



2025

FINANCIAL REPORT

UAB
The University of
Alabama at Birmingham.

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and an equal employment opportunity employer.

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The University of Alabama at Birmingham
Birmingham, Alabama 35294

University of Alabama at Birmingham

2024-2025 Annual Financial Report

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Office of the Vice President for Finance

Management's Responsibility for Financial Reporting

The accompanying financial statements of the University of Alabama at Birmingham ("UAB") for the years ended September 30, 2025 and 2024 were prepared by UAB's management in conformity with accounting principles generally accepted in the United States of America.

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

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

Stephanie Mullins

Stephanie Mullins
Vice President for Finance

R. Andrew Hollis

Andy Hollis
UAB Chief Financial Officer and Associate Vice President for Financial Affairs

The University of Alabama at Birmingham
1030 Administration Building 701 South 20th Street
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Report of Independent Auditors

To the Board of Trustees of The University of Alabama

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The University of Alabama at Birmingham ("UAB"), a campus of The University of Alabama System, a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position and of cash flows (where applicable) for the years then ended, including the related notes, which collectively comprise UAB's basic financial statements.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of UAB as of September 30, 2025 and 2024, 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.

We did not audit the financial statements of Southern Research Institute, UAB's discretely presented component unit, which statements reflect total assets of \$238.3 million and \$241.5 million as of January 3, 2025 and December 29, 2023, and changes in net position of \$2.7 million and (\$2.4) million for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of 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 and the discretely presented component unit of the financial reporting entity of The University of Alabama System that are 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, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

PricewaterhouseCoopers LLP, 569 Brookwood Village, Suite 851
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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 5 through 20 and the required supplemental information for the pension plan and postemployment benefits on pages 78 through 80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Birmingham, Alabama
January 26, 2026

The University of Alabama at Birmingham

Management's Discussion and Analysis (Unaudited)

The objective of management's discussion and analysis ("MD&A") is to help readers of The University of Alabama at Birmingham ("UAB")'s financial statements better understand the financial position and operating activities for the fiscal years ended September 30, 2025 and 2024. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, required supplementary information, and this discussion are the responsibility of management.

History, Mission and Governance

UAB became an autonomous campus within The University of Alabama System (the "System") in 1969 and, in the five decades since, has grown into a world-renowned research university and medical center, occupying more than 100 city blocks in Alabama's largest metropolitan area. UAB is the state's largest single-site employer with more than 35,000 employees.

UAB enriches society and improves health and well-being through transformational educational experiences, groundbreaking research, innovation and entrepreneurship, community engagement, and world-class patient care while serving our UAB, local and global communities.

UAB has an economic impact on Alabama that exceeds \$12.1 billion annually and is key in growing a robust tech and knowledge-based economy for the Birmingham region and Alabama. The UAB Research Foundation ("UABRF") Harbert Institute for Innovation and Entrepreneurship (HIIIE) generated \$7.45 million in revenues in FY25, along with 153 intellectual property disclosures, 49 licenses, and 22 U.S. patents. HIIIE continues collaborating with partner Southern Research Institute--which doubled its lab space with a state-of-the-art innovation center opened in August 2025 to become the biotech commercialization leader of the Southeast.

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

UAB Awards, Accomplishments and Accolades

University:

UAB's leading-edge research enterprise remains nationally and globally competitive, with research expenditures growing by 68 percent over the past decade and currently at \$866 million. UAB ranks 22nd in federal funding nationally among public universities (top five percent) and 39th overall (top six percent). In funding from the National Institutes of Health (NIH), UAB ranks 13th among public universities (top four percent) and 23rd overall (top three percent) and is among the top one percent of all NIH-funded organizations—public, private and international. With its ongoing Research Strategic Initiative to further accelerate discovery, UAB will substantially increase its impact on lives locally and globally.

UAB is further positioning itself as a global leader in translational research and precision medicine with the Altec/Styslinger Genomic Medicine & Data Sciences Building that opened in October 2025 and the Interdisciplinary Biomedical Research & Psychology Building slated for completion in late 2026. The UAB Center for Clinical and Translational Science continues Improving health outcomes across the Deep South with four linked grants from the National Center for Advancing Translational Science (a branch of NIH) totaling \$82 million over seven years. Clinical trial expenditures at UAB have more than tripled over a decade and currently total \$139.5 million.

At the same time, UAB continues to offer students unrivaled research opportunities and novel academic programs at all levels, such as the nation's first BS degree in cancer biology and an AI in Medicine master's degree, the first in the Southeast, launched in spring 2025. In US News & World Report rankings, UAB is among the top seven percent of global universities and has 20 graduate programs in the nation's top 25 (with seven in the top 10), including a Master's in Health Administration that is number one nationally.

University Hospital:

The University of Alabama Hospital (the "Hospital" or "University Hospital"), a 1,400 bed quaternary and tertiary care medical facility is the flagship facility of the UAB Health System and is the primary teaching hospital for UAB Marnix E. Heersink School of Medicine. Its facilities consist of the UAB Women and Infants Center, the Hazelrig-Salter Radiation Oncology Center, the North Pavilion Diagnostic and Treatment Center, UAB Rehabilitation Pavilion, the Center for Psychiatric Medicine, UAB Highlands, UAB Hospital – Callahan Eye, and the Gardendale Freestanding Emergency Department. University Hospital operates The Kirklin Clinic and The Whitaker Clinic. University Hospital also has strong ties with other governmental and private non-profit institutions located within and adjacent to the UAB campus, including Veterans Affairs Medical Center and Children's Hospital. Other healthcare facilities in the UAB Health System include the UAB St. Vincent's Health System, Medical West Hospital Authority, and The Health Care Authority for Baptist Health.

In its 2025 "Best Hospitals" edition, U.S. News & World Report ranked five UAB Hospital specialties among the top 50 of their kind in the nation and named UAB Hospital the No. 1 hospital in Alabama. Seven specialties were listed as "high-performing", which is the highest classification for those specialties. The publication also recognized UAB Hospital as high-performing in 19 adult procedures and conditions. Healthgrades has recognized UAB Hospital as one of America's 50 Best Hospitals for Cardiac Surgery (2024 & 2025), presented it with the Cardiac Surgery Excellence award (2026), and named it among America's 100 Best Hospitals for Coronary Intervention (2026). These honors recognize superior clinical outcomes in heart bypass surgery, heart valve surgery, and coronary interventional procedures. Healthgrades also presented UAB Hospital with the Outstanding Patient Experience Award (2025), in recognition of its patient-centered focus. For the sixth consecutive time, UAB Hospital was recognized as a Magnet-designated organization by the American Nurses Credentialing Center's Magnet Recognition Program®. Magnet hospitals are honored for excellence in nursing care and patient outcomes. UAB Hospital is Alabama's only Magnet hospital and only the 19th worldwide to receive this designation six consecutive times. The UAB Hospital Emergency Department was the nation's first to attain Level 1 accreditation by the American College of Emergency Physicians, and it has been recertified as a Level I Trauma Center by the American College of Surgeons. In addition, UAB Hospital has been recognized by Becker's Hospital Review as one of the 150 Top Places to Work in Healthcare, one of the Top Hospitals with Great Psychiatry and Behavioral Health Programs, and among the Hospitals and Health Systems with Great Oncology Programs. In its 2025 Humanizing Brand Experience survey, independent consulting firm Monigle named UAB Medicine as the No 2. health care brand in the United States and the No. 1 most trusted health care brand.

Overview of Financial Statements

UAB's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities. The financial statements present comparative financial information of the University, University Hospital, and UAB's blended component units. The University Hospital's condensed financial information is presented at Note 15. The blended component units included within the financial information of UAB are UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABAIF"), Hospital Management, L.L.C. ("LLC"), and Triton Health Systems, L.L.C. ("Triton"). In addition to the blended component units, UAB has one discretely presented component unit in Southern Research Institute ("SRI"). The financial information of SRI does not form part of UAB's MD&A, UAB's financial statements, or UAB's footnotes. However, SRI's Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are disclosed separately on pages 28-30.

UAB's overall financial position remained strong, as assets totaled \$8.33, \$7.76, and \$6.97 billion at September 30, 2025, 2024, and 2023, respectively. The increase of \$575.7 million or 7.4% from September 30, 2024 to September 30, 2025 was primarily due to increases in fair market value of the investments held and capital assets, net of accumulated depreciation. The increase of \$784.2 million or 11.2% from September 30, 2023 to September 30, 2024 was primarily due to increases in fair market value of the investments held and capital assets, net of accumulated depreciation. This increase was offset by a decrease in cash designated for capital activities.

Total liabilities increased \$565.5 million or 14.5% from September 30, 2024 to September 30, 2025. The increase results primarily from the increase in OPEB liability offset by a reduction in pension liability due to changes in discount rates and UAB's proportionate share of the net pension liability in the Teachers' Retirement System Plan (the "Plan"). Total liabilities increased \$68.5 million or 1.8% from September 30, 2023 to September 30, 2024. The increase results primarily from an increase in accounts payable and accrued liabilities. University Hospital reported an increase in payables and due to third party payors of \$30.7 million and \$13.6 million, respectively.

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, 2025, 2024, and 2023, as follows:

(dollars in thousands)	2025	2024	2023
TOTAL OPERATING REVENUES	\$ 5,993,244	\$ 5,478,553	\$ 5,098,058
TOTAL OPERATING EXPENSES	6,419,159	5,866,313	5,437,070
NET OPERATING LOSS	(425,915)	(387,760)	(339,012)
TOTAL NONOPERATING INCOME (LOSS), CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	923,861	1,115,122	856,959
INCREASE IN NET POSITION	\$ 497,946	\$ 727,362	\$ 517,947

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, 2025, 2024, and 2023, is as follows:

(dollars in thousands)	2025	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 3,401,811	\$ 3,137,684	\$ 2,792,914
Capital assets, net	2,549,991	2,302,057	2,100,291
Other assets	2,382,075	2,318,478	2,080,776
TOTAL ASSETS	8,333,877	7,758,219	6,973,981
Deferred outflows from debt refundings	11,442	12,592	13,808
Deferred outflows pension and OPEB related	1,399,537	893,675	883,589
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,410,979	906,267	897,397
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,744,856	\$ 8,664,486	\$ 7,871,378
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	\$ 827,765	\$ 774,774	\$ 706,742
Noncurrent liabilities	3,633,874	3,121,373	3,120,863
TOTAL LIABILITIES	4,461,639	3,896,147	3,827,605
Deferred inflows from leases	30,051	27,219	27,115
Deferred inflows pension and OPEB related	791,995	777,895	780,795
TOTAL DEFERRED INFLOWS OF RESOURCES	822,046	805,114	807,910
Net position	4,461,171	3,963,225	3,235,863
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 9,744,856	\$ 8,664,486	\$ 7,871,378

The major categories of current assets consist of cash and cash equivalents, short-term investments, and accounts receivable and are used to support UAB's normal operations. At September 30, 2025, the major categories totaled \$3.1 billion of the \$3.4 billion. Total current assets increased \$264.1 million or 8.4% from 2024. This increase resulted from \$100.5 million growth in short-term investments attributable to unrealized gains and amounts invested, a \$40.9 million increase in net patient account receivable at the University Hospital, and a \$49.8 million increase in loans receivable due to UAB St. Vincent's Health System entering into a revolving loan agreement with University Hospital to borrow up to \$50.0 million with a maturity date of May 19, 2026 during 2025. At September 30, 2024, the major categories totaled \$2.9 billion of the \$3.1 billion and increased \$344.8 million or 12.3% from 2023. This increase resulted from \$346.5 million growth in short-term investments attributable to improved market conditions and a \$33.4 million increase in net patient accounts receivable during 2024, offset by a decrease in cash and cash equivalents.

Deferred outflows represent the consumption of net assets attributable to a future period and consists of bond deferred refunding amounts (Note 7), pension obligations (Note 9), and other post-employment benefits ("OPEB")

obligations (Note 10). At September 30, 2025, deferred outflows from debt refundings decreased \$1.2 million to \$11.4 million due to annual amortization of the refunding. Deferred outflows related to the pension obligations decreased \$134.1 million to \$293.1 million, and deferred outflows related to the OPEB obligations increased \$640.0 million to \$1.11 billion. The decrease in deferred outflows related to the pension obligations and the increase in deferred outflows related to OPEB obligation is due to actuarial changes at the Plan level as reported by Teachers' Retirement System of Alabama ("TRS") and the Alabama Public Education Employee Health Insurance Plan ("PEEHIP"), respectively, along with change in UAB's respective proportionate shares thereof. At September 30, 2024, deferred outflows from refundings decreased \$1.2 million to \$12.6 million due to annual amortization of the refunding. During 2024, deferred outflows related to the pension obligation decreased \$138.9 million to \$427.3 million and deferred outflows related to the OPEB obligations increased \$149.0 million to \$466.4 million. These changes were due to actuarial changes at the Plan level as reported by TRS and PEEHIP, along with change in UAB's respective proportionate shares thereof. As discussed in Notes 9 and 10, total deferred outflows related to pension and OPEB, net of total deferred inflows related to pension and OPEB (discussed below) at September 30, 2025 of \$460.7 million will be recognized in UAB's statements of revenue, expenses, and changes in net position over multiple years, with the impact to the year ended September 30, 2026 estimated to be a net expense of \$101.6 million.

Current liabilities consist primarily of accounts payable, accrued payroll and related benefits, unearned revenue, and current portion of long-term debt. At September 30, 2025, current liabilities increased \$53.0 million to \$827.8 million. The increase is due to timing of payments related to active capital projects, University Hospital's due to third-party payors, University hospitals' unearned revenue related to UAB St. Vincent's future access and use of the asset on the statement of net position, and payroll related accruals. At September 30, 2024, current liabilities increased \$68.0 million to \$774.8 million. The increase is due to timing of payments related to active capital projects, University Hospital's due to third-party payors, payroll related accruals, Triton's Medicare Part B payables, and Triton's liability for unpaid claims.

Deferred inflows represent the acquisition of net assets attributable to a future period and are associated with future lease payments, pension obligations (Note 9) and OPEB obligations (Note 10). At September 30, 2025, deferred inflows related to leases increased \$2.8 million to \$30.1 million. The increase is due to future lease payments received during the fiscal year to be amortized into revenue in future periods. During 2025, deferred inflows related to the pension obligation increased \$190.4 million to \$279.4 million and deferred inflows related to the OPEB obligations decreased \$176.3 million to \$512.6 million. These changes in deferred inflows related to the pension and OPEB obligations are due to actuarial changes at the Plan level as reported by TRS and PEEHIP respectively, along with changes in UAB's respective proportionate shares thereof. At September 30, 2024, deferred inflows related to leases increased \$0.1 million to \$27.2 million. The increase is due to future lease payments received during the fiscal year. During 2024, deferred inflows related to the pension obligations decreased \$1.2 million to \$89.1 million, and deferred inflows related to the OPEB obligations decreased \$1.7 million to \$688.8 million. These decreases in deferred inflows related to the pension and OPEB obligations are due to actuarial changes at the Plan level as reported by TRS and PEEHIP respectively, along with changes in UAB's respective proportionate shares thereof.

Endowment, Life Income and Other Investments

The composition of UAB's endowment, life income and other investments at September 30, 2025, 2024, and 2023, is summarized as follows:

(dollars in thousands)	2025	2024	2023
Endowment and Life income investments	\$ 938,876	\$ 858,991	\$ 739,376
Investment in Professional Liability Trust Fund	86,277	80,614	57,684
Other long-term investments	107,998	119,481	126,096
TOTAL ENDOWMENT, LIFE INCOME AND OTHER INVESTMENTS	\$ 1,133,151	\$ 1,059,086	\$ 923,156

UAB's endowment funds are invested in an investment pool established by the Board. UAB's endowment funds held within the investment pool consists of both permanent and quasi-endowments. Permanent endowment funds are those funds received from donors with the requirement that the principal remain unspent and invested in perpetuity to produce income to be expended for the purposes specified by the donor. Quasi-endowments consist of restricted or unrestricted funds that have been set aside by actions of the Board to produce income for an established purpose or until time as the Board may reverse or modify its action. Endowment income supports scholarships, fellowships, professorships, research efforts, and other programs and activities of UAB.

UAB uses its endowment funds to support operations in a way that strikes a balance between generating a predictable stream of annual support for current needs and preserving the purchasing power of the endowment funds for future

periods. UAB held 2,298, 2,218, and 2,133 individual endowment funds within the pool at September 30, 2025, 2024, and 2023, respectively, the majority of which are restricted for specific purposes.

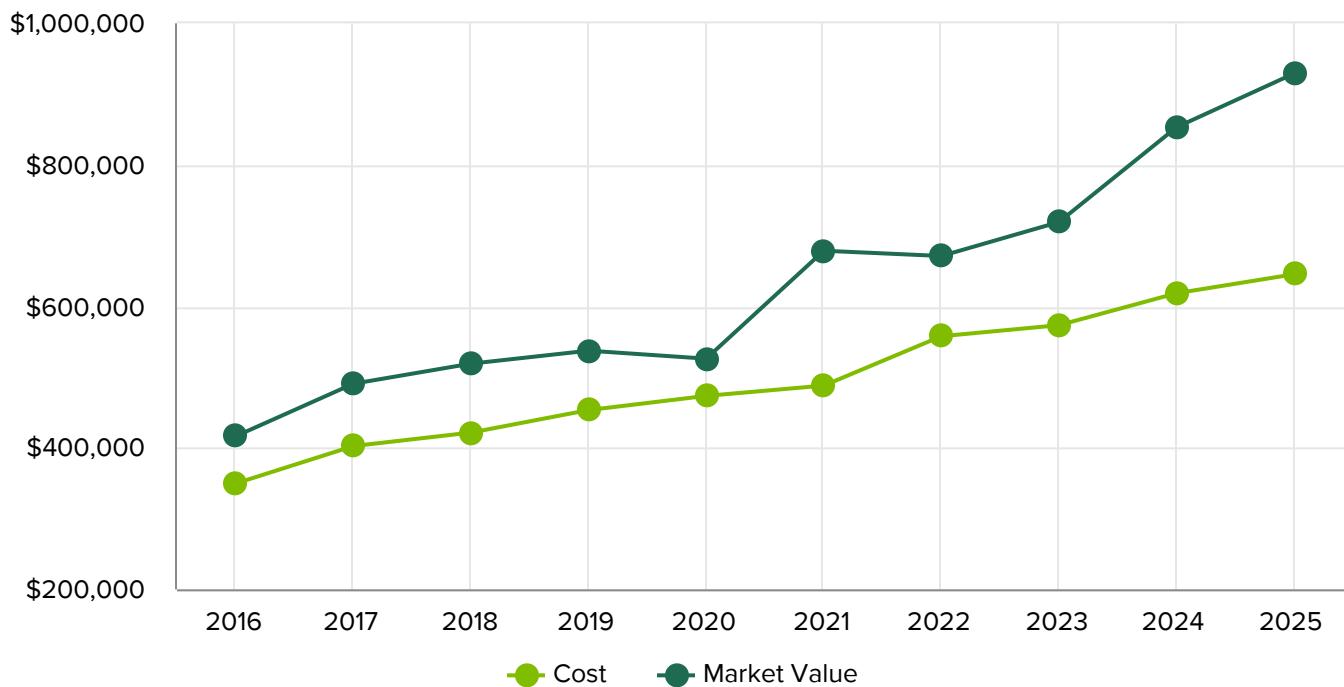
The Board-approved spending rule provides for distributions from the investment pool to UAB. The annual distribution rate is 4.5% and is based on a moving five-year average of the market (unit) value. This spending rule is one element of an ongoing financial management strategy that has allowed UAB to effectively weather the uncertainties of challenging economic environments.

