,739,597,824
Total Net Capital Assets	\$	1,524,883,924	\$	38,031,901	\$	28,187,245	\$ 1,534,728,580

(8) Long-Term Debt

Long-term debt activity for the years ended September 30, 2015 and 2014 is summarized as follows:

A portion of UAB's long term debt has been issued with variable interest rates. The interest rates are determined in accordance with the individual related indenture of the related outstanding debt. UAB's bonds are collateralized by pledged revenues as defined in the applicable indentures.

September 30, 2015

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE
UNIVERSITY				
Leases Payable, 3.19% due annually through 2019 and 4.47% due monthly through 2020	\$ 374,299	\$ 220,556	\$ 76,821	\$ 518,034
Birmingham General Revenue Bonds Series 2005A, 4.0% to 5.0% due annually from 2007 through 2021	25,950,000		5,120,000	20,830,000
Birmingham General Revenue Bonds Series 2005B, 4.0% to 4.5% due annually through 2028	39,905,000		37,355,000	2,550,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 4.5% due annually through 2041	52,595,000		1,470,000	51,125,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2041	52,425,000		1,415,000	51,010,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 4.0% due annually through 2028	24,482,229		2,881,218	21,601,011
Birmingham General Revenue Bonds Series 2013A-1, 1.1% due annually through 2020	19,195,000		1,550,000	17,645,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually through 2043	72,595,000			72,595,000
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2029	45,190,000		2,840,000	42,350,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2019	3,095,000		540,000	2,555,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2023	20,425,000		1,030,000	19,395,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually through 2043	78,325,000			78,325,000
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028		32,560,000		32,560,000
	\$ 434,556,528	\$ 32,780,556	\$ 54,278,039	\$ 413,059,045
Less (Plus): unamortized bond discount (premium)				(4,887,624)
TOTAL UNIVERSITY DEBT				\$ 417,946,669
Less: current portion				20,795,496
TOTAL UNIVERSITY DEBT, NONCURRENT				\$ 397,151,173
HOSPITAL				
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 12,293,799	\$ 723,415	\$ 2,765,403	\$ 10,251,811
Birmingham Hospital Revenue Bonds Series 2006A, 4.0% due annually through 2041	240,375,000		6,305,000	234,070,000
Birmingham Hospital Revenue Bonds Series 2008A, 4.0% to 5.75% due annually through 2025	96,970,000		2,250,000	94,720,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 4.0% due annually through 2018	977,771		228,782	748,989
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	18,286,000		1,194,000	17,092,000
Birmingham Hospital Revenue Bonds Series 2012B, variable interest rate (0.01% at September 30, 2015), due annually through 2042	65,000,000			65,000,000
Birmingham Hospital Revenue Bonds Series 2012C, variable interest rate (0.01% at September 30, 2015), due annually through 2042	65,000,000			65,000,000
	\$ 498,902,570	\$ 723,415	\$ 12,743,185	\$ 486,882,800
Less (Plus): unamortized bond discount (premium)				(3,802,294)
TOTAL HOSPITAL DEBT				\$ 490,685,094
Less: current portion				13,302,287
TOTAL HOSPITAL DEBT, NONCURRENT				\$ 477,382,807
TOTAL UAB	\$ 933,459,098	\$ 33,503,971	\$ 67,021,224	\$ 899,941,845
Less (Plus): unamortized bond discount (premium)				(8,689,918)
TOTAL UAB DEBT				\$ 908,631,763
Less: current portion				34,097,783
TOTAL UAB DEBT, NONCURRENT				\$ 874,533,980

