

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES MEETINGS  
WHIDDON ADMINISTRATION BUILDING – PRESIDENT’S OFFICE (STE. 130), BOARD ROOM  
SEPTEMBER 22, 2022  
8:30 A.M.**

**AUDIT COMMITTEE – RON GRAHAM, CHAIR**

- 1 Roll Call
- 2 Approve: [Minutes](#)
- 3 Report: [KPMG Auditors](#)
- 4 Report: Independent Audit of the [USA Foundation Consolidated Financial Statements](#) and [Disproportionate Share Hospital Funds Combined Financial Statements](#), Years Ended June 30, 2022 and 2021
- 5 Approve: [Audit Plan for Fiscal Year 2023](#)
- 6 Report: [Office of Internal Audit](#)

**DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR**

- 7 Roll Call
- 8 Approve: [Minutes](#)
- 9 Report: [Endowment and Investment Performance](#)
- 10 Recommendation to Approve: [Commendation of Johnson Haynes, Jr., M.D.](#)
- 11 Report: Development and Alumni Relations

**HEALTH AFFAIRS COMMITTEE – JIMMY SHUMOCK, CHAIR**

- 12 Roll Call
- 13 Approve: [Minutes](#)
- 14 Recommendation to Approve: [USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2022](#)
- ~~15 Recommendation to Approve: [USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions](#)~~
- ~~16 Report: [USA Health and Whiddon College of Medicine](#)~~

**ACADEMIC AND STUDENT AFFAIRS COMMITTEE – MIKE WINDOM, CHAIR**

- 17 Roll Call
- 18 Approve: [Minutes](#)
- 19 Report: Academic Affairs
- 20 Report: Student Affairs
- 21 Report: Research and Economic Development

**BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR**

- 22 Roll Call
- 23 Approve: [Minutes](#)
- 24 Report: [Quarterly Financial Statements for the Nine Months Ended June 30, 2022](#)
- 25 Recommendation to Approve: [2022-2023 University Total Budget](#)

**LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR**

- 26 Roll Call
- 27 Approve: [Minutes](#)
- 28 Report: Reaffirmation of Accreditation by the Southern Association of College of Schools Commission on Colleges
- 29 Report: Update on University Strategic Planning and Scorecard Development

**COMMITTEE OF THE WHOLE – ARLENE MITCHELL, CHAIR**

- 30 Roll Call
- 31 Approve: Minutes of Meetings of the [Committee of the Whole](#) and [Executive Committee](#)
- 32 Recommendation to Approve: [Executive Committee](#)

**SEPTEMBER 22, 2022  
10:45 A.M.**

**BOARD OF TRUSTEES MEETING – ARLENE MITCHELL, CHAIR PRO TEMPORE**

- 1 Roll Call
- 2 Approve: [Minutes](#)
- 3 Approve: [Commendation of Johnson Haynes, Jr., M.D.](#)
- 4 Report: Board of Trustees Scholar
- 5 Report: University President
- 6 Report: Faculty Senate President
- 7 Report: Student Government Association President
- 8 Present: Certificates of Appreciation
- 9 Approve: Consent Agenda Resolutions  
[USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2022](#)  
~~[USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions](#)~~  
[Executive Committee](#)
- 10 Report: Audit Committee
- 11 Report: Development, Endowment and Investments Committee
- 12 Report: Health Affairs Committee
- 13 Report: Academic and Student Affairs Committee
- 14 Report: Budget and Finance Committee
- 15 Approve: [2022-2023 University Total Budget](#)
- 16 Report: Long-Range Planning Committee
- 17 Approve: Executive Session

# UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



## MEETING SCHEDULE

**THURSDAY, SEPTEMBER 22, 2022:**

<b>8:30 a.m.</b>	<b>Committee Meetings (consecutive)</b>	<b>Whiddon Administration Bldg. President's Office (Ste. 130), Board Room</b>
<b>10:45 a.m.</b>	<b>Board of Trustees Meeting</b>	<b>"</b>



# UNIVERSITY OF SOUTH ALABAMA

## BOARD OF TRUSTEES

### STANDING COMMITTEES

2022-2025

#### EXECUTIVE COMMITTEE:

- Arlene Mitchell, **Chair pro tempore**
- Katherine Alexis Atkins, **Vice Chair**
- Lenus Perkins, **Secretary**
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- James H. Shumock
- James A. Yance

#### ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- William Ronald Graham
- Robert D. Jenkins III
- Bill W. Lewis, II
- Lenus M. Perkins
- Margie Malone Tuckson
- Michael P. Windom, **Chair**

#### AUDIT COMMITTEE:

- Katherine Alexis Atkins, **Vice Chair**
- E. Thomas Corcoran
- William Ronald Graham, **Chair**
- Robert D. Jenkins III
- Bill W. Lewis, II
- Lenus M. Perkins

#### BUDGET AND FINANCE COMMITTEE:

- Katherine Alexis Atkins
- Chandra Brown Stewart
- E. Thomas Corcoran, **Chair**
- William Ronald Graham
- Lenus Perkins, **Vice Chair**
- James H. Shumock
- Steven H. Stokes, M.D.

#### DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

- Chandra Brown Stewart
- Scott A. Charlton, M.D.
- James H. Shumock
- Steven H. Stokes, M.D.
- Margie Malone Tuckson, **Vice Chair**
- Michael P. Windom
- James A. Yance, **Chair**

#### EVALUATION AND COMPENSATION COMMITTEE:

- Katherine Alexis Atkins
- Scott A. Charlton, M.D., **Vice Chair**
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Robert D. Jenkins III, **Chair**
- James H. Shumock
- Michael P. Windom

#### HEALTH AFFAIRS COMMITTEE:

- Chandra Brown Stewart
- Scott A. Charlton, M.D.
- E. Thomas Corcoran
- Steven P. Furr, M.D., **Vice Chair**
- James H. Shumock, **Chair**
- Steven H. Stokes, M.D.
- James A. Yance
- G. Owen Bailey, ex officio
- William H. Barber IV, M.D., ex officio
- Jo Bonner, ex officio
- John V. Marymont, M.D., ex officio

#### LONG-RANGE PLANNING COMMITTEE:

- Chandra Brown Stewart, **Chair**
- Robert D. Jenkins III
- Bill W. Lewis, II
- Lenus M. Perkins
- Steven H. Stokes, M.D., **Vice Chair**
- Michael P. Windom
- James A. Yance

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**MEETING AGENDA  
AND MINUTES**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES MEETINGS  
WHIDDON ADMINISTRATION BUILDING – PRESIDENT’S OFFICE (STE. 130), BOARD ROOM  
SEPTEMBER 22, 2022  
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- 14 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2022

~~15 Recommendation to Approve: USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions~~

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- 17 Roll Call
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- 20 Report: Student Affairs
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- 25 Recommendation to Approve: 2022-2023 University Total Budget

**LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR**

- 26 Roll Call
- 27 Approve: Minutes
- 28 Report: Reaffirmation of Accreditation by the Southern Association of College of Schools Commission on Colleges
- 29 Report: Update on University Strategic Planning and Scorecard Development

**COMMITTEE OF THE WHOLE – ARLENE MITCHELL, CHAIR**

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- 31 Approve: Minutes of Meetings of the Committee of the Whole and Executive Committee
- 32 Recommendation to Approve: Executive Committee

**SEPTEMBER 22, 2022  
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- 4 Report: Board of Trustees Scholar
- 5 Report: University President
- 6 Report: Faculty Senate President
- 7 Report: Student Government Association President
- 8 Present: Certificates of Appreciation
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Executive Committee
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- 12 Report: Health Affairs Committee
- 13 Report: Academic and Student Affairs Committee
- 14 Report: Budget and Finance Committee
- 15 Approve: 2022-2023 University Total Budget
- 16 Report: Long-Range Planning Committee
- 17 Approve: Executive Session



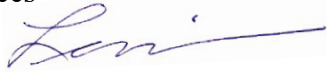
UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Board of Trustees

**DATE:** September 17, 2022

**TO:** USA Board of Trustees

**FROM:** Lenus M. Perkins   
Secretary, Board of Trustees

**SUBJECT:** Meeting Minutes

Included herein are the unapproved minutes for the Board of Trustees and standing committee meetings held on June 2 and 3, 2022; meetings of the Executive Committee held on June 24 and August 3 and 24, 2022; and a special meeting of the Board of Trustees held on August 29, 2022. Please review these documents for amendment or approval at the September 22, 2022, meetings.

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**June 3, 2022  
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Friday, June 3, 2022, at 10:30 a.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance were present.