Activity related to the UAB's endowment and life income investments for 2025 and 2024 is presented below.

(dollars in thousands)	2025	2024
Endowment and life income investments, beginning of year	\$ 858,991	\$ 739,376
Gifts/additions	26,785	34,028
Distributions	(33,988)	(32,304)
Market change	87,088	117,891
ENDOWMENT AND LIFE INCOME INVESTMENTS, END OF YEAR	\$ 938,876	\$ 858,991

UAB's endowment and life income investments increased \$79.9 million to \$938.9 million from September 30, 2024 to September 30, 2025 and \$119.6 million to \$859.0 million from September 30, 2023 to September 30, 2024. The increases resulted from growth in unrealized gains led by the public equity performance during 2025 and 2024, respectively. The UAB's endowment and life income investment total cost and market value as of September 30 is presented graphically below.

**Endowment Cost and Market Value
Fiscal Years Ending September 30
(dollars in thousands)**



University Hospital participates in The University of Alabama Professional Liability Trust Fund (the "PLTF"). The PLTF uses contributions from University Hospital and other contributing entities, together with the earnings thereon, to pay liabilities arising from performance of certain professional services by employees of these entities. University Hospital reports its share of the net position of the PLTF as a joint venture investment using the equity method in the accompanying statements of net position. At September 30, 2025, 2024, and 2023, University Hospital's investment in the PLTF totaled approximately \$86.3, \$80.6, and \$57.7 million, respectively.

At September 30, 2025, 2024, and 2023, UAB's other investments totaled \$108.0, \$119.5, and \$126.1 million, respectively. Other investments primarily consisted of investments held by Triton, which totaled \$106.6, \$118.2, and \$124.9 million, respectively.

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 to modernize its existing infrastructure and strategically invest in new construction. Capital assets include land, buildings, fixed equipment systems, inventoried equipment, and right-of-use assets.

Construction in progress additions totaled \$123.5 million and \$192.8 million during September 30, 2025 and 2024, respectively. Capital projects in process at September 30, 2025 include Biomedical Research and Psychology Building and North Pavilion Emergency Department expansion. Capital projects in process at September 30, 2024 include Science and Engineering Complex Phase two, Altec/Styslinger Genomic Medicine & Data Sciences, Biomedical Research and Psychology Building, and Inpatient Rehabilitation Facility.

Capital asset additions totaled \$636.8 million in 2025 as compared to \$305.0 million in 2024. Capital asset additions primarily represent renovation and new construction of academic, research, clinical and athletic facilities, as well as significant investments in equipment, including information technology. Capital asset additions were funded with cash and investments on hand, debt proceeds designated for capital purchases of \$0.6 million and \$98.8 million, as well as capital funds, grants, and gifts totaling \$81.6 million and \$21.5 million, in 2025 and 2024, respectively.

During fiscal year 2025, S&P Global, affirmed its AA+ rating on UAB's general revenue bonds with a stable outlook. Long-term debt activity for the years ended September 30, 2025 and September 30, 2024 is summarized as follows (excluding unamortized bond premiums):

2025

(dollars in thousands)	Beginning Balance	Additions	Repayments	Ending Balance
Direct borrowings	\$ 87,539	\$ —	\$ 1,642	\$ 85,897
General receipt bonds	1,023,307	—	38,602	984,705
Lease and SBITA obligations	159,272	68,055	61,257	166,070
	<u>\$ 1,270,118</u>	<u>\$ 68,055</u>	<u>\$ 101,501</u>	<u>\$ 1,236,672</u>

2024

(dollars in thousands)	Beginning Balance	Additions	Repayments	Ending Balance
Direct borrowings	\$ 89,069	\$ —	\$ 1,530	\$ 87,539
General receipt bonds	1,059,613	—	36,306	1,023,307
Lease and SBITA obligations	160,413	59,864	61,005	159,272
	<u>\$ 1,309,095</u>	<u>\$ 59,864</u>	<u>\$ 98,841</u>	<u>\$ 1,270,118</u>

UAB's long-term debt consists of a note payable, general revenue bonds, leases and SBITA obligations. Long-term debt decreased \$33.4 million to \$1.24 billion and \$39.0 million to \$1.27 billion from September 30, 2024 to September 30, 2025 and September 30, 2023 to September 30, 2024, respectively. The decrease in debt for these two fiscal years is due to repayment on debt exceeding additions to long-term debt.

Effective interest rates on UAB's general revenue bonds averaged 2.91% and 2.82% in 2025 and 2024, respectively. Interest expense on general revenue bonds totaled \$43.2 million and \$43.6 million in 2025 and 2024, respectively.

Obligations For Pension and Post-employment Benefits

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

The employer contribution rates for both plans are established annually by TRS and PEEHIP, and adopted by the Alabama Legislature. Both the TRS employer contribution rate and the employer's PEEHIP cost for retiree coverage are based upon the actuarial valuations for each plan that are directed by and performed by TRS and PEEHIP, respectively. UAB records its share of the collective liabilities, deferred inflows and outflows, and net pension and OPEB expense

(benefit) of the Plan and PEEHIP based on audited schedules provided by TRS and PEEHIP. As a participating employer, UAB is not involved in establishing the assumptions and methodologies used to estimate the respective balances associated with these plans. Although the liabilities recognized under GASB Statements No. 68 and 75 meet GASB's definition of a liability within GASB's framework for accounting standards, UAB does not believe that the associated recorded liabilities associated with the TRS and PEEHIP constitute legal liability for UAB, nor do they open UAB to other claims on its resources.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for pension benefits as prescribed by GASB Statement No. 68 totaled \$1.38 billion at September 30, 2025, as compared to \$1.67 billion and \$1.69 billion at September 30, 2024 and 2023, respectively. The decrease in the reported liability at September 30, 2025 is due to actuarial assumption fluctuations and UAB's proportionate share of the decrease in net pension liability reported by TRS Pension Plan at the measurement date September 30, 2024. TRS reported a fiduciary net position of 71.41% of total pension liability an increase of 7.84% from September 30, 2024. The decrease in the reported liability at September 30, 2024 is due to actuarial assumption fluctuations and UAB's proportionate share of the increase in net pension liability reported by TRS Pension Plan at the measurement date September 30, 2023. TRS reported a fiduciary net position of 63.57% of total pension liability a decrease of 1.36% from September 30, 2023.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for postemployment benefits through PEEHIP as prescribed by GASB Statement No. 75 totaled \$1.07 billion at September 30, 2025, as compared to \$211.2 million and \$142.1 million at September 30, 2024 and 2023, respectively. The increase in the reported liability at September 30, 2025 is due to actuarial assumption fluctuations and UAB's proportionate share of the increase in total OPEB liability of PEEHIP. PEEHIP reported a net OPEB liability of \$9.19 billion, an increase of 378% from September 30, 2024, due to the impact of certain provisions of the Inflation Reduction Act which went into effect during 2025. These changes significantly increased premiums, which, when combined with other normal actuarial changes, resulted in the fiduciary net position of PEEHIP not being sufficient to cover the total OPEB liability. Then, pursuant to GASB 75, PEEHIP changed the discount rate from a rate equal to the long-term expected rate of return on the plan's investments to be used to finance the payment of benefits to one based on an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. UAB's proportionate share of the total OPEB liability increased by 0.65% to 11.64%. In 2024, UAB's proportionate share of the OPEB liability increased \$69.1 million due to actuarial assumption fluctuations and UAB's proportionate share of the increase in total OPEB liability of PEEHIP. PEEHIP reported a net OPEB liability increase of 10.31%.

UAB also administers a single-employer plan which offers its members hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit. The health care benefits cover medical and hospitalization costs for retirees and their dependents. UAB retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums and UAB is responsible for the employer portion. All other UAB retirees are responsible for the full premium cost of the plan and in no case does the employer contribute to the plan.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for postemployment benefits through the UAB plan totaled \$5.5 million at September 30, 2025, as compared to \$6.2 million and \$6.1 million at September 30, 2024 and 2023, respectively.

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 increased \$497.9 million during fiscal year 2025, reaching \$4.46 billion. This increase reflects UAB's current year's operations including increases in net patient revenue, net auxiliary revenue, state educational appropriations, as well as capital grants. During fiscal year 2024, net position increased \$727.4 million, totaling \$3.96 billion, which reflects UAB's operations including including increases in net patient revenue, net auxiliary revenue, state educational appropriations, as well as net investment gains due to improved market conditions.

UAB's net position at September 30, 2025, 2024, and 2023, is summarized as follows:

(dollars in thousands)	2025	2024	2023
NET INVESTMENT IN CAPITAL ASSETS	\$ 1,261,134	\$ 987,497	\$ 859,476
RESTRICTED			
Nonexpendable	514,796	489,153	458,967
Expendable	674,688	634,528	517,206
UNRESTRICTED	2,010,553	1,852,047	1,400,214
TOTAL NET POSITION	\$ 4,461,171	\$ 3,963,225	\$ 3,235,863

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 \$273.6 million increase in 2025 reflects growth in capital assets net of annual depreciation expense, along with reduced long-term debt attributable to repayment activity.

Restricted nonexpendable net position includes UAB's permanent endowment funds, annuity and life income assets that will ultimately become pure endowment funds. The \$25.6 million and \$30.2 million increase in 2025 and 2024 respectively, is related to endowment gifts made during the fiscal year.

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 \$40.2 million and \$117.3 million increase in 2025 and 2024, respectively, is largely due to the net investment gains due to strong market conditions.

Unrestricted net position includes UAB's assets whose use is not restricted by an external entity. 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. Unrestricted net position increased by \$158.5 million and \$451.8 million in 2025 and 2024, respectively, primarily due to increases in net patient revenue, net investment gains due to strong market conditions, and State appropriations received.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position ("SRECPN") presents UAB's results of operations, as well as the nonoperating revenues and expenses. Primary components of UAB's operating revenue sources are tuition and fees, grants and contracts, and sales and services. Sales and services revenues are comprised of revenues generated from both self-supporting departments, including intercollegiate athletics, residence halls, food service operations (Educational activities), revenue from University Hospital operations (Hospital sales and services), and Triton revenues (a blended component unit) (Auxiliary sales and services). Other significant revenue sources, which are considered nonoperating as defined by the GASB, include State educational appropriations, private gifts, and investment income. Operating expenses are those incurred in conjunction with the fulfillment of UAB's mission and include salaries, wages and benefits; supplies and services; depreciation; and scholarships and fellowships. The SRECPN also includes other changes affecting its net position including State capital funds, State capital appropriations, capital gifts and grants, additions to permanent endowments, and intergovernmental transfers. Intergovernmental transfers to related governmental entities totaled \$0.2 million and \$43.2 million in 2025 and 2024, respectively. During 2024, the Alabama Legislature passed two supplemental appropriation bills, HB 144 (\$66.0 million) and HB 147 (\$67.7 million), that provided funding directly to the Board to allocate to each of the three campuses of the System. The Board allocated \$43.2 million to UAB in funding of strategic priorities.

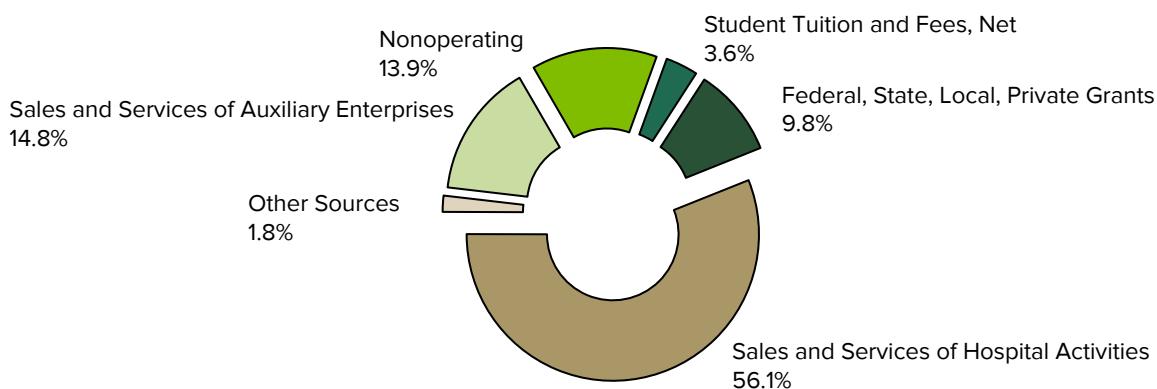
Annual state educational appropriations are classified as nonoperating revenues according to governmental accounting standards, even though the state-appropriated funds are used to support the operations of UAB. Without the nonoperating revenues, in particular the state appropriations and private gifts, 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, 2025, 2024, and 2023 is presented below:

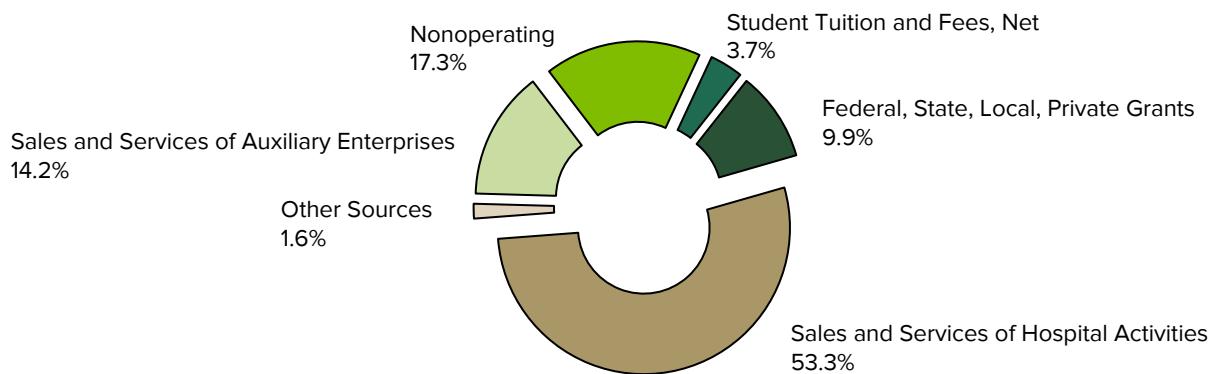
(dollars in thousands)	2025	2024	2023
OPERATING REVENUES			
Student tuition and fees, net	\$ 249,344	\$ 245,453	\$ 245,460
Grants and contracts	685,188	657,699	724,904
Sales and services	5,024,232	4,542,743	4,081,679
Other revenues	34,480	32,658	46,015
TOTAL OPERATING REVENUES	5,993,244	5,478,553	5,098,058
OPERATING EXPENSES			
Operating expenses	6,419,159	5,866,313	5,437,070
OPERATING LOSS	(425,915)	(387,760)	(339,012)
 (dollars in thousands)			
NONOPERATING REVENUES (EXPENSES)			
State educational appropriations	398,463	375,200	369,170
Grants and contracts	35,808	40,894	40,837
Private gifts	22,912	36,423	26,226
Investment income	379,095	602,041	319,436
Interest expense	(40,637)	(40,780)	(42,220)
Net other nonoperating revenue	4,260	4,438	6,158
Economic relief funds	—	—	10,863
NET NONOPERATING REVENUES	799,901	1,018,216	730,470
OTHER CHANGES IN NET POSITION	123,960	96,906	126,489
INCREASE IN NET POSITION			
Net position, beginning of year	497,946	727,362	517,947
NET POSITION, END OF YEAR	\$ 4,461,171	\$ 3,963,225	\$ 3,235,863

The following 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, 2025 and September 30, 2024, respectively. Certain recurring sources of the University's revenues are considered nonoperating, as defined by GASB, such as state appropriations, distributions from investments, private gifts, and federal Pell grants.

Revenue Streams 2025



Revenue Streams 2024



Student Tuition and Fees, Net

Tuition and fees funding make up a large portion of the University's academic programs. Factors that impact gross tuition revenue include enrollment growth and changes in rates. Enrollment for the fall semester of the 2024-2025 school year is outlined in the following table.

FALL 2024	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL/ADVANCED PROFESSIONAL *	TOTAL
SCHOOL OF ARTS AND SCIENCES	5,786	1,009	311	7,106
SCHOOL OF BUSINESS	2,172	761	—	2,933
SCHOOL OF EDUCATION	781	509	79	1,369
SCHOOL OF ENGINEERING	808	519	118	1,445
UNCLASSIFIED	—	167	2	169
SUBTOTAL	9,547	2,965	510	13,022
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	52	748	800
SCHOOL OF DENTISTRY	9	1	380	390
SCHOOL OF OPTOMETRY	—	3	242	245
SCHOOL OF NURSING	1,018	909	742	2,669
SCHOOL OF HEALTH PROFESSIONS	1,123	852	511	2,486
SCHOOL OF PUBLIC HEALTH	262	447	95	804
JOINT HEALTH SCIENCES	—	102	387	489
SUBTOTAL, ACADEMIC HEALTH CENTER	2,412	2,366	3,105	7,883
TOTAL ENROLLMENT	11,959	5,331	3,615	20,905

* Includes 1,351 first professionals and 1,512 advanced professionals.

UAB's overall enrollment in fall 2024 was 20,905, marking a 12 percent increase over the past decade. Enrollment in UAB's acclaimed Honors College exceeds 2,400 and the University continues to widen access to higher education, with first-generation students making up 34 percent of the freshman class. In spring 2025, UAB students earned such prestigious honors as two Goldwater Scholarships, four Fulbright Scholarships, four U.S. State Department Critical Language Scholarship, and six Gilman Scholarship for study abroad in Greece, Peru, United Kingdom, Argentina, Uruguay, and Italy. Underrepresented students make up 51.9% of the enrollment and 61.0% of first-time freshman. Full-time students make up 70.2% of the enrolled students.

For the years ended September 30, 2025, 2024, and 2023, net student tuition and fees revenue consisted of the following components:

(dollars in thousands)	2025	2024	2023
Student tuition and fees, gross	\$ 353,082	\$ 346,352	\$ 346,837
Less: scholarship allowances	(103,738)	(100,899)	(101,377)
STUDENT TUITION AND FEES, NET	\$ 249,344	\$ 245,453	\$ 245,460

Tuition rates are reviewed annually by the University and presented to the Board for approval. Based upon the University's annual review of tuition, the Board approved the management recommendation to increase undergraduate and graduate resident students rates 2.5% and non-resident students rates 3.0% for the 2024-2025 academic year. First Professional programs rate increases were proposed and received Board approval in April 2024 as follows: School of Dentistry, 3.0% for both residents and non-residents. Fall 2024 in-state enrollment decreased by 1.8% to 15,009 students and out-of-state enrollment increased by 0.5% to 5,896 students. Tuition rate increases softened the decline in enrollment resulting in a marginal increase in gross tuition revenue of \$6.7 million. The increase in gross tuition and fees was offset by an increase of \$2.8 million or 2.8% in scholarship allowances.

For the 2023-2024 academic year the Board approved the management recommendation to increase undergraduate and graduate non-resident students rates 3.0% for the 2023-2024 academic year. First Professional programs rate increases were proposed and received Board approval in April 2023 as follows: School of Medicine, 3.0% residents only (no increase for non-residents); School of Dentistry, 3.0% for both residents and non-residents; and School of Optometry, 3.0% for residents only (no increase for non-residents).