September 30, 2014

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE
UNIVERSITY				
Lease Payable, 3.19% due annually through 2019	\$	\$ 374,299	\$	\$ 374,299
Birmingham General Revenue Bonds Series 1993B, variable rate interest(0.2% at September 30, 2013), due annually through 2014	1,100,000		1,100,000	
Birmingham General Revenue Bonds Series 2002, 3.0% to 3.8%, due annually through 2014	1,205,000		1,205,000	
Birmingham General Revenue Bonds Series 2003A, 3.4% to 4.5% due annually through 2030	2,760,000		2,760,000	
Birmingham General Revenue Bonds Series 2005A, 4.0% to 5.0% due annually from 2007 through 2021	30,870,000		4,920,000	25,950,000
Birmingham General Revenue Bonds Series 2005B, 4.0% to 4.5% due annually through 2028	42,255,000		2,350,000	39,905,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 4.5% due annually through 2041	53,270,000		675,000	52,595,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2041	52,605,000		180,000	52,425,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 4.0% due annually through 2028	27,303,164		2,820,935	24,482,229
Birmingham General Revenue Bonds Series 2013A-1, 1.1% due annually through 2021	19,195,000			19,195,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually through 2044	72,595,000			72,595,000
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	45,190,000			45,190,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2020	3,095,000			3,095,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	20,425,000			20,425,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually through 2044	78,325,000			78,325,000
	\$ 450,193,164	\$ 374,299	\$ 16,010,935	\$ 434,556,528
Less (Plus): unamortized bond discount (premium)				(1,983,334)
TOTAL UNIVERSITY DEBT				\$ 436,539,862
Less: current portion				19,361,454
TOTAL UNIVERSITY DEBT, NONCURRENT				\$ 417,178,408
HOSPITAL				
Lease Payable, 3.75% due monthly through 2020	\$ 3,163,342	\$ 11,977,740	\$ 2,847,283	\$ 12,293,799
Birmingham Hospital Revenue Bonds Series 2004A, 5.0% due annually through 2014	5,200,000		5,200,000	
Birmingham Hospital Revenue Bonds Series 2006A, 4.0% due annually through 2041	241,180,000		805,000	240,375,000
Birmingham Hospital Revenue Bonds Series 2008A, 4.0% to 5.75% due annually through 2025	99,125,000		2,155,000	96,970,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 4.0% due annually through 2018	1,201,836		224,065	977,771
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	19,448,000		1,162,000	18,286,000
Birmingham Hospital Revenue Bonds Series 2012B, variable interest rate (0.04% at September 30, 2014), due annually through 2042	65,000,000			65,000,000
Birmingham Hospital Revenue Bonds Series 2012C, variable interest rate (0.04% at September 30, 2014), due annually through 2042	65,000,000			65,000,000
	\$ 499,318,178	\$ 11,977,740	\$ 12,393,348	\$ 498,902,570
Less (Plus): unamortized bond discount (premium)				(4,000,229)
TOTAL HOSPITAL DEBT				\$ 502,902,799
Less: current portion				12,615,034
TOTAL HOSPITAL DEBT, NONCURRENT				\$ 490,287,765
TOTAL UAB				
	\$ 949,511,342	\$ 12,352,039	\$ 28,404,283	\$ 933,459,098
Less (Plus): unamortized bond discount (premium)				(5,983,563)
TOTAL UAB DEBT				\$ 939,442,661
Less: current portion				31,976,488
TOTAL UAB DEBT, NONCURRENT				\$ 907,466,173

Maturities and interest on notes, leases, and bonds payable for the next five years and in the subsequent five-year incremental periods are presented in the

table below. Future interest payments for variable rate debt are computed by applying the rate in effect at September 30, 2015.

UNIVERSITY				
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	
2016	\$ 20,795,496	\$ 15,145,726	\$ 35,941,222	
2017	20,222,863	14,371,900	34,594,763	
2018	20,889,421	13,713,229	34,602,650	
2019	19,601,007	13,052,371	32,653,378	
2020	20,150,258	12,405,074	32,555,332	
2021-2025	89,805,000	52,794,154	142,599,154	
2026-2030	77,100,000	38,135,492	115,235,492	
2031-2035	58,980,000	25,456,369	84,436,369	
2036-2040	52,775,000	13,389,194	66,164,194	
2041-2044	32,740,000	2,567,480	35,307,480	
TOTAL UNIVERSITY	\$ 413,059,045	\$ 201,030,989	\$ 614,090,034	
HOSPITAL				
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	
2016	\$ 13,302,287	\$ 17,488,795	\$ 30,791,082	
2017	13,845,923	16,940,436	30,786,359	
2018	14,442,969	16,345,970	30,788,939	
2019	13,182,915	15,752,441	28,935,356	
2020	12,642,706	15,111,696	27,754,402	
2021-2025	72,526,000	64,825,689	137,351,689	
2026-2030	80,245,000	55,741,043	135,986,043	
2031-2035	92,855,000	49,855,509	142,710,509	
2036-2040	118,095,000	25,123,235	143,218,235	
2041-2044	55,745,000	1,369,207	57,114,207	
TOTAL HOSPITAL	\$ 486,882,800	\$ 278,554,021	\$ 765,436,821	
TOTAL UAB				
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	
2016	\$ 34,097,783	\$ 32,634,521	\$ 66,732,304	
2017	34,068,786	31,312,336	65,381,122	
2018	35,332,390	30,059,199	65,391,589	
2019	32,783,922	28,804,812	61,588,734	
2020	32,792,964	27,516,770	60,309,734	
2021-2025	162,331,000	117,619,843	279,950,843	
2026-2030	157,345,000	93,876,535	251,221,535	
2031-2035	151,835,000	75,311,878	227,146,878	
2036-2040	170,870,000	38,512,429	209,382,429	
2041-2044	88,485,000	3,936,687	92,421,687	
TOTAL UAB	\$ 899,941,845	\$ 479,585,010	\$ 1,379,526,855	

During fiscal year 2015, Standard & Poor's Ratings Services revised its outlook to positive from stable and affirmed its AA- rating on UAB's general revenue bonds.