Members Absent: Scott Charlton, Ron Jenkins and Kay Ivey.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Camille Bonura (SGA), Paul Bruske, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Amanda and Matt King, Laney King, Nick Lawkis, John Marymont, John McMillan, Abe Mitchell, Mike Mitchell, Richard Mooney, Diana Nichols, Maxey Roberts, Laura Schrott, Jeb Schrenk, Carmel Shumock, Debbie Shumock, Polly Stokley, Margaret Sullivan, Linda and John Whiddon, Clement Williams, and Amelia Rose, Hallie, Isabella, Shipley and Sophia Zimlich.

Following the call to order and brief introductory remarks by Chairman Shumock, the attendance roll was called, **Item 1**. Chairman Shumock called for consideration of the revised agenda, **Item 1.A**. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the revised agenda was adopted unanimously.

Chairman Shumock called for consideration of **Item 3** as follows. On motion by Mr. Graham, seconded by Ms. Atkins, the Board voted unanimously to approve the resolution:

**RESOLUTION  
2022-2023 BOARD MEETING SCHEDULE**

**WHEREAS**, Article II, Section 1, of the Bylaws provides that the Board shall schedule annually, in advance, regular meetings of the Board to be held during the ensuing year, and may designate one of such meetings as the annual meeting of the Board,

**THEREFORE, BE IT RESOLVED** that the regular meetings of the University of South Alabama Board of Trustees shall be held on the following dates:

- Thursday, September 22, 2022
- Thursday, December 1, 2022
- Friday, March 3, 2023
- Friday, June 2, 2023,

and

**FURTHER, BE IT RESOLVED** that the date of June 2, 2023, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2022-2023.

Chairman Shumock called for consideration of the minutes of a meeting held on March 11, 2022, **Item 2**. On motion by Dr. Stokes, seconded by Ms. Atkins, the Board voted unanimously to adopt the minutes.

Chairman Shumock called on President Bonner to deliver the President's Report, **Item 4**. President Bonner recognized Mr. Abe Mitchell, Honorary Trustee; Mr. Clement Williams, Black Student Union (BSU) President; and Ms. Camille Bonura, Student Government Association (SGA) President. He reported on several topics, including strategic student recruitment activities; Spring Commencement exercises; a collaboration by First Lady Ms. Janée Bonner and Ms. Tina Erdmann to offer engagement opportunities for the spouses of Athletics coaches; and the recent graduation of the Zimlich quintuplets -- Amelia Rose, Hallie, Isabella, Shipley and Sophia -- who he introduced to share a few words. He also discussed the permanent appointment of Dr. Kent as Provost and Executive Vice President. Provost Kent conveyed enthusiasm for her new role, and shared information on the StartSouth dual enrollment program, as well as on the celebratory activities being planned in relation to President Bonner's inauguration ceremony slated for September 23, 2022. President Bonner thanked Dr. Marymont for chairing the Provost Search Committee, and called on Dr. Erdmann, who discussed the outstanding academic performance of student athletes across all sports programs, and introduced Mr. Richard Mooney, Women's Soccer Head Coach, and Mr. Paul Bruske, Outdoor Track and Field Head Coach. President Bonner recognized Ms. Diana Nichols and Mr. Jeb Schrenk for their service in interim leadership positions in the Office of Marketing and Communications (MarComm), and called for an update from Mr. Lawkis pertaining to his role as Chair of the national search under way to fill the position of MarComm Vice President.

Chairman Shumock called for a report from the Faculty Senate President, **Item 5**. Dr. Delwar Hossain, Communication Department Associate Professor and 2022-2023 Faculty Senate President, recognized the contributions of the Board of Trustees, administration, faculty, staff and students to advance the University; said the Faculty Senate looked forward to working with the Board, President Bonner and Provost Kent to address issues; and thanked Chairman Shumock for his dedicated leadership.

Chairman Shumock called for a report from the SGA President, **Item 6**. Ms. Camille Bonura, 2022-2023 SGA President, shared information about herself, introduced a photo of the SGA executive branch, discussed that preparations were under way for their first meeting, and issued an open invitation for Board members to attend SGA meetings.