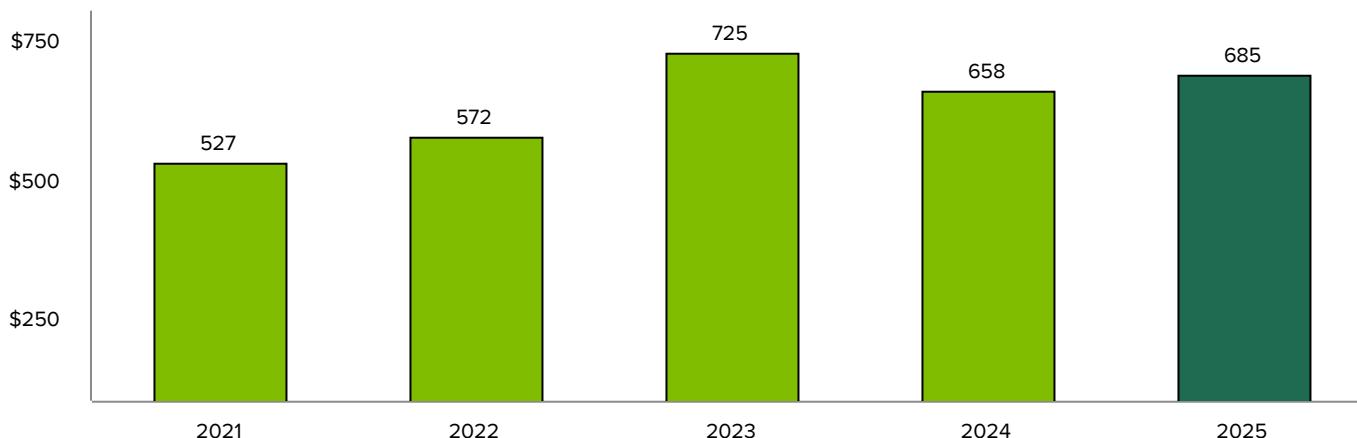
Fall 2023 in-state enrollment decreased by 3.8% to 15,291 students and out-of-state enrollment increased by 2.2% to 5,869 students. The tuition rate increases offset by the decline in enrollment resulting in a marginal decrease in gross tuition revenue of \$0.5 million or 0.1%. The gross tuition and fees was offset by an decrease of \$0.5 million or 0.5% in scholarship allowances. Net tuition and fees revenue remained flat in 2024.

Grants and contracts revenue

The University receives revenues for sponsored programs from various government agencies and private sources, which normally provide for both direct and indirect costs to perform these sponsored projects, with a significant portion related to federal research.

During fiscal year 2025, UAB recognized \$721.0 million in sponsored grants and contracts revenues. Various federal agencies provided support for these projects, with the NIH being the primary sponsor. Non-federal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors. Operating revenues from grants and contracts increased \$27.5 million or 4.2% in 2025, as compared to an decrease of \$67.2 million or 9.3% in 2024. The changes in 2025 and 2024 were largely due to federal grants and contract revenues. The increase in 2025 is primarily due to new Department of Health and Human Services ("DHHS") awards received and expended during 2025. The decrease in 2024 was largely due to the Centers for Disease Control and Prevention ("CDC") public service award for COVID testing in Alabama K-12 that contributed \$96.2 million in 2023.

Operating Grants and Contract Revenue (dollars in millions)



Figures B and B1 below are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 30, 2025 and 2024, respectively. These funds are used to further the mission of UAB: research, education, and public service.

Figure B: Grants and Contract Revenues 2025

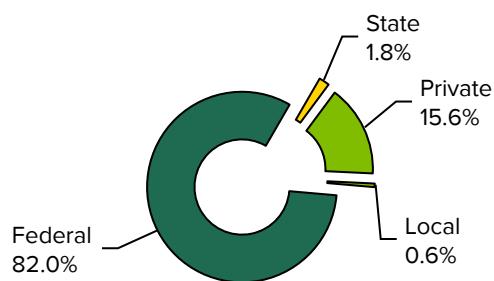
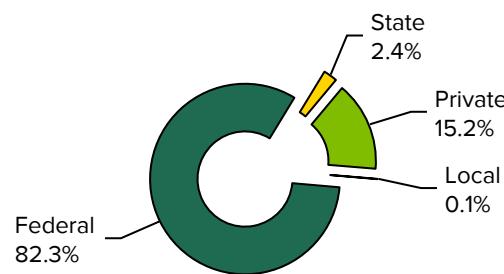


Figure B1: Grants and Contract Revenues 2024



Sales and services revenue of hospital activities

University Hospital is a division of UAB and a part of UAB Medicine Enterprise. For the fiscal year 2025, inpatient discharges decreased 4.1% and adjusted patient discharges decreased 1.2%. Operating room cases increased 4.9% over fiscal year 2024 and emergency room visits increased 1.2% during fiscal year 2025. University Hospital had an increase in net position of \$297.9 million in fiscal year 2025. For the fiscal year 2024, inpatient discharges increased 1.6% and adjusted patient discharges increased 4.2%. Operating room cases increased 1.5% over fiscal year 2023. Also emergency room visits increased 5.6% during fiscal year 2024. The Hospital had an increase in net position of \$417.7 million in fiscal year 2024. Selected University Hospital operating statistics are outlined below:

	2025	2024	2023
Beds in service	1,213	1,200	1,183
Patient discharges	52,256	54,505	53,629
Adjusted patient discharges	98,578	99,784	95,744
Patient days	423,870	435,118	427,239
Adjusted patient days	799,605	796,586	762,755
Operating room cases	43,508	41,463	40,839
Emergency department visits	139,128	137,442	130,155
Patient origin:			
Jefferson County	42.1%	44.3%	44.8%
Other Alabama counties	51.3%	49.2%	48.9%
Out of state	6.6%	6.5%	6.3%

For the years ended September 30, 2025, 2024, and 2023, University Hospital revenues by source are summarized as follows:

(dollars in thousands)	2025	2024	2023
Net patient service revenue	\$ 2,913,117	\$ 2,708,831	\$ 2,452,996
Other operating revenue	991,618	818,103	669,241
TOTAL UNIVERSITY HOSPITAL OPERATING REVENUE	\$ 3,904,735	\$ 3,526,934	\$ 3,122,237

Patient service revenue and capitation, net of allowances for contractual discounts, charity care and provisions for uncollectible accounts, was \$2.9 billion, an increase of \$204.3 million, or 7.5%, over fiscal year 2024. The increase was related to higher acuity volume and contract improvements. The increase from 2023 to 2024 was \$255.8 million, or 10.4%. Contributing factors to this included increased volume and contract improvements, as well as a \$53.2 million in Medicare settlements related to underpayments in the 340B discount drug program for calendar years 2018 through 2022.

Other operating revenues primarily consists of pharmacy related sales. The increase in other operating revenues from September 30, 2025 to 2024 was \$173.5 million or 21.2% compared to \$148.9 million in 2023 or 22.2%. Both 2025 and 2024 had increases related to growth in Specialty Pharmacy retail volumes.

Sales and services revenue of auxiliary enterprises

Auxiliary enterprise revenue primarily includes revenue from UAB's blended component unit, Triton. Refer to Note 2 for additional information on blended component units. Net auxiliary sales and service revenue totaled \$1.03, \$0.94, and \$0.89 billion in 2025, 2024, and 2023, respectively, an increase of 9.7% and 6.0% from 2024 to 2025 and 2023 to 2024, respectively. These increases are primarily due to Triton's subscriber premiums growth of \$94.8 million and \$54.6 million in 2025 and 2024, respectively.

Other sources

Other sources consist of sales and service educational activities and other operating revenues. Net educational sales and service revenue totaled \$88.3, \$75.9, and \$72.3 million in 2025, 2024, and 2023, respectively, an increase of 16.4% from 2024 to 2025 and an increase of 4.9% from 2023 to 2024, respectively. The current year increase is primarily due to residency program revenues in 2025. Other operating revenue totaled \$34.5, \$32.7, and \$46.0 million in 2025, 2024, and 2023, respectively, an increase of 5.6% from 2024 to 2025 and a decrease of 29.0% from 2023 to 2024, respectively. The current year increase is largely due to the School of Medicine Academic Enrichment Fund payments received during 2025.

Nonoperating revenues and other changes net position

Due to the required classification of key revenue sources such as state educational appropriations, financial aid grants, and private gifts as nonoperating revenues, UAB's operating expenses will typically exceed operating revenues, resulting in an operating loss. These nonoperating revenues are essential in offsetting the operating loss. For the years ended September 30, 2025, 2024, and 2023, UAB's nonoperating revenue is summarized as follows:

(dollars in thousands)	2025	2024	2023
State educational appropriation	\$ 398,463	\$ 375,200	\$ 369,170
Grants and contracts	35,808	40,894	40,837
Gifts	22,912	36,423	26,226
Investment income	379,095	602,041	319,436
Capital gifts and grants	98,127	18,114	10,889
Endowment gifts	25,633	30,430	22,830
Economic relief funds	—	—	10,863
TOTAL UAB NONOPERATING REVENUES (LOSSES)	\$ 960,038	\$ 1,103,102	\$ 800,251

State Appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board, 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. In 2025, State educational appropriations from the ETF increased \$22.6 million from the prior year, reaching a total of \$393.2 million. In 2024, State educational appropriations from the ETF increased \$21.9 million over 2023 for a total received of \$370.5 million. State educational appropriations also include supplemental appropriations received from the Mental Health Trust Fund which totaled \$4.2 million in 2025 and 2024. UAB also received Public School and College Authority funds and other state capital funds in 2024 totaling \$5.2 million. No such funds were received in 2025.

Gift revenue consists of gifts, pledges, and endowment gifts. UAB's gift revenue totaled \$48.5 million for the year ended September 30, 2025, which was an increase of \$18.3 million from the prior year. The change in gift revenue is primarily due to fewer large endowment gifts received in 2024. UAB gift revenues increased \$17.8 million to \$66.9 million, due to growth in pledge additions and endowment gifts received in 2024.

Both investment and endowment income are combined as investment income on the SRECPN. Net investment income decreased \$222.9 million from 2024 to 2025 and increased \$282.6 million from 2023 to 2024. The decrease in 2025 was due to reinvestment of realized gains into the investment pools and less unrealized gains reported at September 30, 2025. The increase in 2024, was due to reinvestment of realized gains into the investment pools and improved market performance which increased the fair value of investments at September 30, 2024.

Capital gifts and grants received by UAB for capital projects. Capital gifts and grants revenue increased \$80.0 million and \$7.2 million in 2025 and 2024, respectively. The increase is due primarily to additional grant revenue received from Health Resources and Services Administration ("HRSA") for the construction of the Biomedical Research and Psychology Building.

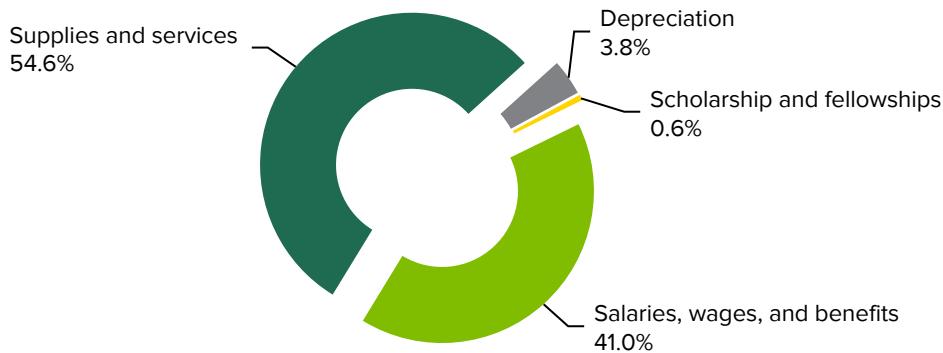
Operating Expenses

A comparative summary of UAB's operating expenses by natural classification for the years ended September 30, 2025, 2024, and 2023, is as follows:

(dollars in thousands)	2025	2024	2023
Salaries, wages, and benefits	\$ 2,629,235	\$ 2,445,548	\$ 2,262,253
Supplies and services	3,504,988	3,153,499	2,922,830
Depreciation	244,364	231,174	223,713
Scholarships and fellowships	40,572	36,092	28,274
TOTAL OPERATING EXPENSES	\$ 6,419,159	\$ 5,866,313	\$ 5,437,070

Graphic illustrations of UAB's operating expenses by natural classification for the year ended September 30, 2025 is presented as below:

2025 Operating Expenses by Natural Classification



UAB is the largest employer in the state with a total workforce of 27,302, 26,614, and 25,161 in 2025, 2024, and 2023, respectively. The workforce consisted of 19,597 full-time and 7,705 part-time employees, of which underrepresented employees make up approximately 45.9% in 2025. UAB employed 2,815 faculty of which 902 or 32% were tenured in 2025. UAB's salaries, wages, and benefits totaled \$2.63, \$2.45, \$2.26 billion and makes up 41.0%, 41.7%, and 41.6% of total operating expenses in 2025, 2024, and 2023, respectively. Salaries, wages, and benefits increased \$183.7 million or 7.5% to \$2.63 billion during 2025. Salaries, wages, and benefits increased \$183.3 million or 8.1% to \$2.45 billion during 2024. The increase is primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base.

Supplies and services totaled \$3.50, \$3.15, and \$2.92 billion and makes up the largest portion of total operating expenses at 54.6%, 53.8%, and 53.8% in 2025, 2024, and 2023, respectively. During 2025, Supplies and services increased \$351.5 million to \$3.50 billion due to patient volume and inflationary increases in supplies and service costs and a 7.0% increase in Triton's expenses per member and Medicare Advantage membership growth. Supplies and services increased \$230.7 million or 7.9% to \$3.15 billion during 2024, due to patient volume and inflationary increases in supplies and service costs and a 5.5% increase in Triton's expenses per member and Medicare Advantage membership growth.

Depreciation expense increased 5.7%, or \$13.2 million to \$244.4 million in 2025, as compared to an increase of 3.3%, or \$7.5 million, to \$231.2 million in 2024. This increase is due to the 10.8% or \$247.9 million growth in capital assets in 2025. Capital assets placed in service during 2025 included the Science and Engineering Complex Phase two, Altec/Styslinger Genomic Medicine & Data Sciences, and Inpatient Rehabilitation Facility.

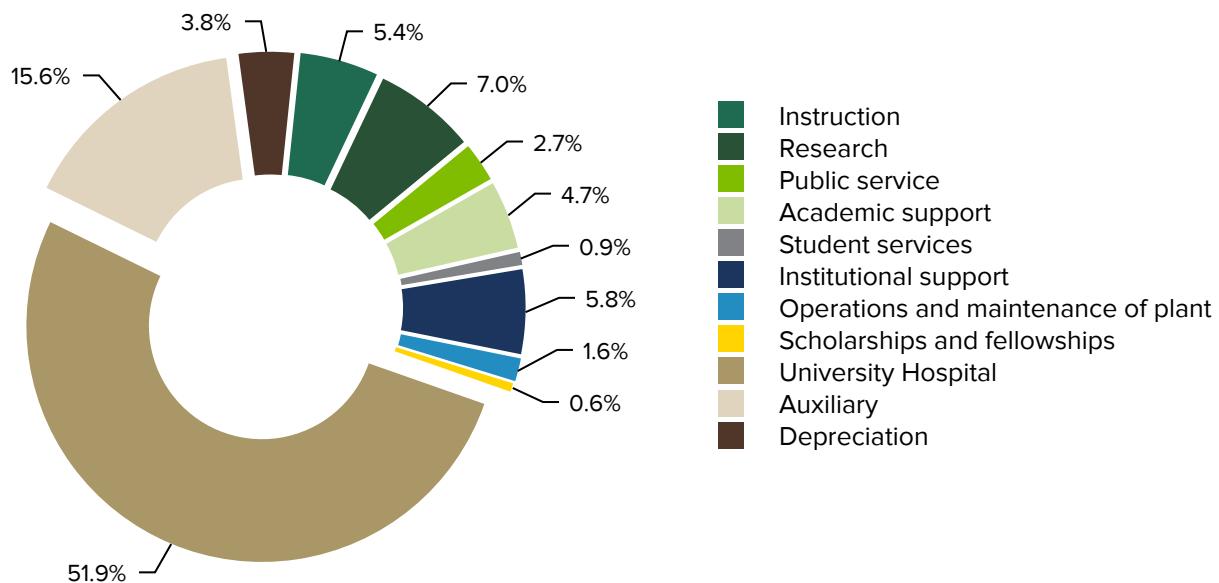
Scholarships and fellowships expense is reported net of scholarship allowances. The net expenses of \$40.6, \$36.1, and \$28.3 million for fiscal years 2025, 2024, and 2023, respectively, represent payments made directly to students after awards have been applied against tuition and fees and auxiliary housing charged to student accounts. Gross scholarship expenses, including allowances, totaled \$148.4, \$140.5, and \$133.1 million for the years ended September 30, 2025, 2024, and 2023, respectively.

In addition to natural classifications, operating expenses are reported by functional classifications as defined by the National Association of College and University Business Officers ("NACUBO"). It is informative to review operating expenses by functional classification. The functional classification of an operating expense (Instruction, Research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities. The University's expenses by functional classification for the years ended September 30, 2025, 2024, and 2023, are summarized as follows:

(dollars in thousands)	2025	2024	2023
Instruction	\$ 347,962	\$ 344,891	\$ 336,430
Research	449,936	418,195	356,512
Public service	174,184	182,211	278,655
Academic support	301,153	268,205	235,622
Student services	52,675	53,177	52,563
Institutional support	374,051	313,326	260,260
Operations and maintenance of plant	100,852	95,146	87,389
Scholarships and fellowships	40,572	36,092	28,274
University Hospital	3,329,047	3,009,040	2,723,288
Auxiliary	1,004,363	914,856	854,364
Depreciation	244,364	231,174	223,713
TOTAL OPERATING EXPENSES	\$ 6,419,159	\$ 5,866,313	\$ 5,437,070

Graphic illustrations of UAB's operating expenses by functional classification for the year ending September 30, 2025 is presented as follows:

2025 Operating Expenses by Functional Classification



The instruction category includes expenses for all activities that are part of UAB's instruction programs. Instruction expenses increased \$3.1 million and \$8.5 million in 2025 and 2024, respectively. The research category includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to UAB or separately budgeted by an organizational unit within UAB. Research expenses increased \$31.7 million and \$61.7 million in 2025 and 2024, respectively. The public service category includes expenses for activities established

primarily to provide non-instructional services for the benefit of individuals and groups that are external to UAB. Public service expenses decreased \$8.0 million and \$96.4 million in 2025 and 2024. The academic support category includes expenses incurred to provide support services for UAB's primary programs of instruction, research, and public service. Academic support expenses increased \$32.9 million and \$32.6 million in 2025 and 2024, respectively. The student services category includes expenses incurred for offices of admissions and the registrar and activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. Student services decreased \$0.5 million and \$0.6 million in 2025 and 2024, respectively. The institutional support category includes expenses for central, institutional-level activities concerned with management of UAB. Institutional expenses increased \$60.7 million and \$53.1 million in 2025 and 2024, respectively. The operation and maintenance of plant category includes expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. Operation and maintenance of plant expenses increased \$5.7 million and \$7.8 million in 2025 and 2024, respectively. University Hospital expenses increased \$320.0 million and \$285.8 million, in 2025 and 2024, respectively. The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, and increased \$89.5 million and \$60.5 million, in 2025 and 2024, respectively.