See Note 10 for information regarding the pledged revenues, which collateralize certain outstanding debt.

The University defeased certain indebtedness during fiscal year 2015 by depositing funds in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, all funds deposited in the trust accounts are invested in obligations of the U.S. government. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statement of net assets as of September 30, 2015 and 2014. The principal outstanding on the defeased indebtedness at September 30, 2015 was approximately

\$34,910,000, which all related to the University. There was no principal outstanding on the defeased indebtedness at September 30, 2014.

The Hospital Revenue Bonds Series 2012B and 2012C bonds include a demand obligation feature that allows the bondholder to tender the bonds back to the Hospital at any date. The Hospital has obtained letters of credit ("LOC") for each of the Series 2012B and 2012C bonds to repay any tendered amounts in the event the remarketing agent is unable to resell the bonds in the allotted time (7 days from the notice of intent to tender). The LOC for the 2012B bond expires on August 3, 2018 and the LOC for the 2012C bond expires on July 30, 2017. Under the terms of the 2012B LOC, no principal amounts are due during the remarketing period, which is 367 days following the date of any draw on the LOC. Thereafter, any amount drawn is payable in quarterly installments over a two-year period. Under the

terms of the 2012C LOC, no principal amounts are due for one year subsequent to the date of any draw on the LOC. Thereafter, any amount drawn converts to a term loan that is payable in quarterly installments over a two-year period.

In March 2015, the University issued \$32,560,000 in Series 2015A General Revenue Bonds. The bonds pay interest at varying rates of 2.0% to 5.0% with principal due annually through October 1, 2027. The proceeds of this offering are being used for the purposes of advance refunding Series 2005B General Revenue Bonds; and paying costs and expenses associated with this issue. These bonds were issued at a premium of \$4,143,017 resulting in total cash received of \$36,703,017.

The undiscounted cash flows required to service principal and interest under the Series 2005B General Revenue Bonds as of September 30, 2015, would have been \$46.4 million compared to undiscounted

cash flow requirements of \$41.7 million under the new bonds. The economic gain to UAB of the bond refinancing in fiscal year 2015 was calculated to be approximately \$4.7 million using an effective interest rate of 4.45% applied to the old and 2.20% applied to the new bond cash flow requirements.

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 2012B series issuance. These covenants, among other things, require the Hospital to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.15x tested quarterly on a rolling four quarter basis. Based on pledged revenues received in fiscal year 2015 of \$1.5 billion, the projected maximum annual debt service requirement of 1.15 is covered approximately 7.8 times by pledged revenues. UAB and the Hospital are in compliance with all covenants as of September 30, 2015.

(9) Other Noncurrent Liabilities

The activity with respect to other noncurrent liabilities for the year ended September 30, 2015 and 2014, is as follows for UAB:

September 30, 2015

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
Federal advances - loan funds	\$ 14,559,124	\$ 212,380	\$ (400,196)	\$ 14,371,308
Unearned revenue	13,892,510		(228,421)	13,664,089
Other noncurrent liabilities	2,055,959		(239,338)	1,816,621
Total advances federal loans and other noncurrent liabilities	\$ 30,507,593	\$ 212,380	\$ (867,955)	\$ 29,852,018

September 30, 2014

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
Federal advances - loan funds	\$ 14,727,477	\$ 200,863	\$ (369,216)	\$ 14,559,124
Unearned revenue	14,120,932		(228,422)	13,892,510
Other noncurrent liabilities	2,301,951	109	(246,101)	2,055,959
Total advances federal loans and other noncurrent liabilities	\$ 31,150,360	\$ 200,972	\$ (843,739)	\$ 30,507,593

(10) Pledged Revenues

Pledged revenues for 2015 and 2014, as defined by the Series 2006A, 2008A, 2012A, 2012B and 2012C Hospital Revenue Trust Indentures, are as follows:

HOSPITAL BONDS	2015	2014
Total pledged revenues	\$ 1,539,411,704	\$ 1,398,810,758

Pledged revenues for 2015 and 2014, as defined by the Series 2005A, 2005B, 2010A, 2010B, 2010C, 2013A, 2013B, 2013C, 2013D and 2015A General Revenue Trust Indentures, are as follows:

UNIVERSITY BONDS	2015	2014
Tuition fees	\$ 226,080,561	\$ 213,508,162
Indirect cost recovery	77,112,629	75,033,940
Sales and service of educational activities	60,916,483	59,147,027
Auxiliary sales and service	32,830,327	31,380,641
Endowment and investment income	34,558,101	33,292,859
Other sources	54,609,646	50,607,828
TOTAL PLEDGED REVENUES	\$ 486,107,747	\$ 462,970,457

(11) Employee Benefits

Retirement and Pension Plans

Most employees of the University, the Hospital, and UABRF 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.