Chairman Shumock called for consideration of consent agenda resolutions as follows, **Item 7**, all of which were unanimously recommended for Board approval by the respective committees that met on June 2, 2022. (To view policies and other documents authorized, refer to Appendix A.) On motion by Ms. Mitchell, seconded by Mr. Graham, the Board voted unanimously to approve the resolutions:



**RESOLUTION  
AUDIT COMMITTEE CHARGE**

WHEREAS, the purpose of the document titled *University of South Alabama Committee Charge: Audit Committee* is to define the roles and responsibilities of the Audit Committee as they relate to financial audits, the Office of Internal Audit, and risk and compliance issues, as well as administrative function, and

WHEREAS, this document, originally approved September 9, 2016, requires updating to ensure alignment with committee responsibilities as detailed in the *Office of Internal Audit Charter*, approved September 11, 2020, and adherence to the Institute of Internal Audit requirements,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes approval of the attached revised *University of South Alabama Committee Charge: Audit Committee*.

**RESOLUTION  
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR  
FEBRUARY, MARCH AND APRIL 2022**

WHEREAS, the Medical Staff appointments and reappointments for February, March and April 2022 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the appointments and reappointments as submitted.

Chairman Shumock called for a report from the Audit Committee, **Item 8**. Mr. Graham, Committee Chair, advised of a committee meeting held on June 2, 2022, and he shared highlights of the matters addressed.

Chairman Shumock called for a report from the Development, Endowment and Investments Committee, **Item 9**. Mr. Yance, Committee Chair, said that the committee met on June 2, 2022, and he provided an overview of the business that took place.

Chairman Shumock called for a report from the Health Affairs Committee, **Item 10**. Dr. Charlton, Committee Chair, stated that the committee held a meeting on June 2, 2022, and he gave a summary of the proceedings.

Chairman Shumock called for a report from the Academic and Student Affairs Committee, **Item 11**. Judge Windom, Committee Chair, stated that a committee meeting was held on June 2, 2022, and he provided a recap of the business that occurred. He noted that the committee voted unanimously to recommend Board approval of **Item 12** as follows, and offered a motion for its approval. Mr. Perkins seconded and the Board voted unanimously to approve the resolution:

**RESOLUTION  
TENURE AND PROMOTION**

**WHEREAS**, in accordance with University policy, faculty applications for tenure have been reviewed by the respective faculty peers, departmental chair and college dean, and by the Provost and Senior Vice President for Academic Affairs or the Vice President for Med-

ical Affairs, and the President, and the following individuals are hereby recommended for tenure,

**THEREFORE, BE IT RESOLVED,** the University of South Alabama Board of Trustees approves and grants tenure to the following individuals.

**PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:**

**Promotion to Senior Instructor:**

- Jason L. Brooks
- Kristen N. McKenna

**COLLEGE OF ARTS AND SCIENCES:**

**Tenure:**

- Steven C. Clontz, Jr.
- Mark A. Colarusso
- Martin J. Frank
- Kip E. Franklin
- Karl R. Jahnke
- David A. Meola
- Andrei Pavelescu
- Brian S. Whitener

**Promotion to Senior Instructor:**

- Melanie R. Cochran
- Doris A. Frye
- Maura M. Lang

**Promotion to Associate Professor:**

- Steven C. Clontz, Jr.
- Mark A. Colarusso
- Martin J. Frank
- Kip E. Franklin
- Karl R. Jahnke
- David A. Meola
- Andrei Pavelescu
- Brian S. Whitener

**Promotion to Professor:**

- Lesley A. Gregoricka
- C. Kenneth Hudson
- Jeffery W. Krause
- John M. Lanicci

**MITCHELL COLLEGE OF BUSINESS:**

**Tenure:**

- Charlene A. Dadzie
- Matthew C. Howard
- Khandokar Istiak
- Chris M. Lawrey
- Mickey B. Smith
- Robyn Brour Stefanone

**Promotion to Associate Professor:**

- Charlene A. Dadzie
- Matthew C. Howard
- Khandokar Istiak
- Chris M. Lawrey
- Mickey B. Smith

**MITCHELL CANCER INSTITUTE:**

**Promotion to Associate Professor:**

- Omar A. Alkharabsheh
- Nathaniel L. Jones
- Nathaniel L. Jones (Joint in Obstetrics and Gynecology)

**SCHOOL OF COMPUTING:**

**Promotion to Senior Instructor:**

- Jeffrey K. Holifield
- Maureen S. Van Devender

**Promotion to Professor:**

- Thomas D. Johnsten

**COLLEGE OF EDUCATION AND PROFESSIONAL STUDIES:**

**Tenure:**

- Todd M. Johnson
- Benterah C. Morton
- Christopher W. Parrish
- Linda M. Reeves
- Mitchell T. Woltring