Economic Factors That May Affect The Future

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

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

UAB Advancement exists to provide critical private financial and in-kind resources to the people and initiatives that define UAB's life-changing and innovative work. We seek to identify and connect with alumni, employees, grateful patients, corporations, and foundations whose philanthropic mission and values are closely aligned with UAB's priorities. The level of private support underscores the continued confidence among donors in the quality of UAB's programs and the importance of its mission. Economic pressures affecting donors may also affect the future level of support UAB receives from corporate and individual giving

During fiscal year 2025, 64.4% of UAB students received financial aid, including \$192.9 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 University 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 University 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 prepared 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 Finance, 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, 2025 and 2024

(dollars in thousands)	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 410,720	\$ 409,162
Short term investments	1,926,268	1,825,784
Accounts receivable, net	779,114	694,238
Loans receivable, current portion	51,362	1,524
Pledges receivable, current portion	12,507	11,851
Inventories	72,323	52,896
Prepaid expenses and unearned scholarships	132,386	125,672
Other current assets	17,131	16,557
Total current assets	3,401,811	3,137,684
Noncurrent assets:		
Cash equivalents designated for capital activities	6,784	13,701
Restricted cash and cash equivalents	581	252
Investments for capital activities	1,191,766	1,192,771
Endowment and life income investments	938,876	858,991
Investment in Professional Liability Trust Fund	86,277	80,614
Other long-term investments	107,998	119,481
Loans receivable, net	6,269	7,162
Pledges receivable	25,631	30,549
Capital assets, net	2,549,991	2,302,057
Other noncurrent assets	17,893	14,957
Total noncurrent assets	4,932,066	4,620,535
Total assets	8,333,877	7,758,219
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	11,442	12,592
Pension and OPEB related obligations	1,399,537	893,675
Total deferred outflows of resources	1,410,979	906,267
Total assets and deferred outflows of resources	\$ 9,744,856	\$ 8,664,486

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Net Position (continued)
September 30, 2025 and 2024

(dollars in thousands)	2025	2024
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		
	\$ 501,303	\$ 486,086
Deposits	23,036	22,213
Unearned revenue-grants	79,916	74,800
Unearned revenue-other	125,576	105,758
Long-term debt, current portion	97,934	85,917
Total current liabilities	827,765	774,774
Noncurrent liabilities:		
Federal advances-loan funds	1,875	2,510
Long-term debt, noncurrent portion	1,178,938	1,228,147
Pension liability	1,377,694	1,673,311
OPEB liability	1,075,367	217,405
Total noncurrent liabilities	3,633,874	3,121,373
Total liabilities	4,461,639	3,896,147
DEFERRED INFLOWS OF RESOURCES		
Leases	30,051	27,219
Pension and OPEB related obligations	791,995	777,895
Total deferred inflows of resources	822,046	805,114
NET POSITION		
Net investment in capital assets	1,261,134	987,497
Restricted		
Nonexpendable	514,796	489,153
Expendable	674,688	634,528
Unrestricted	2,010,553	1,852,047
Total net position	4,461,171	3,963,225
Total liabilities, deferred inflows and net position	\$ 9,744,856	\$ 8,664,486

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, 2025 and 2024

(dollars in thousands)	2025	2024
Operating Revenues		
Tuition and fees	\$ 353,082	\$ 346,352
Less: scholarship allowance	(103,738)	(100,899)
Tuition and fees, net	249,344	245,453
Grants and contracts:		
Federal	555,393	534,363
State	13,096	16,713
Local	4,537	509
Private	112,162	106,114
Sales and services:		
Educational activities	88,313	75,850
University Hospital, net of bad debt expense of \$207.2 million in 2025 and 218.9 million in 2024	3,904,735	3,526,934
Other auxiliary enterprises, net of scholarship allowance of \$4.1 million in 2025 and \$3.6 million in 2024	1,031,184	939,959
Other operating revenues	34,480	32,658
Total operating revenues	5,993,244	5,478,553
Operating Expenses		
Salaries, wages and benefits	2,629,235	2,445,548
Supplies and services	3,504,988	3,153,499
Depreciation	244,364	231,174
Scholarships and fellowships	40,572	36,092
Total operating expenses	6,419,159	5,866,313
Operating loss	(425,915)	(387,760)
Nonoperating (Expenses) Revenues		
State educational appropriations	398,463	375,200
Grants and contracts	35,808	40,894
Gifts	22,912	36,423
Investment income	379,095	602,041
Interest expense	(40,637)	(40,780)
Loss on asset dispositions, net	(2,242)	(1,236)
Other nonoperating income, net	6,502	5,674
Net nonoperating revenues	799,901	1,018,216
Income before other changes in net position	373,986	630,456
Other Changes in Net Position		
State capital funds	—	5,212
Capital gifts and grants	98,127	18,114
Endowment gifts	25,633	30,430
Intergovernmental transfers	200	43,150
Total other changes in net position	123,960	96,906
Increase in net position	497,946	727,362
Net Position, beginning of year	3,963,225	3,235,863
Net Position, end of year	\$ 4,461,171	\$ 3,963,225

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

(dollars in thousands)	2025	2024
Cash flows from operating activities		
Student tuition and fees	\$ 240,775	\$ 242,442
Grants and contracts:		
Federal	563,932	529,608
State	15,738	16,767
Local	4,096	1,253
Private	108,965	108,151
Receipts from sales and services of:		
Educational activities	88,289	74,932
Patient services	3,843,424	3,493,985
Auxiliary enterprises, net	61,063	59,727
Premium and administrative fees collected	948,963	880,838
Payment to employees and related benefits	(1,639,265)	(1,576,317)
Payment for contract labor	(912,729)	(822,095)
Payment to suppliers	(3,528,700)	(3,177,742)
Payment for scholarships and fellowships	(40,572)	(36,093)
Other receipts	34,786	36,247
Net cash used in operating activities	(211,235)	(168,297)
Cash flows from noncapital financing activities		
State educational appropriations	398,463	375,200
Private gifts	53,307	65,011
Student direct lending receipts	158,347	159,058
Student direct lending disbursements	(158,260)	(157,709)
Intragovernmental Transfers	(6,578)	53,835
Other deposits	42,914	48,845
Deposits from affiliates	739	(874)
Net cash provided by noncapital financing activities	488,932	543,366
Cash flows from investing activities		
Interest and dividends from investments	55,416	52,654
Proceeds from notes receivable	4	4
Proceeds from sales and maturities of investments	163,246	10,763
Purchases of investments	(12,377)	(161,198)
Net cash provided by (used in) investing activities	206,289	(97,777)
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	—	17,476
Capital gifts, grants and contracts	89,691	25,277
Proceeds from sale of capital assets	794	1,075
Purchases of capital assets	(435,091)	(345,629)
Principal payments on capital debt	(99,449)	(97,882)
Interest payments on capital debt	(44,961)	(45,097)
Net cash used in capital and related financing activities	(489,016)	(444,780)
Net decrease in cash and cash equivalents	(5,030)	(167,488)
Cash and cash equivalents, beginning of year	423,115	590,603
Cash and cash equivalents, end of year	\$ 418,085	\$ 423,115

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows (continued)
Years Ended September 30, 2025 and 2024

(dollars in thousands)	2025	2024
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 410,720	\$ 409,162
Cash equivalents designated for capital activities	6,784	13,701
Restricted cash and cash equivalents	581	252
Total cash and cash equivalents	\$ 418,085	\$ 423,115
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (425,915)	\$ (387,760)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	244,364	231,174
Pension expense	153,458	229,312
OPEB expense (benefit)	64,004	(61,982)
Changes in assets and liabilities:		
Accounts receivable, net	(52,851)	(60,286)
Prepaid expenses and other assets	(76,856)	(32,543)
Accounts payable and accrued liabilities	4,507	39,658
Pension obligations	(124,579)	(112,356)
OPEB obligations	(22,300)	(18,721)
Unearned Revenue	24,933	5,207
Net cash used in operating activities	\$ (211,235)	\$ (168,297)
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 42,195	\$ 47,795
Capital assets acquired through new leases	18,272	28,965
Capital assets acquired through SBITAs	50,106	31,124
Capital assets acquired with State capital funds	—	5,212
Reinvested investment distributions	82,996	52,813
Increase in fair value of investments	241,392	498,046

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position
January 3, 2025 and December 29, 2023

(dollars in thousands)	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 42,545	\$ 48,582
Investments	49,059	107,576
Restricted cash and investments	13,576	12,338
Accounts receivable, net	4,766	5,105
Other receivables	1,022	7,626
Materials and supplies, net	447	128
Prepayments and other current assets	1,420	3,601
Total current assets	112,835	184,956
Noncurrent Assets:		
Net OPEB asset	3,914	2,676
Investments, long-term	6,984	1,889
Capital assets:		
Land and improvements	3,613	3,613
Buildings and major plant equipment	45,493	30,724
Laboratory equipment and fixtures	37,793	36,533
Office furniture and equipment	2,227	2,123
Intangible assets, net	1,404	1,905
Right of use assets - SBITAs	2,518	2,386
	93,048	77,284
Less accumulated depreciation	(61,934)	(59,246)
	31,114	18,038
Construction-in-progress	83,492	33,985
Total capital assets, net	114,606	52,023
Total noncurrent assets	125,504	56,588
Total Assets	238,339	241,544
Deferred Outflows of Resources		
OPEB	400	566
Total Assets and Deferred Outflows of Resources	\$ 238,739	\$ 242,110

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position (continued)
January 3, 2025 and December 29, 2023

(dollars in thousands)	2025	2024
Current Liabilities:		
Accounts payable	\$ 8,449	\$ 10,039
Accrued liabilities	6,720	4,278
Unearned contract revenue	30,954	36,577
Current maturities of long-term debt	1,114	1,171
Note payable	—	820
Total current liabilities	47,237	52,885
Noncurrent Liabilities:		
Long-term debt	7,725	8,715
Total noncurrent liabilities	7,725	8,715
Total Liabilities	54,962	61,600
Deferred Inflows of Resources		
OPEB	2,205	1,639
Net Position		
Net investment in capital assets	105,767	42,138
Restricted		
Expendable	15,628	13,940
Unrestricted	60,177	122,793
Total Net Position	181,572	178,871
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 238,739	\$ 242,110

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended January 3, 2025 and December 29, 2023

(dollars in thousands)	2025	2024
Operating Revenues		
Contract revenues	\$ 30,427	\$ 37,890
Intellectual property revenues, net of direct expenses	1,380	926
Total operating revenues	31,807	38,816
Operating Expenses		
Salaries, wages and benefits	25,136	28,674
Supplies and services	20,229	23,385
Depreciation and amortization	4,004	3,413
Total operating expenses	49,369	55,472
Operating loss	(17,562)	(16,656)
Nonoperating (Expenses) Revenues		
Contributions	161	158
Investment income	7,826	10,578
Interest expense	(359)	(320)
Loss on disposal of assets	(1,531)	(3,165)
Loss before capital contributions and special items	(11,465)	(9,405)
Capital contributions	14,166	7,100
Loss on discontinued operations	—	(47)
Change in net position	2,701	(2,352)
Net Position, beginning of year	178,871	181,223
Net Position, end of year	\$ 181,572	\$ 178,871

The University of Alabama at Birmingham

Notes to Financial Statements

Years Ended September 30, 2025 and 2024

(1) Organization and Summary of Significant Accounting Policies

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

UAB, as a public institution, prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). UAB is not a separate legal entity from the System and therefore, management is not required to and has not performed a going concern analysis at the UAB level.

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

- **Net Investment in Capital Assets:**

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

- **Restricted:**

Nonexpendable: Net position subject to externally imposed stipulations that they be maintained permanently by 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.

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

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 the University and University Hospital which are UAB's reportable segments as defined by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments: Omnibus an Amendment of GASB Statements No. 21 and No. 34*. UAB's financial statements present the financial position, changes in financial position, and the cash flows of the University, the University Hospital, and UAB's blended component units. Condensed financial information of UAB's reportable segments is presented at Note 15. Refer to Note 2 for information regarding UAB's component units.

UAB is affiliated with the UAB Educational Foundation ("UABEF"), the University of Alabama Health Services Foundation, P.C. ("HSF"), UAB Medicine Enterprise ("UABME"), formerly known as UAB Health System ("UABHS"), Medical West Hospital Authority, Cooper Green Mercy Health Services Authority, and the Valley Foundation ("VF"). UAB is not financially accountable for UABEF, HSF, UABME, Cooper Green Mercy Heath Services Authority, or VF; therefore, they do not constitute component units under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. These entities are not required to be presented as component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14 and No. 61, The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34*. More information regarding HSF, UABME and VF can be found at Note 16.

UABEF provides funds and certain facilities to UAB for its educational and scientific functions. UABEF has 13 board members, including seven outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with lease payments of approximately \$2.2 million for the years ended September 30, 2025 and 2024. UABEF made contributions to UAB which totaled approximately \$6.9 million and \$3.5 million for the years ended September 30, 2025 and 2024, respectively.

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. All cash and cash equivalents are considered level 1 investments in the fair value hierarchy. The remaining fair value instruments are included in Note 4. Cash equivalents representing assets of UAB's bond related construction funds, endowment, life income, and other long-term investments are included in noncurrent assets.

Investments: UAB's investments are reported at fair value. The majority of UAB's investment portfolio is invested in separate investment pools sponsored by the System. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies. Fair value for equity securities, debt securities, mutual funds and U.S. government and agency obligations held by UAB is determined from quoted market prices or market prices of similar instruments. Real estate held as investments is reported at fair value based upon appraisals, acquisition value at the date of donation, and other valuations typically based on management assumptions or expectations. Investments received by gift are reported at fair value at date of receipt. Net investment income, including realized and unrealized gains and losses, is reported as nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

Investments are reported in four categories in the statement of net position. Investments recorded as endowment and life income investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities represent the investment of cash to fund future capital projects and are included in noncurrent assets. Other long-term investments are those invested funds with maturities greater than one year or are considered by management to be of a long duration that are not an investment of the endowment and life income fund or the plant fund. Short-term investments represent investments available for current operations.

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

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

Capital Assets: All capital assets are carried at cost on date of acquisition (or in the case of gifts, at acquisition value on the date of donation, and in the case of right of use assets for leased property and equipment and SBITAs, an amount equal to the lease or SBITA liability at lease inception), less accumulated depreciation. 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), inventoried equipment (3-20 years), and right of use assets (3-40 years) is computed on a straight-line basis. The University Hospital uses guidelines established by the American Hospital Association to assign useful lives to inventoried equipment.

Right of use assets acquired are amortized over the shorter of the lives of the respective leases and SBITAs or the estimated useful lives of the underlying assets. Capital assets acquired through federal grants and contracts in which the Federal government retains a reversionary interest are capitalized and depreciated.

Computer software capitalization, which is included as inventoried equipment, includes the costs of software and implementation. Implementation costs include consulting expenses and allocation of internal salaries and fringes for the core implementation team.

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

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

UAB's policy is to retain the endowment realized and unrealized appreciation within an endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for fiscal years September 30, 2025 and 2024 of 4.5%, based on a moving five-year average of the market (unit) value.

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

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

Federal Refundable Loans: Certain loans to students are administered by UAB with funding primarily supported by the federal government. UAB's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions and related activity owed upon termination of the program. The Federal Perkins Loan Program expired June 30, 2018. The University will continue operating the program and remit any excess cash annually for the pro rata federal and institutional capital contributions. As of September 30, 2025 and 2024, there was \$0.4 million and \$0.7 million, respectively, payable to the Department of Education for its portion of the excess cash available at June 30, 2025.

Compensated Absences: UAB accrues annual leave that is attributable to services already rendered by employees, that accumulates, and is more likely than not to be used for time off, paid out, or otherwise settled. UAB accrues annual leave at rates based upon length of service and job classification. UAB accrues compensatory time based upon job classification and hours worked. These amounts are included in accounts payable and accrued liabilities.

Deferred Outflows and Inflows of Resources: Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations (Trust and UAB Plan). Deferred inflows of resources are composed of pension obligations, OPEB obligations (Trust and UAB Plan), and leases. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to increase pension expense and OPEB expense they are labeled deferred outflows. If they reduce pension expense and

OPEB expense they are labeled deferred inflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Deferred refunding represents gains and losses deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond issue. Deferred inflows related to leases are arrangements where UAB is the lessor and the initial measurement of the lease receivable is recognized as revenues in a systematic and rational manner over the term of the lease.

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

Grant and Contract Revenue: UAB receives grant and contract revenue from governmental and private sources. UAB recognizes revenue associated with the sponsored programs in accordance with *GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract.

University Hospital Revenue: Net patient service revenue is reported at the University 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 University 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 University Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Auxiliary Enterprise Revenue: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics and parking as well as subscriber premiums for Triton Health Systems, L.L.C.

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

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

Nonoperating Revenues (Expenses): Nonoperating revenues and expenses include State educational appropriations, federal 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) Component Unit(s)

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

Southern Research Institute ("SRI") is a legally separate entity but its financial relationship with UAB is such that excluding SRI from the UAB financial report would be misleading. Management has therefore 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 is a biotechnology research organization delivering advanced pre-clinical CRO services for industry partners and federal agencies with core expertise in infectious disease, oncology, and drug discovery. SRI also operates a genomics platform that provides sequencing and actionable health insights through its Catalyst program, and supports early-stage biotech innovation by offering laboratory space and technical guidance through the Station 41 incubator. The activities of SRI are maintained using a fiscal calendar year-end that ends prior to

UAB's fiscal year-end of September 30. The financial results of SRI are discretely presented in these financial statements.

UAB includes four blended component units, as follows: UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABA"), UAB Hospital Management, L.L.C. ("LLC") and Triton Health Systems, L.L.C. ("Triton"). The by-laws and corporate charters of UABRF allow UAB to appoint a majority of the board of directors and allow UAB to impose its will on the entity. UABRF operates for the exclusive benefit of UAB. UABA was organized to support the UAB Athletics Department in its quest for excellence in all programs. UABA operates as an extension of the UAB Athletics Department and it almost exclusively benefits the University. Additionally, LLC and Triton have governing bodies that are substantively the same as the governing body of UAB and there is a financial benefit or burden relationship between UAB and these entities. Therefore, management has determined that UABRF, UABA, LLC and Triton (the Blended Component Units) constitute blended component units of UAB under GASB Statements No. 14 and No. 61. The Blended Component Units report financial results under principles prescribed under the GASB.

UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. UABA was formed in November 2015 as a nonprofit corporation organized to build loyalty and philanthropic support for the UAB athletic program and support the staff in coordinating, developing and improving a superior inter-collegiate athletics program. UABA encourages alumni and friends to generously support the Athletics Department and contribute to scholarship funding for UAB's student athletes. The LLC was organized for the exclusive purpose of supporting UAB in connection with the management, administration, and operation of the University Hospital, including, without limitation, providing management, administrative, and staffing services to the University Hospital. Triton was formed to advance the educational and research mission of UAB and to educate and train physicians and other health care professionals. Triton is owned 99% by UAB and 1% by the UABEF.

UABRF and LLC maintain a September 30 year-end. UABA maintains a June 30 year-end. The activities of Triton are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. However, interfund cash transactions during the period from January 1 through September 30 have been eliminated. Since Triton qualifies as a material component unit under GASB Statement No. 61, financial information for the years ended December 31, 2024 and 2023 is presented below.

TRITON HEALTH SYSTEMS, L.L.C.