General Information about the Pension Plan

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 trustees. 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 ex-

cess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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, 2015 was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. UAB's contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% 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 contribution requirements for fiscal years 2015, 2014, and 2013, respectively, were approximately \$143,414,000, \$147,975,000 and \$138,146,000, which consisted of \$87,868,000, \$90,532,000 and \$79,253,000 from UAB and \$55,546,000, \$57,443,000 and \$58,893,000 from employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, UAB reported a liability of \$1,107,275,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. UAB's proportion of the collective net pension liability was based on the em-

ployers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, UAB's proportion was 12.19%, which was a decrease of 0.39% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, UAB recognized pension expense of \$76,616,000. At September 30, 2015, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		83,022,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions		30,726,000
Employer contributions subsequent to the measurement date	84,999,000	
Total	\$ 84,999,000	\$ 113,748,000

\$84,999,000 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 ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2016	\$	(27,903,000)
2017		(27,903,000)
2018		(27,903,000)
2019		(27,904,000)
2020		(2,135,000)
Thereafter		0

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5% - 8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

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:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	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 8%. 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 pan members. Therefore, the long-term expected rate of return on pension plan

investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of UAB's proportionate share of the net pension liability to changes in the discount rate.

The following table presents UAB's proportionate share of the net pension liability calculated using the discount rate of 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

		1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
UAB's proportionate share of collective net pension liability	\$	1,508,452,000	\$ 1,107,275,000	\$ 767,248,000

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, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 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, 2014 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 2015 and 2014, respectively, excluding employee amounts not eligible for matching, were approximately \$40,581,000 and \$37,935,000 which included approximately \$20,291,000 and \$18,967,000 each from UAB and its employees.

The University, the Hospital, LLC and UABRF total salaries and wages for fiscal years 2015 and 2014, respectively, were approximately \$1,038,222,000 and \$1,016,856,000. Total salaries and wages during fiscal years 2015 and 2014 for covered employees participating in TRS were approximately \$754,457,000 and \$773,118,000, respectively. Total salaries and wages during fiscal years 2015

and 2014 for covered employees participating in the 403(b) Plan were approximately \$428,869,000 and \$398,918,000, 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). Eligible employees can choose between both TIAA and VALIC for investments. 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 all 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 \$78,572,000 and \$77,372,000 as of September 30, 2015 and 2014, 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.

(12) Other Postemployment 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 Core 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 is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Education Employees Health Insurance Board. PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits. Major medical benefits under the basic hospital/medical plan are subject to a lifetime contract maximum of \$1,000,000 for each covered individual. The financial report for PEEHIP can be obtained by contacting TRS. The Code of Alabama 1975, Section 16-25-A-8 provides authority to set the contribution requirements for retirees and employers. The required contribution rates of retirees are as follows as of September 30, 2015 and 2014:

Retired Member Rates

- Individual Coverage/Non-Medicare Eligible - \$151
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$391
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - \$250
- Individual Coverage/Medicare Eligible Retired Member - \$10
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$250
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - \$109

The required contribution rates of the employer were \$370 and \$356 per employee per month in the years ended September 30, 2015 and 2014, respectively. 100% of 2015 and 2014 contributions were paid in 2015 and 2014, respectively. UAB contributed \$19,793,000 and \$18,081,000 to PEEHIP in 2015 and 2014, respectively. The required contribution rate is determined by PEEHIP in accordance with State statute.

The UAB Plan is considered a single-employer plan and consists of 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.

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. Expenditures for postretirement health care benefits are paid monthly on a pay-as-you-go basis.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, UAB accrued an additional \$4,392,898 and \$3,065,896 in retiree healthcare and benefit expense during the years ended September 30, 2015 and 2014, respectively.

The UAB Plan does not issue a stand-alone financial report.

UAB's annual retiree health and life insurance benefit expense and related information for the years ended September 30, 2015 and 2014 is as follows:

	2015	2014	2013
Annual required contributions	\$ 8,052,020	\$ 6,800,515	\$ 9,194,860
Interest on obligations for retiree benefits	1,642,495	1,427,882	1,127,669
Adjustment to annual required contribution	(1,251,505)	(1,087,980)	(859,231)
Annual retiree benefit costs	8,443,010	7,140,417	9,463,298
UAB Contributions	(4,050,112)	(4,074,521)	(5,174,531)
Increase in obligations for retiree benefits	4,392,898	3,065,896	4,288,767
Obligations for retiree benefits, beginning of year	23,464,212	20,398,316	16,109,549
Total obligations for retiree benefits, end of year	\$ 27,857,110	\$ 23,464,212	\$ 20,398,316

The annual retiree benefit cost, percentage of the annual retiree benefit cost contributed to the retiree benefit plan and the net obligation for retiree ben-

efits for UAB for year ended September 30, 2015 and 2014 are as follows:

	2015	2014	2013
Annual retiree benefit cost	\$ 8,443,010	\$ 7,140,417	\$ 9,463,298
Percentage of annual cost contributed	47.97%	57.06%	54.68%
Net obligation to the retiree benefit plan	\$ 27,857,110	\$ 23,464,212	\$ 20,398,316

Funded Status

Actuarial valuations represent a long-perspective and involve estimates of the value of report amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends.

Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of October 1, 2014, 2013 and 2012 was as follows:

	2015	2014	2013
Actuarial accrued liability	\$ 49,061,930	\$ 47,438,259	\$ 46,446,404
Actuarial value of plan assets			
Unfunded actuarial accrued liability	\$ 49,061,930	\$ 47,438,259	\$ 46,446,404
Funding ratio	Zero	Zero	Zero
Covered payroll	\$ 873,791,461	\$ 889,980,309	\$ 967,667,454
Unfunded actuarial accrued liability as a percentage of covered payroll	5.61%	5.33%	4.80%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by UAB and plan members, and include types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between UAB and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- actuarial valuation date, October 1, 2013
- actuarial cost method-projected unit cost method;
- assumed return on investment of 7% per year, based on the estimated return on UAB's assets expected to be used to finance benefits;
- health care cost trend rate 7.5% and 9.5% for the years ended September 30, 2014 and September 30, 2013, respectively, reduced by increments to an ultimate rate of 5.0% over years through 2019;
- amortization of the initial unfunded actuarial liability over 30 years on a level percent of pay method with payroll growth rate of 3.25%

(13) Federal Direct Student Loan Program

The Federal Direct Student Loan Program (FDSLSP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLSP 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 FDSLSP 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, 2015 and 2014, respectively, UAB disbursed approximately \$136,485,000 and \$132,820,000 under the FDSLSP.

(14) Grants and Contracts

At September 30, 2015 and 2014, UAB had been awarded approximately \$425,062,000 and \$406,573,000 in grants and contracts, respectively, 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.

(15) 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 patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the 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 2009. Revenue from the Medicare program accounted for approximately 26% of the Hospital's net patient service revenue for the years ended September 30, 2015 and 2014.

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, 2015, 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 a cost reimbursement methodology, the Hospital is reimbursed at a tentative rate with a final settlement 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 2014. Revenue from the Blue Cross program accounted for approximately 33% and 32% of the Hospital's net patient service revenue for each of the years ended September 30, 2015 and 2014, respectively.

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. The Hospital participates in the Alabama Medicaid Plan and therefore, also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. The net benefit associated with the Hospital's essential provider designation, totaling approximately

\$40,304,000 and \$60,581,000 in 2015 and 2014, respectively, is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position. There can be no assurance that the Hospital will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 14% and 15% of the Hospital's net patient service revenue for the years ended September 30, 2015 and 2014, respectively.

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

The composition of Hospital operating revenue follows:

	2015		2014	
Gross Patient Service Revenue	\$	5,779,150,092	\$	5,175,425,934
Less Provision for Contractual and Other Adjustments		(4,235,689,398)		(3,720,591,599)
Less Provision Bad Debts		(213,771,766)		(247,495,640)
Net Patient Service Revenue	\$	1,329,688,928	\$	1,207,338,695
Capitation Revenue		64,599,138		61,861,843
Other Operating Revenue		120,865,899		110,489,630
TOTAL HOSPITAL SALES REVENUE	\$	1,515,153,965	\$	1,379,690,168

(16) 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 cost of those services, and supplies and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30, 2015 and 2014:

	2015		2014	
Approximate charges forgone, based on established rates	\$	148,365,000	\$	267,860,000
Percentage of charity charges to total charges		2.6%		5.2%

(17) 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, 2015 and 2014 follows:

	2015	2014
Other	44%	43%
Medicare	21	19
Blue Cross	26	31
Medicaid	9	7
	100%	100%

(18) Construction Commitments and Financing

UAB has contracted for the construction and renovation of several facilities. At September 30, 2015 and 2014, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$138,060,000 and \$164,339,000, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

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 System.

The PLTF agreement requires 10% of all PLTF assets to be held in liquid assets. At September 30, 2015 and 2014, the PLTF was in compliance with the agreement.

(19) Risk Management and 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.

As discussed in Note 4, UAB accounts for its ownership of the PLTF as a joint venture and it is not included in the table below.

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 2015 and 2014 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

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 2015 and 2014.

Changes in the total self-insured liabilities for the years ended September 30, 2015 and 2014 are presented as follows for UAB:

SELF INSURED LIABILITIES	2015	2014
Balance, beginning of year	\$ 10,760,082	\$ 12,678,140
Claims incurred and changes in estimates	67,127,630	68,801,814
Claim payments	(71,293,448)	(70,719,872)
BALANCE, END OF YEAR	\$ 6,594,264	\$ 10,760,082

(20) Commitments and Contingencies

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 action 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 GLTF and excess insurance purchased from commercial companies (Note 19). 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.