(dollars in thousands)	2025	2024
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 311,664	\$ 304,603
Capital assets, net	16,446	16,238
Other assets	106,607	118,301
TOTAL ASSETS	\$ 434,717	\$ 439,142
Current liabilities	102,808	122,332
Other noncurrent liabilities	8,914	13,674
TOTAL LIABILITIES	111,722	136,006
Net investment in capital assets	2,420	713
Restricted nonexpendable net position	100	100
Unrestricted net position	320,475	302,323
TOTAL NET POSITION	322,995	303,136
TOTAL LIABILITIES AND NET POSITION	\$ 434,717	\$ 439,142

(dollars in thousands)	2025	2024
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 1,090,225	\$ 995,636
Operating expenses	(1,061,913)	(969,728)
Depreciation and amortization expense	(5,513)	(4,119)
OPERATING INCOME	22,799	21,789
Investment income	17,486	13,697
Interest expense	(479)	(341)
Income tax expense	(1,089)	(1,448)
INCOME BEFORE OTHER CHANGES IN NET POSITION	38,717	33,697
Distributions to members	(18,858)	(17,774)
INCREASE IN NET POSITION	19,859	15,923
Net position, beginning of year	303,136	287,213
NET POSITION, END OF YEAR	\$ 322,995	\$ 303,136
(dollars in thousands)	2025	2024
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ (14,272)	\$ 53,688
Noncapital financing activities	(18,858)	(17,773)
Capital and related financing activities	(9,051)	(4,209)
Investing activities	40,353	6,482
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,828)	38,188
Cash and cash equivalents, beginning of year	189,370	151,182
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 187,542	\$ 189,370

(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, 2025 and 2024, respectively, UAB had cash and cash equivalents totaling \$418.1 million and \$423.1 million.

(4) Investments

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the System and related entities. In order to facilitate System-wide investment objectives and achieve economies of scale, the Board has established two distinct investment pools based primarily on the projected investment time-horizons for System funds: the Pooled Endowment Fund (“PEF”) and the Liquidity and Capital Reserve Pool Fund (“LCRP”); collectively, the “System Pools.” Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System-sponsored investment pools. These investment funds are

considered “internal” investment pools under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, with the assets pooled on a market value basis. Separately managed funds that reside with each entity are to be invested consistent with the asset mix of the corresponding System investment pool.

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

Pooled Endowment Fund

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

Liquidity and Capital Reserve Pool

The LCRP serves as an investment vehicle to manage operating reserves of the System universities, University Hospital, and related entities with an investment strategy that matches the duration of reserves to their projected needs. The goals of the pool are to preserve and grow capital, maximize returns without undue exposure to risk, and maintain sufficient liquidity for credit ratings. The pool is invested in a diversified asset mix of liquid, semi-liquid, and illiquid securities. The pool can invest no more than 15% in illiquid assets and must invest no less than 60% in liquid assets as defined by Board Rule 404.

Fair Value Measurements

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UAB has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect UAB’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include UAB’s own data.

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

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

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

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

The following is a description of the valuation methods and assumptions used by UAB to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2025. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. UAB management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

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

At September 30, 2025 and 2024, the fair value of UAB's investments based on the inputs used to value them is summarized as follows:

(dollars in thousands)	2025				
	Level 1	Level 2	Level 3	NAV	Total
Cash and equivalents:					
Commercial paper	\$ 100	\$ —	\$ —	\$ —	\$ 100
Equities:					
Common Stock	1,268	—	—	—	1,268
Fixed Income Securities:					
Corporate bonds	—	136,983	—	—	136,983
Commingled Funds:					
U.S. equity funds	—	1,428	—	—	1,428
Non-U.S. equity funds	—	359	—	—	359
Real Estate	—	—	160	—	160
	\$ 1,368	\$ 138,770	\$ 160	\$ —	\$ 140,298
Equity investments in partnerships					
					86,277
UAB Portion of System Pool Investments:					
					940,336
					3,084,274
					\$ 4,251,185

(dollars in thousands)	Level 1	Level 2	Level 3	2024		NAV	Total
Cash and equivalents:							
Commercial paper	\$ 100	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100
Equities:							
Common Stock	1,121	—	—	—	—	—	1,121
Fixed Income Securities:							
Corporate bonds	—	159,623	—	—	—	—	159,623
Commingled Funds:							
U.S. equity funds	—	1,266	—	—	—	—	1,266
Non-U.S. equity funds	—	394	—	—	—	—	394
Real Estate	—	—	160	—	—	—	160
	\$ 1,221	\$ 161,283	\$ 160	\$ —	\$ —	\$ —	\$ 162,664
				Equity investments in partnerships			80,614
				UAB Portion of System Pool Investments:			
				Pooled Endowment Fund			860,288
				Liquidity and Capital Reserve Pool Fund			2,974,075
				Total Reported Value with System Pooled Investments			\$ 4,077,641

At September 30, 2025 and 2024, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

POOLED ENDOWMENT FUND					
(dollars in thousands)	2025				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,651
Total Receivables	—	—	—	—	1,651
Cash Equivalents:					
Money Market Funds	109,406	—	—	—	109,406
Total Cash Equivalents	109,406	—	—	—	109,406
Equities:					
U.S. Common Stock	201,253	—	—	—	201,253
Foreign Stock	40,017	—	—	—	40,017
Total Equities	241,270	—	—	—	241,270
Fixed Income Securities:					
U.S. Government Obligations	—	16,782	—	—	16,782
Mortgage Backed Securities	—	33,448	—	—	33,448
Corporate Bonds	—	50,451	—	—	50,451
Non-U.S. Bonds	—	6,401	—	—	6,401
Total Fixed Income Securities	—	107,082	—	—	107,082
Commingled Funds:					
U.S. Equity Funds	—	157,976	—	—	157,976
Non-U.S. Equity Funds	—	364,627	—	—	364,627
Hedge Funds	—	—	—	915,552	915,552
Private Equity Funds	—	—	2,383	571,680	574,063
Real Estate Funds	—	—	1,419	261,571	262,990
Total Commingled Funds	—	522,603	3,802	1,748,803	2,275,208
Total Fund Investments	350,676	629,685	3,802	1,748,803	2,732,966
Total Fund Assets	\$ 350,676	\$ 629,685	\$ 3,802	\$ 1,748,803	\$ 2,734,617
Total Fund Liabilities					—
Total Net Asset Value					\$ 2,734,617

POOLED ENDOWMENT FUND

(dollars in thousands)	2024				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,601
Total Receivables	—	—	—	—	1,601
Cash Equivalents:					
Money Market Funds	81,234	—	—	—	81,234
Total Cash Equivalents	81,234	—	—	—	81,234
Equities:					
U.S. Common Stock	234,136	—	—	—	234,136
Foreign Stock	84,571	—	—	—	84,571
Total Equities	318,707	—	—	—	318,707
Fixed Income Securities:					
U.S. Government Obligations	—	18,271	—	—	18,271
Mortgage Backed Securities	—	29,102	—	—	29,102
Corporate Bonds	—	49,944	—	—	49,944
Non-U.S. Bonds	—	6,327	—	—	6,327
Total Fixed Income Securities	—	103,644	—	—	103,644
Commingled Funds:					
U.S. Equity Funds	—	143,552	—	—	143,552
Non-U.S. Equity Funds	—	211,604	—	—	211,604
Hedge Funds	—	—	—	833,404	833,404
Private Equity Funds	—	—	2,018	513,428	515,446
Real Estate Funds	—	—	2,919	280,206	283,125
Total Commingled Funds	—	355,156	4,937	1,627,038	1,987,131
Total Fund Investments	399,941	458,800	4,937	1,627,038	2,490,716
Total Fund Assets	\$ 399,941	\$ 458,800	\$ 4,937	\$ 1,627,038	\$ 2,492,317
Total Fund Liabilities					(456)
Total Net Asset Value					\$ 2,491,861

LIQUIDITY AND CAPITAL RESERVE POOL FUND

(dollars in thousands)

	2025				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 11,508
Total Receivables	—	—	—	—	11,508
Cash Equivalents:					
Money Market Funds	58,721	—	—	—	58,721
Total Cash Equivalents	58,721	—	—	—	58,721
Equities:					
U.S. Common Stock	524,119	—	—	—	524,119
Foreign Stock	59,730	—	—	—	59,730
Total Equities	583,849	—	—	—	583,849
Fixed Income Securities:					
U.S. Government Obligations	—	435,673	—	—	435,673
Mortgage Backed Securities	—	362,288	—	—	362,288
Collateralized Mortgage Obligations	—	14,824	—	—	14,824
Corporate Bonds	—	289,899	—	—	289,899
Non-U.S. Bonds	—	72,106	—	—	72,106
Other Fixed Income Assets	—	7,441	—	—	7,441
Total Fixed Income Securities	—	1,182,231	—	—	1,182,231
Commingled Funds:					
U.S. Equity Funds	—	142,800	—	—	142,800
Non-U.S. Equity Funds	—	241,608	—	—	241,608
U.S. Bond Funds	—	547,769	—	—	547,769
Hedge Funds	—	—	—	1,420,047	1,420,047
Real Asset Funds	—	—	—	177,486	177,486
Total Commingled Funds	—	932,177	—	1,597,533	2,529,710
Total Fund Investments	642,570	2,114,408	—	1,597,533	4,354,511
Total Fund Assets	\$ 642,570	\$ 2,114,408	\$ —	\$ 1,597,533	\$ 4,366,019
Total Fund Liabilities					—
Total Net Asset Value					\$ 4,366,019

LIQUIDITY AND CAPITAL RESERVE POOL FUND

(dollars in thousands)

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 10,640
Total Receivables	—	—	—	—	10,640
Cash Equivalents:					
Money Market Funds	105,429	—	—	—	105,429
Total Cash Equivalents	105,429	—	—	—	105,429
Equities:					
U.S. Common Stock	537,941	—	—	—	537,941
Foreign Stock	113,728	—	—	—	113,728
Total Equities	651,669	—	—	—	651,669
Fixed Income Securities:					
U.S. Government Obligations	—	380,205	—	—	380,205
Mortgage Backed Securities	—	353,125	—	—	353,125
Collateralized Mortgage Obligations	—	17,222	—	—	17,222
Corporate Bonds	—	275,255	—	—	275,255
Non-U.S. Bonds	—	95,358	—	—	95,358
Other Fixed Income Assets	—	9,701	—	—	9,701
Total Fixed Income Securities	—	1,130,866	—	—	1,130,866
Commingled Funds:					
U.S. Equity Funds	—	132,812	—	—	132,812
Non-U.S. Equity Funds	—	195,781	—	—	195,781
U.S. Bond Funds	—	540,780	—	—	540,780
Hedge Funds	—	—	—	1,274,176	1,274,176
Real Asset Funds	—	—	—	171,629	171,629
Total Commingled Funds	—	869,373	—	1,445,805	2,315,178
Total Fund Investments	757,098	2,000,239	—	1,445,805	4,203,142
Total Fund Assets	\$ 757,098	\$ 2,000,239	\$ —	\$ 1,445,805	\$ 4,213,782
Total Fund Liabilities					(1,163)
Total Net Asset Value					\$ 4,212,619

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2025 and 2024 is as follows:

POOLED ENDOWMENT FUND

(dollars in thousands)	2025				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 915,552	\$ 5,007	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	571,680	329,018	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	—	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	261,571	129,560	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 1,748,803	\$ 463,585			

POOLED ENDOWMENT FUND

(dollars in thousands)	2024				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 833,404	\$ 18,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	513,428	277,411	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	1,278	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	278,928	103,603	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 1,627,038	\$ 399,014			

LIQUIDITY AND CAPITAL RESERVE POOL FUND

(dollars in thousands)	2025				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,420,047	\$ 10,014	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	177,486	—	No limit	Monthly and Quarterly	None
	\$ 1,597,533	\$ 10,014			

LIQUIDITY AND CAPITAL RESERVE POOL FUND

(dollars in thousands)

	2024				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,274,176	\$ 36,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	171,629	—	No limit	Monthly and Quarterly	None
	<u>\$ 1,445,805</u>	<u>\$ 36,000</u>			

Investment Risk Factors

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

Credit Risk

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

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the PEF and LCRP, and the credit quality of underlying fund investments is monitored on an ongoing basis. Fixed income investments within the PEF and LCRP include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. In addition, approximately \$328.5 million and \$283.6 million in the PEF and LCRP, collectively, at September 30, 2025 and 2024, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$715.9 million and \$727.4 million in the PEF and LCRP, collectively, at September 30, 2025 and 2024, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2025 and 2024 is as follows:

(dollars in thousands)	POOLED ENDOWMENT FUND		LCRP FUND	
	2025	2024	2025	2024
Fixed or Variable Income Securities				
U.S. Government Obligations	\$ 16,782	\$ 18,271	\$ 435,673	\$ 380,205
Other U.S. Denominated:				
AAA	3,940	4,616	62,667	84,783
AA	3,198	2,107	43,371	47,401
A	10,673	15,877	157,391	169,666
BBB	34,803	28,238	163,022	166,297
BB	8,210	8,030	10,158	10,809
B	—	1,059	8,711	11,303
C and < C	—	—	2,169	2,260
Unrated	29,475	25,445	299,069	258,141
Commingled Funds:				
U.S. Bond Funds: Unrated	—	—	547,769	540,780
Money Market Funds: Unrated	109,406	81,234	58,721	105,430
TOTAL	\$ 216,487	\$ 184,877	\$ 1,788,721	\$ 1,777,075

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

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2025 and 2024 is as follows:

(dollars in thousands)	2025	2024
Fixed or Variable Income Securities		
Other U.S. Denominated:		
AAA	136,983	159,623
Commercial Paper: Unrated	100	100
TOTAL	\$ 137,083	\$ 159,723

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, 2025 and 2024, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools or UAB's separately held investment portfolio except for investments issued by the U.S. government and money market fund investments.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

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

The effective durations in years for fixed or variable income securities, for the System Pools at September 30, 2025 and 2024 are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2025	2024	2025	2024
U.S. Government Obligations	11.4	12.9	3.2	3.4
Corporate Bonds	4.8	4.6	2.8	2.7
Non-US Bonds	4.8	4.6	2.8	2.7
Commingled Bond Funds	—	—	3.6	2.9
Other Fixed Income	—	—	—	0.1

The effective durations for fixed or variable income securities for UAB's separately held investments at September 30, 2025 and 2024 are as follows:

SEPARATELY HELD		
	2025	2024
Commingled Bond Funds	2.5	2.3

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, 2025 and 2024, the fair market values of these investments in the System Pools are as follows:

(dollars in thousands)	POOLED ENDOWMENT FUND		LCRP FUND	
	2025	2024	2025	2024
Mortgage Backed Securities	\$ 33,448	\$ 29,102	\$ 362,288	\$ 353,125
Collateralized Mortgage Obligations	—	—	14,824	17,222
TOTAL FIXED	\$ 33,448	\$ 29,102	\$ 377,112	\$ 370,347

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, 2025 and 2024, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2025	2024	2025	2024
Mortgage Backed Securities	5.9	6.3	2.7	2.7
Collateralized Mortgage Obligations	—	—	5.7	4.7

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2025 and 2024.

Foreign Currency Risk

The strategic asset allocation policy for the PEF, the LCRP, and UAB's separately held investments includes an allocation to non-United States equity and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2025 and 2024, all foreign investments in the System Pools and UAB's separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the two pools as disclosed in previous tables.

Securities Lending

The System permits security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral. At September 30, 2025 and 2024, 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 \$86.3 million and \$80.6 million at September 30, 2025 and 2024, respectively. See Note 8 for further discussion of the PLTF.

(5) Receivables

Account receivable:

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

The composition of accounts receivable at September 30, 2025 and 2024 is summarized as follows:

(dollars in thousands)	2025	2024
Patient care	\$ 671,224	\$ 613,884
Receivables from sponsoring agencies	115,671	109,675
Student accounts	52,253	50,457
Other	109,234	84,512
Total accounts receivable	\$ 948,382	\$ 858,528
Less: Allowances for doubtful accounts from patient care	163,350	156,949
Less: Allowances for doubtful accounts from student accounts	1,993	3,783
Less: Allowances for doubtful accounts, other	3,925	3,558
ACCOUNTS RECEIVABLE, NET	\$ 779,114	\$ 694,238

Loans receivable:

Loans receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. The principal repayment and interest rate terms of federal and university loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, since the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to UAB under the Perkins and various health professions loan programs. UAB St. Vincent's Health System entering into a revolving loan agreement with University Hospital to borrow up to \$50.0 million with a maturity date of May 19, 2026 during 2025.

The composition of loans receivable at September 30, 2025 and 2024 is summarized in the table as follows:

(dollars in thousands)	2025	2024
Federal loan program	\$ 9,385	\$ 9,918
University loan funds	1,998	2,177
Other	50,115	114
Total loans receivable	\$ 61,498	\$ 12,209
Less allowance for doubtful accounts	3,867	3,523
Total loans receivable, net	\$ 57,631	\$ 8,686
Less: current portion	51,362	1,524
TOTAL LOANS RECEIVABLE OUTSTANDING, NONCURRENT	\$ 6,269	\$ 7,162

Pledges receivable:

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

The composition of pledges receivable at September 30, 2025 and 2024 is summarized in the following table.

(dollars in thousands)	2025	2024
Operations	\$ 38,138	\$ 42,400
Total gift pledges	\$ 38,138	\$ 42,400
Less: current portion	12,507	11,851
TOTAL GIFT PLEDGES, NONCURRENT	\$ 25,631	\$ 30,549

(6) Capital Assets

Capital assets as of September 30, 2025 and 2024 are summarized as follows:

(dollars in thousands)	BALANCE			BALANCE September 30, 2025	
	October 1, 2024	ADDITIONS	RETIREMENTS/ TRANSFERS		
UNIVERSITY AND BLENDED COMPONENT UNITS					
Capital assets not being depreciated					
Land	\$ 91,814	\$ —	\$ —	\$ 91,814	
Construction in progress	161,648	97,932	(144,974)	114,606	
	253,462	97,932	(144,974)	206,420	
Capital assets being depreciated					
Land Improvements	68,033	3,083	—	71,116	
Buildings	2,090,125	218,285	(5,196)	2,303,214	
Fixed Equipment Systems	91,577	213	—	91,790	
Equipment	476,117	33,699	(15,078)	494,738	
Library Materials	173,923	8,602	—	182,525	
Right Of Use Asset - Leases	104,010	10,164	(297)	113,877	
Right Of Use Asset - SBITAs	47,240	25,897	(302)	72,835	
	3,051,025	299,943	(20,873)	3,330,095	
Total Capital Assets	3,304,487	397,875	(165,847)	3,536,515	
Less: Accumulated Depreciation	1,798,839	128,116	(19,131)	1,907,824	
Total Net Capital Assets	\$ 1,505,648	\$ 269,759	\$ (146,716)	\$ 1,628,691	
UNIVERSITY HOSPITAL					
Capital assets not being depreciated					
Land	\$ 20,813	\$ —	\$ —	\$ 20,813	
Construction in progress	135,858	25,580	(119,561)	41,877	
	156,671	25,580	(119,561)	62,690	
Capital assets being depreciated					
Land Improvements	2,506	6	—	2,512	
Buildings	1,051,680	148,472	(448)	1,199,704	
Fixed Equipment Systems	10,218	—	—	10,218	
Equipment	731,123	153,710	(27,699)	857,134	
Right Of Use Asset - Leases	96,098	8,315	(5,847)	98,566	
Right Of Use Asset - SBITAs	70,483	26,328	(10,846)	85,965	
	1,962,108	336,831	(44,840)	2,254,099	
Total Capital Assets	2,118,779	362,411	(164,401)	2,316,789	
Less: Accumulated Depreciation	1,322,370	116,248	(43,129)	1,395,489	
Total Net Capital Assets	\$ 796,409	\$ 246,163	\$ (121,272)	\$ 921,300	

TOTAL UAB

Capital assets not being depreciated

Land	\$ 112,627	\$ —	\$ —	\$ 112,627
Construction in progress	297,506	123,512	(264,535)	156,483
	410,133	123,512	(264,535)	269,110
Capital assets being depreciated				
Land Improvements	70,539	3,089	—	73,628
Buildings	3,141,805	366,757	(5,644)	3,502,918
Fixed Equipment Systems	101,795	213	—	102,008
Equipment	1,207,240	187,409	(42,777)	1,351,872
Library Materials	173,923	8,602	—	182,525
Right Of Use Asset - Leases	200,108	18,479	(6,144)	212,443
Right Of Use Asset - SBITAs	117,723	52,225	(11,148)	158,800
	5,013,133	636,774	(65,713)	5,584,194
Total Capital Assets	5,423,266	760,286	(330,248)	5,853,304
Less: Accumulated Depreciation	3,121,209	244,364	(62,260)	3,303,313
TOTAL NET CAPITAL ASSETS	\$ 2,302,057	\$ 515,922	\$ (267,988)	\$ 2,549,991

(dollars in thousands)	Balance		Sales/ Retirements/	Balance		
	October 1, 2023	Additions				
UNIVERSITY AND BLENDED COMPONENT UNITS						
Capital assets not being depreciated						
Land	\$ 91,814	\$ —	\$ —	\$ 91,814		
Construction in progress	105,958	109,424	(53,734)	161,648		
	197,772	109,424	(53,734)	253,462		
Capital assets being depreciated						
Land Improvements	66,215	1,818	—	68,033		
Buildings	1,973,082	123,023	(5,980)	2,090,125		
Fixed Equipment Systems	90,849	728	—	91,577		
Equipment	461,040	29,260	(14,183)	476,117		
Library Materials	165,512	8,411	—	173,923		
Right Of Use Asset - Leases	95,524	11,033	(2,547)	104,010		
Right Of Use Asset - SBITAs	35,647	11,593	—	47,240		
	2,887,869	185,866	(22,710)	3,051,025		
Total Capital Assets	3,085,641	295,290	(76,444)	3,304,487		
Less: Accumulated Depreciation	1,702,047	118,002	(21,210)	1,798,839		
Total Net Capital Assets	\$ 1,383,594	\$ 177,288	\$ (55,234)	\$ 1,505,648		

UNIVERSITY HOSPITAL

Capital assets not being depreciated

Land	\$ 20,813	\$ —	\$ —	\$ 20,813
Construction in progress	\$ 61,521	\$ 83,389	\$ (9,052)	\$ 135,858
	82,334	83,389	(9,052)	156,671
Capital assets being depreciated				
Land Improvements	2,381	125	—	2,506
Buildings	1,032,565	19,115	—	1,051,680
Fixed Equipment Systems	10,218	—	—	10,218
Equipment	693,585	62,456	(24,918)	731,123
Right Of Use Asset - Leases	82,987	17,932	(4,821)	96,098
Right Of Use Asset - SBITAs	59,067	19,531	(8,115)	70,483
	1,880,803	119,159	(37,854)	1,962,108
Total Capital Assets	1,963,137	202,548	(46,906)	2,118,779
Less: Accumulated Depreciation	1,246,440	113,172	(37,242)	1,322,370
Total Net Capital Assets	\$ 716,697	\$ 89,376	\$ (9,664)	\$ 796,409

TOTAL UAB

Capital assets not being depreciated

Land	\$ 112,627	\$ —	\$ —	\$ 112,627
Construction in progress	\$ 167,479	\$ 192,813	\$ (62,786)	\$ 297,506
	280,106	192,813	(62,786)	410,133

Capital assets being depreciated

Land Improvements	68,596	1,943	—	70,539
Buildings	3,005,647	142,138	(5,980)	3,141,805
Fixed Equipment Systems	101,067	728	—	101,795
Equipment	1,154,625	91,716	(39,101)	1,207,240
Library Materials	165,512	8,411	—	173,923
Right Of Use Asset - Leases	178,511	28,965	(7,368)	200,108
Right Of Use Asset - SBITAs	94,714	31,124	(8,115)	117,723
	4,768,672	305,025	(60,564)	5,013,133
Total Capital Assets	5,048,778	497,838	(123,350)	5,423,266
Less: Accumulated Depreciation	2,948,487	231,174	(58,452)	3,121,209
TOTAL NET CAPITAL ASSETS	\$ 2,100,291	\$ 266,664	\$ (64,898)	\$ 2,302,057

A summary of right of use asset, net by major classes as of September 30, 2025 and 2024, is as follows:

(dollars in thousands)	2025	2024
Land	\$ 473	\$ 541
Building	85,595	93,108
Equipment	13,830	16,043
Vehicle	11	21
SBITAs	64,800	48,335
	\$ 164,709	\$ 158,048

(7) Long-Term Debt

Long-term debt activity for the years ended September 30, 2025 and 2024 is summarized as follows:

(dollars in thousands)	Balance October 1, 2024	New Debt	Principal Repayment	Balance September 30, 2025	Current Portion
UNIVERSITY AND BLENDED COMPONENT UNITS					
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 4.0% due annually from 2022 through 2025	\$ 3,780	\$ —	\$ 3,780	\$ —	\$ —
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	14,045	—	3,190	10,855	2,085
Birmingham General Revenue Bonds Series 2013D-2, 5.0% due 2025	2,470	—	2,470	—	—
Birmingham General Revenue Bonds Series 2015A, 3.0% to 5.0% due annually through 2028	10,090	—	2,765	7,325	2,850
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	10,905	—	3,565	7,340	3,635
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585	—	—	95,585	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2022 through 2030	20,800	—	3,120	17,680	3,245
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2031 through 2049	145,940	—	—	145,940	—
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	33,985	—	1,710	32,275	1,830
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	34,895	—	230	34,665	3,075
Birmingham General Revenue Bonds Series 2022A, 3.0% to 5.0% due annually from 2023 through 2052	158,325	—	3,040	155,285	3,195
Birmingham General Revenue Bonds Series 2022B, 5.0% due annually from 2023 through 2025	2,630	—	2,630	—	—
Birmingham General Revenue Bonds Series 2022C, 2.15% due annually 2026 through 2044	58,960	—	—	58,960	4,210
Birmingham General Revenue Bonds Series 2023A, 2.1% due annually from 2024 through 2044	78,370	—	755	77,615	3,365
Other Obligations					
Lease Obligations, 0.70% to 5.28% due annually through 2045	61,426	10,683	10,838	61,271	10,480
SBITA Obligations, 0.70% to 4.59% due annually through 2029	15,833	22,986	13,322	25,497	11,842
	\$ 748,039	\$ 33,669	\$ 51,415	\$ 730,293	\$ 49,812
Plus unamortized bond premium				24,160	—
TOTAL UNIVERSITY DEBT				\$ 754,453	\$ 49,812

(dollars in thousands)	Balance October 1, 2024	New Debt	Principal Repayment	Balance September 30, 2025	Current Portion
UNIVERSITY HOSPITAL					
Direct Borrowings					
Note payable UAB Medical Enterprise, 3.0% to 5.0% due annually through 2048	\$ 87,539	\$ —	\$ 1,642	\$ 85,897	\$ 2,186
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	4,797	—	1,557	3,240	1,599
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	284,535	—	4,685	279,850	5,595
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385	—	5,105	13,280	6,545
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810	—	—	44,810	—
Other Obligations					
Lease Obligations, 1.90% to 4.00% due monthly through 2047	53,500	8,103	16,679	44,924	14,589
SBITA Obligations, 0.25% to 3.40% due monthly through 2030	28,513	26,283	20,418	34,378	17,608
	\$ 522,079	\$ 34,386	\$ 50,086	\$ 506,379	\$ 48,122
Plus unamortized bond premium				16,040	—
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 522,419	\$ 48,122
TOTAL UAB	\$ 1,270,118	\$ 68,055	\$ 101,501	\$ 1,236,672	\$ 97,934
Plus unamortized bond premium				40,200	—
TOTAL UAB DEBT				\$ 1,276,872	\$ 97,934

(dollars in thousands)	Balance October 1, 2023	New Debt	Principal Repayment	Balance September 30, 2024	Current Portion
UNIVERSITY AND BLENDED COMPONENT UNITS					
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2025	\$ 7,415	\$ —	\$ 3,635	\$ 3,780	\$ 3,780
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	17,445	—	3,400	14,045	3,190
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	2,425	—	2,425	—	—
Birmingham General Revenue Bonds Series 2013D-2, 5.0% due 2025	2,470	—	—	2,470	2,470
Birmingham General Revenue Bonds Series 2015A, 3.0% to 5.0% due annually through 2028	12,725	—	2,635	10,090	2,765
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	14,400	—	3,495	10,905	3,565
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585	—	—	95,585	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2022 through 2030	22,310	—	1,510	20,800	3,120
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2031 through 2049	145,940	—	—	145,940	—
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	35,585	—	1,600	33,985	1,710
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	35,115	—	220	34,895	230
Birmingham General Revenue Bonds Series 2022A, 3.0% to 5.0% due annually from 2023 through 2052	161,220	—	2,895	158,325	3,040
Birmingham General Revenue Bonds Series 2022B, 5.0% due annually from 2023 through 2025	6,025	—	3,395	2,630	2,630
Birmingham General Revenue Bonds Series 2022C, 2.15% due annually 2026 through 2044	58,960	—	—	58,960	—
Birmingham General Revenue Bonds Series 2023A, 2.1% due annually from 2024 through 2044	78,755	—	385	78,370	755
Other Obligations					
Lease Obligations, 0.70% to 5.28% due annually through 2045	61,237	11,668	11,479	61,426	9,334
SBITA Obligations, 0.70% to 4.59% due annually through 2029	18,006	10,811	12,984	15,833	4,538
	\$ 775,618	\$ 22,479	\$ 50,058	\$ 748,039	\$ 41,127
Plus unamortized bond premium				26,491	—
TOTAL UNIVERSITY DEBT				\$ 774,530	\$ 41,127

(dollars in thousands)	Balance October 1, 2023	New Debt	Principal Repayment	Balance September 30, 2024	Current Portion
UNIVERSITY HOSPITAL					
Direct Borrowings					
Note payable UAB Medicine Enterprise, 3.0% to 5.0% due annually through 2048	\$ 89,069	\$ —	\$ 1,530	\$ 87,539	\$ 1,642
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	6,313	—	1,516	4,797	1,557
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	293,730	—	9,195	284,535	4,685
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385	—	—	18,385	5,105
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810	—	—	44,810	—
Other Obligations					
Lease Obligations, 1.90% to 4.00% due monthly through 2047	51,679	17,855	16,034	53,500	15,736
SBITA Obligations, 0.25% to 3.40% due monthly through 2029	29,491	19,530	20,508	28,513	16,065
	\$ 533,477	\$ 37,385	\$ 48,783	\$ 522,079	\$ 44,790
Plus unamortized bond premium				17,455	—
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 539,534	\$ 44,790
TOTAL UAB	\$ 1,309,095	\$ 59,864	\$ 98,841	\$ 1,270,118	\$ 85,917
Plus unamortized bond premium				43,946	—
TOTAL UAB DEBT				\$ 1,314,064	\$ 85,917
Maturities and interest on Direct Borrowings and Direct Placement Other and General Receipts Bonds for the next five years and in subsequent five-year incremental periods are presented in the table below:					
Direct Borrowings and Direct Placement Other (dollars in thousands)					
UNIVERSITY					
Year	Principal	Interest	Total	Principal	Interest
2026	\$ —	\$ —	\$ 2,186	\$ 2,725	\$ 4,911
2027	—	—	2,765	2,679	5,444
2028	—	—	2,821	2,621	5,442
2029	—	—	2,884	2,561	5,445
2030	—	—	2,948	2,495	5,443
2031–2035	—	—	15,979	11,222	27,201
2036–2040	—	—	18,666	8,522	27,188
2041–2045	—	—	22,118	5,062	27,180
2046–2048	—	—	15,530	1,058	16,588
TOTAL	\$ —	\$ —	\$ 85,897	\$ 38,945	\$ 124,842
				\$ 85,897	\$ 38,945
					\$ 124,842

General Receipts Bonds (dollars in thousands)

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 27,490	\$ 21,395	\$ 48,885	\$ 13,739	\$ 14,250	\$ 27,989	\$ 41,229	\$ 35,645	\$ 76,874
2027	28,090	20,539	48,629	14,781	13,801	28,582	42,871	34,340	77,211
2028	27,400	19,648	47,048	14,770	13,265	28,035	42,170	32,913	75,083
2029	26,155	18,699	44,854	15,755	12,538	28,293	41,910	31,237	73,147
2030	27,130	17,738	44,868	16,640	11,886	28,526	43,770	29,624	73,394
2031–2035	133,420	73,583	207,003	98,050	48,058	146,108	231,470	121,641	353,111
2036–2040	141,115	48,800	189,915	124,815	24,722	149,537	265,930	73,522	339,452
2041–2045	131,695	25,994	157,689	42,630	2,259	44,889	174,325	28,253	202,578
2046–2050	84,255	8,418	92,673	—	—	—	84,255	8,418	92,673
2051	16,775	507	17,282	—	—	—	16,775	507	17,282
TOTAL	\$ 643,525	\$ 255,321	\$ 898,846	\$ 341,180	\$ 140,779	\$ 481,959	\$ 984,705	\$ 396,100	\$ 1,380,805

Lease Obligations (dollars in thousands)

Year	UNIVERSITY AND BLENDED COMPONENT UNITS			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 10,480	\$ 1,691	\$ 12,171	\$ 14,590	\$ 1,189	\$ 15,779	\$ 25,070	\$ 2,880	\$ 27,950
2027	9,557	1,381	10,938	11,508	787	12,295	21,065	2,168	23,233
2028	8,444	1,110	9,554	10,828	441	11,269	19,272	1,551	20,823
2029	6,399	896	7,295	5,913	148	6,061	12,312	1,044	13,356
2030	2,385	788	3,173	1,270	51	1,321	3,655	839	4,494
2031–2035	7,368	3,115	10,483	805	64	869	8,173	3,179	11,352
2036–2040	7,259	1,994	9,253	10		10	7,269	1,994	9,263
2041–2045	9,379	741	10,120	—	—	—	9,379	741	10,120
TOTAL	\$ 61,271	\$ 11,716	\$ 72,987	\$ 44,924	\$ 2,680	\$ 47,604	\$ 106,195	\$ 14,396	\$ 120,591

SBITA Obligations (dollars in thousands)

Year	UNIVERSITY AND BLENDED COMPONENT UNITS			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 11,842	\$ 676	\$ 12,518	\$ 17,608	\$ 731	\$ 18,339	\$ 29,450	\$ 1,407	\$ 30,857
2027	8,893	311	9,204	9,871	361	10,232	18,764	672	19,436
2028	2,968	126	3,094	4,794	136	4,930	7,762	262	8,024
2029	1,600	39	1,639	1,894	32	1,926	3,494	71	3,565
2030	194	5	199	211	2	213	405	7	412
TOTAL	\$ 25,497	\$ 1,157	\$ 26,654	\$ 34,378	\$ 1,262	\$ 35,640	\$ 59,875	\$ 2,419	\$ 62,294

Pledged revenues for 2025 and 2024, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

UNIVERSITY HOSPITAL BONDS (dollars in thousands)			2025	2024
Total pledged revenues			\$ 3,957,083	\$ 3,558,971

Pledged revenues for 2025 and 2024, as defined by the Series 2013A, 2013B, 2013D, 2015A, 2016A, 2016B, 2019A, 2019B, 2022A, 2022B, 2022C and 2023A, General Revenue Trust Indentures, are as follows:

UNIVERSITY BONDS (dollars in thousands)	2025	2024
Tuition and fees	\$ 353,082	\$ 346,353
Indirect cost recovery	142,772	144,185
Sales and service of educational activities	88,313	75,850
Auxiliary sales and service	58,787	59,447
Investment Income	52,042	46,243
Other sources	26,366	25,075
TOTAL PLEDGED REVENUES	\$ 721,362	\$ 697,153

In October 2016, University Hospital joined three other affiliated entities (University of Alabama Health Services Foundation, P.C., the UAB Medicine Enterprise, and UAB Callahan Eye Hospital Authority) in the formation of an obligated group through a master trust indenture (the “Obligated Group”). Under the terms of the indenture, each of the participating entities can issue its own debt through a conduit entity, the UAB Medicine Financing Authority, but all members of the obligated group are jointly and severally liable for the debt of each entity issued through the obligated group.

In October 2024, the UAB St. Vincent’s Health System Authority, a newly formed University Authority under the control of the Board of Trustees of the University of Alabama System, issued Series 2024 A,B, and C revenue bonds totaling \$680 million for the purchase of the St. Vincent’s Health System from Ascension Health effective November 1, 2024. The Obligated Group has guaranteed the Series 2024 A, B, and C revenue bonds and University Hospital is jointly and severally liable for the debt issuance.

In September 2023, the University exercised the option to redeem the Series 2022D bonds in whole for Series 2023A bonds. The redemption of the Series 2022D bonds was accomplished through an exchange of the Series 2022D bonds for a forward delivery bond with an initial principal amount equal to the principal amount of the Series 2022D bonds being redeemed plus payment of any accrued interest on those same bonds. The principal amount of Series 2022D at redemption totaled \$78.8 million and accrued interest totaled \$1.04 million.

In March 2022, the University issued \$162.7 million and \$9.6 million in Series 2022A and Series 2022B General Revenue Bonds, respectively. The Series 2022A bonds consisted of \$101.2 million in serial bonds and \$61.5 million in term bonds. The bonds pay interest at varying rates of 3.0% to 5.0%, respectively. The Serial bonds have principal due annually through October 1, 2043. The term bonds principal due October 1, 2047 and October 1, 2051. The proceeds of these offering are being used to finance the cost of certain capital improvements to the facilities of UAB, for the purposes of advance refunding Series 2010A and 2010C General Revenue Bonds; and paying costs and expenses associated with this issue. These bonds were issued at a premium of \$11.7 million and \$0.5 million resulting in total proceeds of \$174.4 million and \$10.2 million respectively.

In July 2022, the University issued \$58.9 million in Series 2022C General Revenue Bonds. The bonds pay taxable interest rate of 2.76% or tax-exempt interest rate of 2.15%, with principal due annually through October 1, 2043. The proceeds of these offering were used for the purposes of advance refunding Series 2013A2 General Revenue Bonds; and paying costs and expenses associated with this issue. The bonds were issued at a par resulting in total proceeds of \$58.9 million.

In June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Medicine Enterprise pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Medicine Enterprise for \$77.0 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. In January 2021, University Hospital borrowed an additional \$17.7 million of the 2019A and 2019B bond proceeds from UAB Medicine Enterprise for a total of 94.7 million. University Hospital initially reflected the full \$94.7 million on its statement of net position as long-term debt and is currently paying principal and interest on the full amount. There are no financial covenants related to the loan between University Hospital and UAB Medicine Enterprise.

The UAB general revenue bonds and the Hospital Revenue Trust Indentures are subject to certain covenants with the most restrictive being those on the Hospital’s 2012A series issuance. These covenants, among other things, require the University Hospital to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. UAB and the University Hospital are in compliance with all financial covenants as of September 30, 2025.