(21) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2015 and 2014 are as follows for UAB:

September 30, 2015	SALARIES, WAGES, AND BENEFITS	SUPPLIES AND SERVICES	DEPRECIATION AND AMORTIZATION	SCHOLARSHIPS AND FELLOWSHIPS	TOTAL
Instruction	\$ 225,208,641	\$ 32,847,200			\$ 258,055,841
Research	152,006,517	87,564,449			239,570,966
Public service	88,401,259	34,254,836			122,656,095
Academic support	129,372,304	32,700,285			162,072,589
Student services	18,541,691	15,835,378			34,377,069
Institutional support	76,205,152	49,802,271			126,007,423
Operations and maintenance of plant	25,747,844	37,970,000			63,717,844
Scholarships and fellowships				\$ 21,113,044	21,113,044
Hospital	630,244,947	641,932,018			1,272,176,965
Auxiliary	45,038,348	489,921,773			534,960,121
Depreciation			\$ 137,027,585		137,027,585
TOTAL OPERATING EXPENSES	\$ 1,390,766,703	\$ 1,422,828,210	\$ 137,027,585	\$ 21,113,044	\$ 2,971,735,542

September 30, 2014	SALARIES, WAGES, AND BENEFITS	SUPPLIES AND SERVICES	DEPRECIATION AND AMORTIZATION	SCHOLARSHIPS AND FELLOWSHIPS	TOTAL
Instruction	\$ 233,956,542	\$ 27,633,957			\$ 261,590,499
Research	151,644,912	83,629,509			235,274,421
Public service	74,533,051	33,547,414			108,080,465
Academic support	134,006,011	32,803,526			166,809,537
Student services	17,969,305	13,063,610			31,032,915
Institutional support	82,624,333	48,314,229			130,938,562
Operations and maintenance of plant	26,477,886	37,678,533			64,156,419
Scholarships and fellowships				\$ 21,013,152	21,013,152
Hospital	614,939,849	581,718,276			1,196,658,125
Auxiliary	44,217,318	429,982,896			474,200,214
Depreciation			\$ 129,547,649		129,547,649
TOTAL OPERATING EXPENSES	\$ 1,380,369,207	\$ 1,288,371,950	\$ 129,547,649	\$ 21,013,152	\$ 2,819,301,958

(22) 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 for the years ended September 30, 2015 and 2014 is as follows:

UNIVERSITY	2015	2014
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 522,564,725	\$ 519,658,171
Capital assets, net	946,494,158	915,828,035
Other assets	685,847,628	741,663,379
TOTAL ASSETS	\$ 2,154,906,511	\$ 2,177,149,585
DEFERRED OUTFLOW OF RESOURCES		
	\$ 60,708,661	\$ 1,246,237
Current liabilities	273,151,122	260,555,985
Long-term debt	397,151,173	417,178,408
Other noncurrent liabilities	746,944,307	14,559,124
TOTAL LIABILITIES	\$ 1,417,246,602	\$ 692,293,517
DEFERRED INFLOW OF RESOURCES		
	\$ 75,468,206	\$ 241,400
Net investment in capital assets	561,599,546	568,042,231
Restricted nonexpendable	285,143,473	297,072,049
Restricted expendable	246,232,165	207,707,232
Unrestricted	(370,074,821)	413,039,393
TOTAL NET POSITION	\$ 722,900,363	\$ 1,485,860,905
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Tuition and fees, net	\$ 169,249,316	\$ 161,726,991
Grant and contract revenue	398,214,165	371,578,206
Sales and services, auxiliary	60,916,483	59,147,027
Other operating revenues	87,439,973	81,988,468
Salaries, wages, and benefits	(734,150,282)	(740,643,936)
Supplies and services	(313,813,430)	(298,043,044)
Depreciation expense	(71,757,776)	(67,433,531)
Scholarships and fellowships	(21,090,496)	(20,996,700)
OPERATING LOSS	(424,992,047)	(452,676,519)
State appropriations	232,426,422	231,434,224
Investment (loss) income	(30,769,550)	46,022,323
Interest expense	(11,299,065)	(9,692,564)
Gifts	54,123,625	43,908,566
Other nonoperating revenues	30,714,768	24,860,074
LOSS BEFORE OTHER CHANGES IN NET POSITION	(149,795,847)	(116,143,896)
Capital gifts	4,060,318	7,632,715
Endowment gifts	14,930,217	17,026,885
Other	5,620,991	31,407,988
Intergovernmental transfers	119,362,779	122,292,258
(DECREASE) INCREASE IN NET POSITION	(5,821,542)	62,215,950
Net position, beginning of year as previously reported	1,485,860,905	1,423,644,955
Adoption of GASB 68	(757,139,000)	
Net position, beginning of year as restated as of October 1, 2014	728,721,905	1,423,644,955
NET POSITION, END OF YEAR	\$ 722,900,363	\$ 1,485,860,905
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ (357,687,132)	\$ (366,658,346)
Noncapital financing activities	408,346,523	434,921,003
Capital and related financing activities	(121,225,447)	(69,203,819)
Investing activities	183,834	31,224,786
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(70,382,222)	30,283,624
Cash and cash equivalents, beginning of year	155,664,086	125,380,462
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 85,281,864	\$ 155,664,086