The UAB Medicine Financing Authority's Revenue Trust Indentures are also subject to certain covenants. These covenants require the Obligated Group to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. The Obligated Group is in compliance with all financial covenants as of September 30, 2025.

UAB has leases for land, buildings, vehicles, and equipment under agreements that extend through 2047. Some leases include one or more options to renew. Leases may also include options to terminate the leases. UAB measures the lease liability at the present value of payments expected to be made during the lease term. If the interest rate implicit in the lease cannot be readily determined, UAB uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

UAB has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2030. Some SBITAs include one or more options to renew. SBITAs may also include options to terminate the subscription. UAB measures the SBITA liability at the present value of payments expected to be made during the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, UAB uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

(8) Self-Insurance

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

UAB's medical malpractice liability is managed by PLTF, a professional liability trust fund. PLTF functions as a risk-sharing vehicle for UAB and more than ten nongovernmental organizations. PLTF covers liabilities of the covered parties, including UAB, arising from reported claims, claims that are incurred but not reported, and future costs of handling these claims. The liabilities are generally based on present value actuarial valuations discounted at a rate of 2% in 2025 and 2024. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

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

The PLTF maintains a minimum of \$15 million of assets in the liquid operating account. At September 30, 2025 and 2024, the liquid assets of the PLTF, as defined by the agreement, were in compliance with the agreement.

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

General liability is subject to various claims and aggregate limits, with excess liability coverage provided by an independent insurer. General liability and employee health care claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The liabilities are based on actuarial valuations and are reported at present value. The discount rate used for the general liability was 2% in both 2025 and 2024. Changes in the total self-insured liabilities for the years ended September 30, 2025 and 2024 are presented as follows for UAB:

SELF INSURED LIABILITIES (dollars in thousands)	2025	2024
Balance, beginning of year	\$ 6,572	\$ 5,450
Claims incurred and changes in estimates	121,636	121,778
Claim payments	(123,330)	(120,656)
BALANCE, END OF YEAR	\$ 4,878	\$ 6,572

(9) Employee Benefits

Eligible employees of the University and University Hospital participate in the mandatory Teachers' Retirement System of Alabama ("TRS"), a cost sharing, multiple-employer public retirement system designated as a defined benefit plan. In addition, eligible employees may elect to participate in a voluntary 403(b) defined contribution retirement plan. Teachers Insurance and Annuity Association ("TIAA") serves as the single recordkeeper and sole vendor for the plan.

Defined Benefit Plan - TRS

Plan Description. The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa.al.gov.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Members of TRS are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Benefits for TRS members vest after 10 years of creditable service.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Act 2022 of the Legislature of 2022 for TRSA provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit.

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions. Covered Tier 1 members of the TRS contributed 5% 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. Effective October 1, 2021, the covered Tier 2 members' contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees. Contributions for covered employees are mandatory for both employee and employer. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

UAB's contractually required contribution rate for the year ended September 30, 2025 was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. UAB's contractually required contribution rate for the year ended September 30, 2024 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. The total contribution requirement for fiscal years 2025, 2024 and 2023 is as follows:

(dollars in thousands)	2025	2024	2023
Employer Contributions	\$ 123,968	\$ 112,356	\$ 104,935
Employee Contributions	65,981	64,438	60,763
TOTAL CONTRIBUTIONS	\$ 189,949	\$ 176,794	\$ 165,698

Pensionable salaries and wages for covered employees participating in TRS were approximately \$1.12 billion during fiscal year 2025 and \$1.08 billion during fiscal year 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025 and September 30, 2024, the financial statements of UAB reflected a liability of \$1.38 billion and \$1.67 billion, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB Standard No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27*. The collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. UAB's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2024, UAB's proportion was 10.59%, which was a increase of 0.10% from its proportion measured as of September 30, 2023. At September 30, 2023, UAB's proportion was 10.49%, which was a decrease of 0.42% from its proportion measured as of September 30, 2022.

For the years ended September 30, 2025 and September 30, 2024, UAB recognized pension expense of \$153.5 million and \$229.3 million, respectively. At September 30, 2025 and 2024, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollars in thousands)	2025		
	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 137,001	\$ 9,928	
Changes of assumptions	21,126	—	
Net difference between projected and actual earnings on pension plan investments	—	225,931	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	11,044	43,583	
Employer contributions subsequent to the measurement date	123,968	—	
TOTAL	\$ 293,139	\$ 279,442	

(dollars in thousands)	2024		
	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 149,617	\$ 22,591	
Changes of assumptions	47,074	—	
Net difference between projected and actual earnings on pension plan investments	114,758	—	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,475	66,497	
Employer contributions subsequent to the measurement date	112,357	—	
TOTAL	\$ 427,281	\$ 89,088	

\$124.0 million reported as deferred outflows of resources related to pensions resulting from UAB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30: (dollars in thousands)

2026	\$ (19,664)
2027	54,620
2028	(77,210)
2029	(68,017)
Thereafter	—

Actuarial assumptions. The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective the beginning of fiscal year 2021.

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

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

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00 %	2.80 %
U.S. Large Stocks	32.00 %	8.00 %
U.S. Mid Stocks	9.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	12.00 %	9.50 %
International Emerging Market Stocks	3.00 %	11.00 %
Alternatives	10.00 %	9.00 %
Real Estate	10.00 %	6.50 %
Cash	5.00 %	1.50 %
TOTAL	100.00 %	

*Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was 7.45%. The discount rate used to measure the total pension liability at the prior measurement date was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of UAB's proportionate share of the net pension liability to changes in the discount rate. The following table reflects UAB's proportionate share of the net pension liability, as prescribed by GASB 68, calculated using the discount rate of 7.45%, as well as what UAB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

(dollars in thousands)	1% Decrease	Current Rate	1% Increase
UAB's proportionate share of collective net pension liability	\$ 1,915,573	\$ 1,377,694	\$ 924,949

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, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. The auditor's report on the Schedule of Employer Allocation and Pension Amounts by Employer and accompanying note detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Defined Contribution Plans

As previously noted, some employees also participate in a voluntary UA System 403(b) defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. UAB contributes a matching amount of up to 5% of total salaries for participating employees. UAB's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for fiscal years 2025 and 2024, excluding employee amounts not eligible for matching, were approximately \$95.4 million and \$88.3 million, respectively. This includes employee contributions eligible for matching of \$47.7 million and \$44.1 million, and UAB contributions of \$47.7 million and \$44.1 million, in 2025 and 2024, respectively.

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

The University, the University Hospital, LLC and UABRF total salaries and wages for fiscal years 2025 and 2024 were approximately \$1.91 billion and \$1.79 billion, respectively. Total salaries and wages during fiscal years 2025 and 2024

for covered employees participating in TRS were approximately \$957.1 million and \$926.1 million, respectively. Total salaries and wages during fiscal years 2025 and 2024 for covered employees participating in the 403(b) Plan were approximately \$1.11 billion and \$1.02 billion, 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.

Compensated Absences

During 2025, UAB adopted GASB Statement No. 101, *Compensated Absences*, which establishes a unified recognition and measurement model for compensated absence liabilities. Certain UAB employees accumulate vacation and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid unused accrued vacation at their regular rate of pay up to a designated maximum number of days. Employees are not paid unused accrued sick time upon termination of employment. In accordance with GASB 101, the financial statements include accruals of approximately \$89.3 million and \$86.5 million as of September 30, 2025 and 2024, respectively, for accrued vacation pay and salary-related payments associated with vacation pay.

(10) Post-Employment Benefits

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

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

PEEHIP

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

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

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and covered dependents are eligible to enroll in the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan, VIVA Health Plan (offered through the Public Education Employees' Health Insurance Fund (PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board, Local Government Health Insurance Board, Medicaid, ALL Kids, Tricare, or Champus, as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

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

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2025 and 2024, the financial statements of UAB reflected a liability of \$1.07 billion and \$211.2 million, respectively for its proportionate share of the net OPEB liability, as prescribed by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net OPEB liability was measured as of September 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. UAB's proportion of the net OPEB liability was based on a projection of UAB's share of contributions to the OPEB plan relative to the projected contributions of all participating PEEHIP employers, actuarially determined. At September 30, 2024, UAB's proportion was 11.64%, which was an increase of 0.65% from its proportion measured as of September 30, 2023.

For the years ended September 30, 2025 and 2024, UAB recognized an OPEB expense of \$64.9 million and OPEB benefit of \$61.0 million, respectively with no special funding situations. At September 30, 2025 and 2024, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

(dollars in thousands)	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 498,941	\$ 230,906
Changes of assumptions	368,454	151,369
Net difference between projected and actual earnings on OPEB plan investments	—	26,395
Changes in proportion and differences between Employer contributions and proportionate share of contributions	213,062	99,045
Employer contributions subsequent to the measurement date	22,346	—
TOTAL	\$ 1,102,803	\$ 507,715

(dollars in thousands)	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,130	\$ 333,275
Changes of assumptions	177,933	208,938
Net difference between projected and actual earnings on OPEB plan investments	7,214	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	255,298	140,060
Employer contributions subsequent to the measurement date	16,676	—
TOTAL	\$ 461,251	\$ 682,273

\$22.3 million reported as deferred outflows of resources related to OPEB resulting from UAB's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending September 30:	(dollars in thousands)
2026	\$ 122,448
2027	105,363
2028	53,283
2029	93,606
2030	152,066
Thereafter	45,976

Actuarial assumptions. The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increase ¹	5.00%-3.25%
Long-Term Investment Rate of Return ²	7.00%
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Projected Year for Fiduciary Net Position (FNP) to be depleted	2040
Single Equivalent Interest Rate at the Measurement Date	4.32%
Single Equivalent Interest Rate at the Prior Measurement Date	7.00%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2033

¹Includes 2.75% wage inflation.

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

**Initial Medicare claims are set based on scheduled increases through plan year 2025.

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

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2023 valuation.

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

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
TOTAL	100.00 %	

* Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate ("SEIR"), as described by GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pensions Plans*) used to measure the PEEHIP total OPEB liability at September 30, 2024 was 4.32%. The discount rate used to measure the total OPEB liability at the prior measurement date was 7.00%. Premiums paid to the PEEHI Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$904 in fiscal year 2026, \$1,114 in fiscal year 2027, and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for UAB members are paid by the UAB and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2122.

Sensitivity of the UAB's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current healthcare trend rate from 6.75% to 5.75%, the pre-Medicare from 4.50% to 3.50%, the Known Medicare eligible from 4.50% to 3.50%. A 1-percentage-point increase would change the current healthcare trend rate from 6.75% to 7.75%, the pre-Medicare from 4.50% to 5.50%, the Known Medicare eligible from 4.50% to 5.50%.

(dollars in thousands)	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 860,616	\$ 1,069,865	\$ 1,339,691

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 4.32%, as well as what the net OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current discount rate from 4.32% to 3.32%. A 1-percentage-point increase would change the current discount rate from 4.32% to 5.32%.

(dollars in thousands)	1% Decrease	Current Discount Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 1,299,638	\$ 1,069,865	\$ 886,250

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

UAB Plan

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

Benefits provided. UAB employees can participate in the UAB plan as a retiree if the following condition are met; retiree has 25 years of creditable service, regardless of age (Tier I only), or retiree has 10 years of service and is 60 years old (62 years old for Tier II), or retiree has 10 years of service and is determined disabled by the Social Security Administration or the Teachers' Retirement System of Alabama's Medical Board. These retired UAB employees may elect to continue to participate in UAB Plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB Plan becomes the secondary insurer. Despite the availability of the UAB Plan, most retirees elect to participate in the PEEHIP with TRS. The UAB Plan consists of hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit.

Employees included in the actuarial valuation include active employees, retirees and disabled employees enrolled in the medical plan and retirees not enrolled in the medical plan with retiree life insurance. The following table summarizes the membership of the UAB Plan as of September 30, 2023, the Valuation Date.

Membership:	2025
Inactive Employees or Beneficiaries Currently Receiving Benefits	146
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	10,704
TOTAL MEMBERSHIP	10,850

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2025 and 2024, UAB reported a total OPEB liability ("TOL") of \$5.5 million and \$6.2 million, respectively. The TOL is based upon an Entry Age Normal ("EAN") actuarial funding method as of the valuation date, September 30, 2023. If the valuation date at which the TOL is determined is before the measurement date, the TOL must be rolled forward to the measurement date.

For the years ended September 30, 2025 and 2024, UAB recognized an OPEB benefit of \$0.9 million and \$1.0 million, respectively with no special funding situations. At September 30, 2025 and 2024, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

(dollars in thousands)	2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,796	\$ 2,660	
Changes of assumptions		1,287	2,178
Employer contributions subsequent to the measurement period		512	—
TOTAL	\$ 3,595	\$ 4,838	

(dollars in thousands)	2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,751	\$ 3,560	
Changes of assumptions		1,347	2,974
Employer contributions subsequent to the measurement period		2,045	—
TOTAL	\$ 5,143	\$ 6,534	

\$0.5 million reported as deferred outflows of resources related to OPEB resulting from UAB's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30: (dollars in thousands)

2026	\$	(1,213)
2027		(1,096)
2028		(620)
2029		307
2030		337
Thereafter		530

Actuarial assumptions. The total OPEB liability for the UAB Plan was determined by an actuarial valuation as of September 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Real Wage Growth	0.25 %
Projected Salary Increases ¹	3.25%-5.00%
Wage inflation.	2.75 %
Municipal Bond Index Rate at the Measurement Date	3.89 %
Municipal Bond Index Rate at the Prior Measurement Date	4.53 %
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.50% by 2032)	6.75 %

¹Includes 2.75% wage inflation.

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2023 valuation were based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2023 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2023 valuation.

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

Discount Rate. The discount rate, as defined by Paragraph 155 of GASB 75 is to be a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate) The Municipal Bond Index Rate used for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the Fidelity General Obligation AA

20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index. The rates as of September 30, 2024 were 3.81%, 4.06%, and 3.79% for the Bond Buyer, Fidelity, and S&P Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 3.89%. This is a change from the Municipal Bond Index Rate of 4.53% as of the Prior Measurement Date.

Sensitivity of the UAB Plan's net OPEB liability to changes in the healthcare cost trend rates. The following table presents the total OPEB Liability of the UAB Plan, calculated using the current healthcare trend rate, as well as what the total OPEB Liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current healthcare trend rate from 6.75% to 5.75% and pre-Medicare from 4.50% to 3.50%. A 1-percentage-point increase would change the current healthcare trend rate from 6.75% to 7.75% and the pre-Medicare from 4.50% to 5.50%.

(dollars in thousands)	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's total OPEB liability	\$ 5,310	\$ 5,502	\$ 5,709

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 3.89%, as well as what the total OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate:

(dollars in thousands)	2.89%	3.89%	4.89%
UAB's total OPEB liability	\$ 5,764	\$ 5,502	\$ 5,260

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

(dollars in thousands)	2025
Total OPEB Liability as of September 30, 2024	\$ 6,200
Changes for the year:	
Service cost*	90
Interest on TOL and cash flows	248
Difference between expected and actual experience	298
Changes of assumptions or other inputs	157
Benefit payments	(1,488)
Net changes	\$ (695)
Total OPEB Liability as of September 30, 2025	\$ 5,505

*The service cost include interest for the year.

(11) Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the university rather than through private lenders. UAB began participation in the FDSLP on July 1, 1994. As a university qualified to originate loans, UAB is responsible for handling the complete loan process, including funds management, as well as promissory note functions. UAB is not responsible for collection of these loans. During the years ended September 30, 2025 and 2024, UAB disbursed approximately \$158.3 million and \$157.7 million, respectively, under the FDSLP.

(12) Grants and Contracts

At September 30, 2025 and 2024, UAB had been awarded approximately \$847.9 million and \$1.05 billion, respectively, in grants and contracts which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

(13) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2025 and 2024 are as follows for UAB:

2025 Operating Expenses (by functional classification)						
(dollars in thousands)	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total	
Instruction	\$ 309,149	\$ 38,813	\$ —	\$ —	\$ 347,962	
Research	249,109	200,827	—	—	—	449,936
Public service	137,067	37,117	—	—	—	174,184
Academic support	281,872	19,281	—	—	—	301,153
Student services	34,346	18,329	—	—	—	52,675
Institutional support	138,419	235,632	—	—	—	374,051
Operations and maintenance of plant	53,312	47,540	—	—	—	100,852
Scholarships and fellowships	—	—	—	40,572	—	40,572
University Hospital	1,336,884	1,992,163	—	—	—	3,329,047
Auxiliary	89,077	915,286	—	—	—	1,004,363
Depreciation	—	—	244,364	—	—	244,364
TOTAL OPERATING EXPENSES	\$ 2,629,235	\$ 3,504,988	\$ 244,364	\$ 40,572	\$ 6,419,159	

2024 Operating Expenses (by functional classification)						
(dollars in thousands)	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total	
Instruction	\$ 299,078	\$ 45,813	\$ —	\$ —	\$ 344,891	
Research	249,034	169,161	—	—	—	418,195
Public service	124,593	57,618	—	—	—	182,211
Academic support	243,201	25,004	—	—	—	268,205
Student services	32,547	20,630	—	—	—	53,177
Institutional support	139,712	173,614	—	—	—	313,326
Operations and maintenance of plant	48,331	46,815	—	—	—	95,146
Scholarships and fellowships	—	—	—	36,092	—	36,092
University Hospital	1,224,027	1,785,013	—	—	—	3,009,040
Auxiliary	85,025	829,831	—	—	—	914,856
Depreciation	—	—	231,174	—	—	231,174
TOTAL OPERATING EXPENSES	\$ 2,445,548	\$ 3,153,499	\$ 231,174	\$ 36,092	\$ 5,866,313	

(14) Contingencies and Commitments

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

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

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

UAB has contracted for the construction and renovation of several facilities. At September 30, 2025 and 2024, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$525 million and \$464 million, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

(15) Segment Reporting

As discussed in Note 1, UAB's two significant identifiable activities that have bonds outstanding where revenue is pledged in support of the bonds are the University and the University Hospital. Condensed financial statement information related to the University and University Hospital as of and for the years ended September 30, 2025 and 2024 is as follows:

UNIVERSITY	2025	2024
(dollars in thousands)		
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 1,150,951	\$ 1,122,667
Capital assets, net	1,612,152	1,489,317
Other assets	1,391,430	1,310,064
TOTAL ASSETS	\$ 4,154,533	\$ 3,922,048
DEFERRED OUTFLOW OF RESOURCES	\$ 887,151	\$ 619,127
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,041,684	\$ 4,541,175

Current liabilities	409,222	375,611
Long-term debt	695,764	719,788
Other noncurrent liabilities	1,564,992	1,298,011
TOTAL LIABILITIES	\$ 2,669,978	\$ 2,393,410
DEFERRED INFLOW OF RESOURCES	\$ 524,335	\$ 476,070
Net investment in capital assets	868,758	737,214
Restricted nonexpendable	514,543	488,926
Restricted expendable	619,893	582,967
Unrestricted	(155,823)	(137,412)
TOTAL NET POSITION	\$ 1,847,371	\$ 1,671,695
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 5,041,684	\$ 4,541,175

UNIVERSITY

(dollars in thousands)