HOSPITAL	2015	2014
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 572,512,579	\$ 443,931,810
Capital assets, net	591,826,823	613,031,364
Other assets	545,761,493	585,006,921
TOTAL ASSETS	\$ 1,710,100,895	\$ 1,641,970,095
DEFERRED OUTFLOW OF RESOURCES		
Current liabilities	124,790,616	95,716,250
Long-term debt	477,382,807	490,287,765
Other noncurrent liabilities	388,366,088	13,892,510
TOTAL LIABILITIES	\$ 990,539,511	\$ 599,896,525
DEFERRED INFLOW OF RESOURCES		
Net investment in capital assets	111,201,578	120,852,379
Restricted nonexpendable	128,099	128,099
Restricted expendable	30,144,181	30,863,407
Unrestricted	576,051,374	900,953,500
TOTAL NET POSITION	\$ 717,525,232	\$ 1,052,797,385
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 1,515,153,965	\$ 1,379,690,168
Operating expenses	(1,272,299,509)	(1,196,774,573)
Depreciation expense	(64,357,416)	(61,533,684)
OPERATING INCOME	178,497,040	121,381,911
State appropriations	32,867,066	32,638,497
Investment (loss) income	(34,969,677)	38,068,249
Interest expense	(19,345,079)	(19,758,706)
Gifts	79,691	72,852
Other nonoperating revenues, net	(526,672)	(719,068)
INCOME BEFORE OTHER CHANGES IN NET POSITION	156,602,369	171,683,735
Capital gifts	9,316	7,427
Intergovernmental transfers	(104,615,838)	(108,423,337)
INCREASE IN NET POSITION	51,995,847	63,267,825
Net position, beginning of year as previously reported	1,052,797,385	989,529,560
Adoption of GASB 68	(387,268,000)	
Net position, beginning of year as restated as of October 1, 2014	665,529,385	989,529,560
NET POSITION, END OF YEAR	\$ 717,525,232	\$ 1,052,797,385
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ 229,670,427	\$ 164,858,250
Noncapital financing activities	(51,669,081)	(75,711,988)
Capital and related financing activities	(75,049,140)	(74,069,763)
Investing activities	(154,961,576)	8,052,154
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,009,370)	23,128,653
Cash and cash equivalents, beginning of year	53,320,903	30,192,250
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,311,533	\$ 53,320,903

(23) Major Component Unit Reporting

As discussed in Note 1, Triton is included in UAB's financial statements as a blended component unit. Triton financial information for the years ended

December 31, 2014 and 2013 is included in UAB's financial statements and presented as follows:

TRITON HEALTH SYSTEMS, LLC	2015	2014
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 222,557,532	\$ 211,227,778
Capital assets, net	4,463,866	5,271,542
Other assets	16,786,400	16,270,397
TOTAL ASSETS	\$ 243,807,798	\$ 232,769,717
Current liabilities	65,631,314	64,815,520
Other noncurrent liabilities	1,815,628	2,054,965
TOTAL LIABILITIES	\$ 67,446,942	\$ 66,870,485
Net investment in capital assets	4,463,866	5,271,542
Restricted nonexpendable	100,000	100,000
Unrestricted	171,796,990	160,527,690
TOTAL NET POSITION	\$ 176,360,856	\$ 165,899,232
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 610,785,030	\$ 561,946,151
Operating expenses	(577,844,749)	(519,672,094)
Depreciation and amortization expense	(912,393)	(580,434)
OPERATING INCOME	32,027,888	41,693,623
Investment income (loss)	1,542,901	(395,064)
Income tax expense	(3,300,733)	(7,262,547)
INCOME BEFORE OTHER CHANGES IN NET POSITION	30,270,056	34,036,012
Distributions to members	(19,808,432)	(19,226,160)
INCREASE IN NET POSITION	10,461,624	14,809,852
Net position, beginning of year	165,899,232	151,089,380
NET POSITION, END OF YEAR	\$ 176,360,856	\$ 165,899,232
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ 1,863,292	\$ 37,597,745
Noncapital financing activities	(19,808,432)	(19,226,160)
Capital and related financing activities	(104,717)	(1,908,060)
Investing activities	40,820,381	(41,934,274)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,770,524	(25,470,749)
Cash and cash equivalents, beginning of year	150,163,385	175,634,134
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 172,933,909	\$ 150,163,385

(24) Recently Issued Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), in February 2015. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes and enhanced disclosures regarding fair value financial instruments, including the categorization of investment fair value measurements into Levels 1, 2 and 3. This Statement is effective for financial statements for periods beginning after June 15, 2015. UAB is evaluating whether there will be any material impact from its adoption of GASB 72.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement is effective for fiscal years beginning after June 25, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, which are effective for fiscal years beginning after June 15, 2016. UAB is evaluating whether there will be any material impact from its adoption of GASB 73.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2015. UAB is evaluating whether there will be any material impact from its adoption of GASB 74.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB 75), in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017. UAB is evaluating whether there will be any material impact from its adoption of GASB 75.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76), in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement supercedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. UAB is evaluating whether there will be any material impact from its adoption of GASB 76.

(25) Subsequent Events

In November 2015, UAB announced the formation of the UAB Athletics Foundation (UABAF), a 501(c)3 organization that will support the UAB Athletics Department in its quest for excellence in all programs. UABAF is composed of 24 board members who will be responsible for helping build loyalty and philanthropic support for the UAB athletic program and support the staff in coordinating, developing and improving a superior intercollegiate athletics program. UABAF will encourage alumni and friends to generously support the Athletics Department and contribute to scholarship funding for UAB's student-athletes. UABAF will also support the construction, improvement and renovation of first class, high-quality athletic facilities for UAB's teams through strategic philanthropic initiatives set forth by the Athletics Department.

UABAF was chartered on November 4, 2015 with a fiscal year end of September 30 and will be presented as a blended component unit within the University's financial statements for the year ended September 30, 2016. UABAF will be included as

a blended component unit because the Foundation operates as an extension of the UAB Athletics Department and it almost exclusively benefits the University.

In December 2015, UAB announced a 30 year partnership with IUP 2 LLC (IUP) to increase access for international students to the UAB campus. IUP is a leader among the global higher education community in international student recruitment, with expertise in international marketing, recruiting and academic and cultural acclimatization activities designed to prepare international students for life in the U.S. and the rigors of a U.S.-based higher educational experience. Under this partnership, UAB will establish a new international student center located on campus and shall develop and offer a range of academic preparatory courses and English language programs, defined as the INTO UAB Programs, which when successfully completed, will enable qualified international students to progress to undergraduate degree programs. The formal business structure that will support the INTO UAB Programs will be a joint, for-profit venture between IUP and the UABEF with UAB providing the actual educational services.

The University of Alabama at Birmingham

Required Supplementary Information

September 30, 2015 and 2014

Required Supplementary Information

The following required supplementary information relates to UAB's single-employer other postemployment benefit plan (OPEB).

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by UAB and plan members, and include types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between UAB and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were :

- actuarial valuation date, October 1, 2013
- actuarial cost method-projected unit cost method;
- assumed return on investment of 7% per year, based on the estimated return on UAB's assets expected to be used to finance benefits;
- health care cost trend rate 7.5% and 9.5% for the years ended September 30, 2014 and 2013, respectively, reduced by increments to an ultimate rate of 5.0% over years through 2019;
- amortization of the initial unfunded actuarial liability over 30 years on a level percent of pay method with payroll growth rate of 3.25%;

Schedule of Funding Progress

RETIREE HEALTH AND LIFE INSURANCE PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(Deficit)	Funded Ratio	Annual Covered Payroll	(Deficit)/Covered Payroll
October 1, 2014	None	\$ 49,061,030	\$ (49,061,030)	Zero	\$ 873,791,461	-5.6%
October 1, 2013	None	\$ 47,438,259	\$ (47,438,259)	Zero	\$ 889,980,309	-5.3%
October 1, 2012	None	\$ 46,446,404	\$ (46,446,404)	Zero	\$ 967,667,454	-4.8%
October 1, 2011	None	\$ 44,358,077	\$ (44,358,077)	Zero	\$ 921,253,387	-4.8%
October 1, 2010	None	\$ 52,061,639	\$ (52,061,639)	Zero	\$ 887,356,263	-5.9%
October 1, 2009	None	\$ 51,649,871	\$ (51,649,871)	Zero	\$ 838,331,004	-6.2%
October 1, 2008	None	\$ 53,920,021	\$ (53,920,021)	Zero	\$ 838,658,508	-6.4%

Required Supplementary Information

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

	2015
Proportion of the net pension liability	12.188512%
Proportionate share of the net pension liability	\$1,107,275,000
Covered-employee payroll during the measurement period	\$783,289,000
Proportionate share of the net pension liability as a percentage of covered-employee payroll	141.36%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

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

	2015
Contractually required contribution	\$84,999,000
Contributions in relation to the contractually required contribution	\$84,999,000
Contribution deficiency (excess)	0
Covered-employee payroll	\$770,432,000
Contributions as a percentage of covered-employee payroll	11.03%

Notes to Schedules

Covered-employee payroll: The total payroll of those employees participating in the pension plan (not just pensionable payroll).

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

The University of Alabama at Birmingham Administration

As of September 30, 2015



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