	2025	2024
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Tuition and fees, net	\$ 249,344	\$ 245,453
Grant and contract revenue	685,188	657,700
Sales and services, educational	88,313	75,850
Other operating revenues	85,153	84,522
Salaries, wages, and benefits	(1,221,660)	(1,153,830)
Supplies and services	(633,587)	(576,532)
Depreciation	(122,602)	(113,882)
Scholarships and fellowships	(40,572)	(36,092)
OPERATING LOSS	(910,423)	(816,811)
State appropriations	349,199	328,912
Investment income	196,763	306,345
Interest expense	(21,613)	(21,441)
Gifts	17,753	31,056
Other nonoperating revenues	42,615	47,314
LOSS BEFORE OTHER CHANGES IN NET POSITION	(325,706)	(124,625)
Capital gifts and grants	97,628	5,212
State capital funds	—	18,114
Endowment gifts	25,607	30,430
Intergovernmental transfers	378,147	362,363
INCREASE IN NET POSITION	175,676	291,494
Net position, beginning of year	1,671,695	1,380,201
NET POSITION, END OF YEAR	\$ 1,847,371	\$ 1,671,695

UNIVERSITY

(dollars in thousands)

2025 **2024****CONDENSED STATEMENTS OF CASH FLOWS**

Net cash provided by (used in):			
Operating activities	\$ (726,886)	\$ (693,346)	
Noncapital financing activities	818,348	801,633	
Investing activities	61,945	(25,756)	
Capital and related financing activities	(189,962)	(251,014)	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,555)	(168,483)	
Cash and cash equivalents, beginning of year	117,602	286,085	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 81,047	\$ 117,602	

UNIVERSITY HOSPITAL

(dollars in thousands)

2025 **2024****CONDENSED STATEMENTS OF NET POSITION**

Current assets	\$ 1,877,243	\$ 1,649,467
Capital assets, net	921,299	796,409
Other assets	877,952	884,034
TOTAL ASSETS	\$ 3,676,494	\$ 3,329,910
DEFERRED OUTFLOW OF RESOURCES	\$ 523,829	\$ 287,141
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,200,323	\$ 3,617,051
Current liabilities	338,308	313,108
Long-term debt	474,297	494,744
Other noncurrent liabilities	907,133	595,215
TOTAL LIABILITIES	\$ 1,719,738	\$ 1,403,067
DEFERRED INFLOW OF RESOURCES	\$ 297,711	\$ 329,044
Net investment in capital assets	389,864	249,478
Restricted nonexpendable	154	128
Restricted expendable	20,458	19,864
Unrestricted	1,772,398	1,615,470
TOTAL NET POSITION	\$ 2,182,874	\$ 1,884,940
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,200,323	\$ 3,617,051

UNIVERSITY HOSPITAL

(dollars in thousands)

	2025	2024
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 3,916,659	\$ 3,539,728
Operating expenses	(3,340,976)	(3,021,476)
Depreciation expense	(116,248)	(113,172)
OPERATING INCOME	459,435	405,080
State appropriations	49,264	46,287
Investment income	165,195	282,443
Interest expense	(19,024)	(19,339)
Other nonoperating expenses	(828)	(410)
INCOME BEFORE OTHER CHANGES IN NET POSITION	654,042	714,061
Intergovernmental transfers	(356,108)	(296,411)
INCREASE IN NET POSITION	297,934	417,650
Net position, beginning of year	1,884,940	1,467,290
NET POSITION, END OF YEAR	\$ 2,182,874	\$ 1,884,940

UNIVERSITY HOSPITAL

(dollars in thousands)

	2025	2024
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	525,970	464,034
Noncapital financing activities	(312,991)	(239,315)
Investing activities	104,158	(78,404)
Capital and related financing activities	(290,003)	(189,557)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,134	(43,242)
Cash and cash equivalents, beginning of year	57,298	100,540
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 84,432	\$ 57,298

(16) Health Care Services

Net Patient Service Revenue

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

Medicare. Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the University Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The University Hospital generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the University Hospital and audits by the Medicare fiscal intermediary. Revenue from the Medicare program and commercial insurance programs that administer Medicare programs (Medicare HMOs) accounted for approximately 35% and 36% of the University Hospital's net patient service revenue for the years ended September 30, 2025 and 2024, respectively.

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, 2025, the University 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 University Hospital intends to pursue the reversal of adverse determinations, where appropriate. The University 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. The method of reimbursement is determined by the procedures that are performed. Revenue from the Blue Cross program accounted for approximately 35% of the University Hospital's net patient service revenue for each of the years ended September 30, 2025 and 2024.

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 University Hospital is designated as a Disproportionate Share Hospital (DSH) and receives payments under the Medicaid DSH program. In addition, as a participant in the Alabama Medicaid Plan, the University Hospital also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. The net benefit associated with the University Hospital's participation in these programs, totaling approximately \$189.7 million and \$174.1 million in 2025 and 2024, respectively, is included in net patient service revenue in the accompanying statement of revenues, expenses and changes in net position. There can be no assurance that the University Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified. Revenue from the Medicaid program accounted for approximately 13% and 14% of the University Hospital's net patient service revenue for each of the years ended September 30, 2025 and 2024, respectively.

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

The composition of University Hospital operating revenue follows:

(dollars in thousands)	2025	2024
Gross Patient Service Revenue	\$ 13,740,849	\$ 12,583,200
Less Provision for Contractual and Other Adjustments	(10,620,566)	(9,655,383)
Less Provision for Uncollectible Accounts	(207,166)	(218,986)
Net Patient Service Revenue	\$ 2,913,117	\$ 2,708,831
Capitation Revenue	79,775	82,459
Other Operating Revenue	923,767	748,438
TOTAL UNIVERSITY HOSPITAL SALES REVENUE	\$ 3,916,659	\$ 3,539,728

Charity Care

The University Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of those services, and supplies and equivalent service statistics. The estimated cost of charity care provided during the years ended September 30, 2025 and 2024 was approximately \$66.3 million and \$55.3 million, respectively, calculated based on the ratio of total direct and indirect costs to establish charges applied to the charges foregone under the charity care policy.

(dollars in thousands)	2025	2024
Approximate charges foregone, based on established rates	\$ 237,661	\$ 201,955
Percentage of charity charges to total charges	1.7%	1.6%

Credit Risk

The University 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, 2025 and 2024 follows:

	2025	2024
Blue Cross	35%	35%
Medicare	28%	31%
Medicaid	5%	4%
Other	32%	30%
	100%	100%

Related Parties

The University Hospital and the other divisions of UAB provide a variety of support services to each other. The cost of these services is allocated to the end user on bases which vary according to the service being furnished. These services are paid for by transfers of funds which reduce operating expenses of the unit providing the service and are included in the operating costs of the unit receiving the service. Administrative and purchased services provided by UAB and allocated to and reimbursed by the University Hospital during the years ended September 30, 2025 and 2024 were approximately \$44.4 million and \$43.2 million, respectively. In addition, during the years ended September 30, 2025 and 2024, the University Hospital transferred approximately \$356.1 million and \$296.4 million, respectively, to UAB to support UAB's academic and medical programs. University Hospital had a net payable to UAB of approximately \$5.5 million and \$11.6 million at September 30, 2025 and 2024, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position, respectively.

In June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Medicine Enterprise pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Medicine Enterprise for \$77.0 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. In January 2021, University Hospital borrowed an additional \$17.7 million of the 2019A and 2019B bond proceeds from UAB Medicine Enterprise for a total of \$94.7 million. University Hospital initially reflected the full \$94.7 million on its statement of net position as long-term debt and is currently paying principal and interest on this full amount.

During 2008, the University Hospital entered into an operating agreement with the Health Services Foundation ("HSF") whereby HSF would lease two floors of the Women and Infants Center ("WIC"). HSF reimbursed the University Hospital for construction costs of this space as they were incurred on a square-footage basis. Total reimbursements are being amortized as rent revenue on a straight-line basis over a period equal to the 90 year total lease term, commencing on February 22, 2010, the date the building was placed into service. The University Hospital had received reimbursements from HSF totaling approximately \$14.7 million, of which approximately \$12.0 million and \$12.1 million respectively, is included in the accompanying statement of net position as lease related deferred inflows for the years ended September 30, 2025 and 2024, respectively.

In the normal course of business, HSF purchases various services from University Hospital, which aggregated to approximately \$78.3 million and \$72.8 million for the years ended September 30, 2025 and 2024, respectively, and University Hospital purchased various services from HSF, which aggregated to approximately \$105.4 million and \$96.6 million for the years ended September 30, 2025 and 2024, respectively. University Hospital had a net payable to HSF of approximately \$2.1 million at September 30, 2025, and a net receivable from HSF of \$1.6 million at September 30, 2024, which is included in accounts receivable and accrued expenses in the accompanying statements of net position, respectively.

The Board and HSF entered into an agreement dated October 7, 1996, amended April 6, 2017, to establish the UAB Medicine Enterprise and to provide common management for both existing and future healthcare delivery operations. In connection with its agreement with UAB Medicine Enterprise, University Hospital partially funded the operations of UAB Medicine Enterprise and its corporate office, charging approximately \$20.4 million and \$18.5 million to other operating expense in fiscal year 2025 and 2024, respectively. University Hospital made equity transfers of approximately \$210.4 million and \$147.7 million to UAB Medicine Enterprise during fiscal year 2025 and 2024, respectively. In addition, UAB Medicine Enterprise periodically makes payments on behalf of University Hospital for which it is reimbursed. University Hospital had a net payable to UAB Medicine Enterprise of approximately \$7.2 million and \$6.4 million at September 30, 2025 and 2024, respectively.

In March 2014, the University 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 two automatic five-year renewals thereafter. The lease agreement was renewed effective March 2019 for the first five-year period and

March 2024 for the second five-year period. The expenses related to this agreement for year ending September 30, 2025 and 2024 is \$11.3 million and \$17.0 million, respectively.

During the years ended September 30, 2025 and 2024, University Hospital received approximately \$79.8 million and \$82.5 million, respectively, in capitation fees from Triton Health Systems, LLC ("Triton"), a Health Insurance Plan sponsored by UAB.

Effective July 1, 2012, all new hires of University Hospital are employed by UAB Hospital Management, LLC ("LLC"), the single member of which is UAB. The LLC offers the employees a voluntary 403(b) retirement plan for eligible employees. The 403(b) is a voluntary, defined-contribution, tax-deferred plan as well as Roth after-tax plan governed by Internal Revenue Code 403(b). Eligible employees can choose TIAA for investments. The LLC matches the individual's contributions up to 5% of gross monthly pay not to exceed the IRS annual compensation limit. The salary cap only applies to employees hired on or after July 1, 1996. Employees are vested in LLC contributions after 3 years of employment with the LLC. Eligibility for matching is for all full-time and part-time regular, twelve-hour shift, and weekend staff employees. Upon the LLC formation, University Hospital employees were given the option to become employees of the LLC. Those University Hospital employees who chose not to transfer to the LLC effective July 2012 may choose to transfer to the LLC at any time in the future. Once employees transfer to the LLC, they may not transfer employment back to University Hospital. For the years ended September 30, 2025 and 2024, respectively, University Hospital purchased \$914.5 million and \$824.6 million in contract labor from the LLC. There were approximately 11,313 employees of the LLC at September 30, 2025 and approximately 10,595 employees at September 30, 2024. In addition to the LLC contract labor, for the years ended September 30, 2025 and 2024, respectively, the University Hospital purchased \$29.1 million and \$27.6 million of contract labor from HSF related to provider based clinics.

Effective August 1, 2025 and as authorized by board resolutions approved in May 2025, UAB Callahan Eye Hospital ("CEH") transitioned into a provider-based location of University Hospital as part of a reorganization within the UAB Medicine Enterprise. The reorganization integrated the operations of CEH into the operations of University Hospital and added 106 licensed beds to the licensed bed capacity of University Hospital. UAB Callahan Eye Hospital Authority ("CEHA") continues as a separate organization operating the ambulatory ophthalmology clinics. Further, the reorganization did not integrate the University of Alabama Ophthalmology Services Foundation ("OSF"), which remains a separate and standalone operating organization under CEHA. As of the effective date, CEH was renamed UAB Hospital – Callahan Eye and will be operated under the same state hospital license as University Hospital, using the same Federal Tax ID number and the same Medicare Certification Number.

University Hospital purchased \$2.3 million in inventory and \$0.5 million in prepaid expense from CEHA as of the effective date of integration. As of August 1, 2025, University Hospital entered into an agreement with CEHA to lease the portion of the building in which UAB Hospital - Callahan Eye is located as part of the reorganization. The initial term of the lease, which is cancellable by either party upon proper written notice and without penalty, is five years, with two automatic five-year renewals thereafter. The expenses related to this agreement for the year ended September 30, 2025 is \$0.8 million. The LLC entered into an agreement with CEHA to lease certain personnel to provide services to University Hospital as part of the operations integration. The term of this agreement began on the effective date of the integration and shall end on December 31, 2025, at which point CEHA personnel shall become employees of the LLC. The leased employee expenses related to this agreement for the year ended September 30, 2025 is \$4.4 million. University Hospital had a net payable to CEHA of approximately \$7.1 million at September 30, 2025.

In August 2024, the UAB Health System Authority approved the conversion of the current electronic medical record systems for University Hospital and certain other affiliated hospitals and clinics, including UAB St. Vincent's Health System, to a single instance of the EPIC Systems Corporation electronic medical record ("EMR System"). The implementation of the EMR System will be recorded as a single software capital asset by University Hospital, supporting multiple organizations. To fund this implementation, UAB St. Vincent's advances a portion of the total cost incurred to date to support future access and use of the system. Other affiliated entities will enter into a usage fee agreement upon completion and implementation of the system. As of September 30, 2025 University Hospital has recorded deferred revenue of \$17.2 million, and \$5.5 million of which is recorded in other receivables related to UAB St. Vincent's future access and use of the asset on the statement of net position.

As noted in Note 7, in October 2024, the UAB St. Vincent's Health System Authority, a newly formed University Authority under the control of the Board of Trustees of the University of Alabama System, issued Series 2024 A, B, and C revenue bonds totaling \$680 million for the purchase of the St. Vincent's Health System from Ascension Health effective November 1, 2024. The Obligated Group has guaranteed the Series 2024 A, B, and C revenue bonds and University Hospital is jointly and severally liable for the debt issuance.

In May 2025, UAB St. Vincent's Health System entered into a revolving loan agreement with University Hospital to borrow up to \$50.0 million with a maturity date of May 19, 2026. The loan bears no interest as long as any advances

drawn are repaid by the maturity date and an event of default does not occur under the agreement. As of September 30, 2025, University Hospital has recorded a note receivable of \$50.0 million due from UAB St. Vincent's Health System on the statement of net position.

(17) Recently Issued Pronouncements

The GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. UAB has determined there was no material impact from its adoption of GASB Statement No. 101.

The GASB issued Statement No. 102, *Certain Risk Disclosures*, in January 2024. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. UAB has determined there was no material impact from its adoption of GASB Statement No. 102.

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Although the UAB has not completed its evaluation of the impact of adoption GASB Statement No. 103, management expects to make certain reclassifications on the Statement of Revenues, Expenses, and Changes in Net Position to conform to new required sections and subtotals created by the standard. For instance, State Educational Appropriations will be reclassified from Nonoperating Revenues to a new section titled "Noncapital Subsidies" and Pell grant revenue will be reclassified from Nonoperating Revenues to Operating Revenues.

The GASB issued Statement No. 104 *Disclosure of Certain Capital Assets*, in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, as well as additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. UAB does not expect there will be any material impact from its adoption of GASB Statement No. 104.

The GASB issued Statement No. 105, *Subsequent Events*, in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing the consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. UAB is evaluating whether there will be material impact from its adoption of GASB Statement No. 105.

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	10.5910%	10.4858 %	10.9060 %	11.1350 %	11.4256 %	11.2607 %	11.7505 %	11.8143 %	11.8640 %	11.9164 %
Employer's proportionate share of the collective net pension liability	\$1,377,694	\$1,673,311	\$1,694,871	\$1,048,949	\$1,413,306	\$1,245,083	\$1,168,305	\$1,161,162	\$1,284,396	\$1,247,128
Employer's covered payroll during the measurement period	\$1,083,158	\$1,034,632	\$1,022,561	\$947,482	\$946,085	\$940,203	\$916,059	\$901,338	\$876,899	\$864,300
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	127.19 %	161.73 %	165.75 %	110.71 %	149.38 %	132.43 %	127.54 %	128.83 %	146.47 %	144.29 %
Plan fiduciary net position as a percentage of the total collective pension liability	71.41 %	63.57 %	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 123,968	\$ 112,357	\$ 104,936	\$ 101,166	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334
Contributions in relation to the contractually required contribution	\$ 123,968	\$ 112,357	\$ 104,936	\$ 101,166	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 1,123,196	\$ 1,083,158	\$ 1,034,632	\$ 1,022,561	\$ 947,482	\$ 946,085	\$ 940,203	\$ 916,059	\$ 901,338	\$ 876,899
Contributions as a percentage of covered payroll	11.04%	10.37%	10.14%	9.89%	10.22%	10.41%	10.09%	9.96%	9.84%	9.85%

Notes to Schedules

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

Measurement period for each year presented is the prior fiscal year ending September 30.

For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Employers' proportion of the net OPEB liability	11.6372 %	10.9879 %	8.1579 %	10.5784 %	10.4845 %	7.0288 %	8.0294 %	8.6707%
Employer's proportionate share of the net OPEB liability	\$ 1,069,865	\$ 211,205	\$ 142,147	\$ 546,567	\$ 680,432	\$ 265,181	\$ 659,913	\$ 644,008
Employer's covered payroll during the measurement period	\$ 1,083,158	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919	\$ 908,353
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	98.77%	20.41%	13.95%	57.23%	71.47%	29.09%	71.50%	70.90%
Plan fiduciary net position as a percentage of the total OPEB liability	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 22,346	\$ 16,676	\$ 17,100	\$ 15,600	\$ 18,240	\$ 20,775	\$ 19,976	\$ 19,714
Contributions in relation to the contractually required contribution	\$ 22,346	\$ 16,676	\$ 17,100	\$ 15,600	\$ 18,240	\$ 20,775	\$ 19,976	\$ 19,714
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 1,123,196	\$ 1,083,158	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919
Contributions as a percentage of covered payroll	1.99%	1.54%	1.65%	1.53%	1.91%	2.18%	2.19%	2.14%

Notes to Schedules

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

Measurement period for each year presented is the prior fiscal year ending September 30.

For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024

The following required supplementary information is related to the UAB Health Care Plan. (dollars in thousands)

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost*	\$ 87	66	76	176	169	169	168	6,231
Interest on TOL and cash flows	248	233	164	109	154	709	691	691
Changes in benefit terms	—	—	—	—	—	—	—	(6,710)
Difference between expected and actual experience	298	1,372	(536)	756	(437)	(6,173)	(787)	—
Changes of assumptions or other inputs	157	79	(663)	1,780	86	(4,663)	(767)	(962)
Benefit payments	(1,488)	(1,694)	(105)	(894)	(942)	(1,490)	(1,927)	(4,961)
Net changes in Total OPEB Liability	(698)	56	(1,064)	1,927	(970)	\$ (11,448)	\$ (2,622)	\$ (5,711)
Total OPEB Liability - Beginning	\$ 6,200	\$ 6,144	\$ 7,208	\$ 5,281	\$ 6,251	\$ 17,699	\$ 20,321	\$ 26,032
Total OPEB Liability - Ending								
Covered payroll (Dollars in thousands)	\$ 1,083,158	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919	\$ 908,353
Total OPEB Liability as a percentage of covered payroll								
	0.51%	0.60 %	0.60 %	0.75 %	0.55 %	0.69 %	1.92 %	2.24 %

*The service cost include interest for the year.

Notes to Schedules

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

Measurement period for each year presented is the prior fiscal year ending September 30.

For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024

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