**Promotion to Associate Professor:**

- Todd M. Johnson
- Benterah C. Morton
- Christopher W. Parrish
- Linda M. Reeves
- Mitchell T. Woltring

**Promotion to Professor:**

- Ryan C. McDermott

**COLLEGE OF ENGINEERING:**

**Tenure:**

- Stephanie M. Patch
- Brooks D. Rabideau

**Promotion to Associate Professor:**

- Stephanie M. Patch
- Brooks D. Rabideau

**COLLEGE OF MEDICINE:**

**Tenure:**

- Casey L. Daniel

**Promotion to Associate Professor:**

- Haley H. Ballard
- Sophia M. Goslings
- Rashmi Gulati
- Jianfeng Li
- Omar A. Sanchez Villanueva
- Kamal P. Sharma

**Promotion to Adjunct Professor:**

- Amy Morris

**Promotion to Professor:**

- Ghulam M. Awan
- Leander M. Grimm, Jr.
- Anne-Marie D. Kaulfers

**COLLEGE OF NURSING:**

**Tenure:**

- Joyce A. Pittman

**Promotion to Associate Professor:**

- Donna J. Copeland
- Wilma P. Stuart

Judge Windom reported that the Committee also voted unanimously to recommend Board approval of **Item 13** as follows. Chairman Shumock called for consideration of the resolution, and, on motion by Ms. Atkins, seconded by Ms. Tuckson, the Board voted unanimously to approve the resolution:

**RESOLUTION  
TUITION, FEES, AND HOUSING AND DINING RATES**

**WHEREAS**, the University of South Alabama is committed to maintaining high-quality educational and student services programs at a competitive cost, and

**WHEREAS**, in-person tuition and fees of the University are priced below peer public institutions in the state of Alabama, and

**WHEREAS**, the University has not increased tuition rates over two of the past three years while instituting cost saving measures and budget cuts to maintain operations during a period of rising operational costs, and

**WHEREAS**, online tuition rates of the University are significantly higher than in-person rates, and

**WHEREAS**, tuition rates for in-person and online classes should be more closely aligned than at present, and

**WHEREAS**, housing and dining services must account for increased maintenance, operating, and food costs and make facility improvements to enhance campus life for students, and

**WHEREAS**, with the proposed tuition, fees, and housing and dining rates for 2022-2023, as set forth in the attached schedules, such costs of attendance at the University for the coming academic year would continue to be among the lowest in effect at peer public institutions in the state of Alabama, and

**WHEREAS**, with the proposed tuition rates for 2023-2024, as set forth in the attached schedules, there will be parity between most in-person and online tuition rates,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby authorizes the tuition, required student fees, and housing and dining rates for the 2022-2023 academic year and the tuition rates for the 2023-2024 academic year, as set forth in the attached schedules.

Chairman Shumock called for a report from the Budget and Finance Committee, **Item 14**. Mr. Corcoran, Committee Chair, stated that the committee held a meeting on June 2, 2022, and he provided a summation of the proceedings.

Chairman Shumock called for a report from the Long-Range Planning Committee, **Item 15**. Ms. Brown Stewart, Committee Chair, said the committee met on June 2, 2022, and provided an overview of the business that occurred.

Concerning **Item 16**, a report from the Nominating Committee, Chairman Shumock advised that the Committee, on which he, Dr. Furr, Dr. Stokes and Mr. Yance served, had deliberated on a slate of officers to serve three-year terms and unanimously agreed to nominate Ms. Mitchell, Ms. Atkins and Mr. Perkins to serve as Chair *pro tempore*, Vice Chair and Secretary, respectively. He made a motion to adopt the slate of officers, Judge Windom seconded, and the Board voted unanimously to elect the Trustees nominated to serve as officers of the Board, **Item 17**.

Chairman Shumock introduced **Item 18** as follows, and on motion by Ms. Mitchell, seconded by Mr. Corcoran, the Board voted unanimously to approve the resolution:

**RESOLUTION  
COMMENDATION OF THE HONORABLE VICTOR GASTON**

**WHEREAS**, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional career, and

**WHEREAS**, the Honorable Victor Gaston is a dedicated public servant, as exemplified by his decades of service to our country in the United States Marine Corps Reserve and the Alabama National Guard, and

**WHEREAS**, Representative Gaston began his career as a history teacher, eventually serving as assistant principal and earning a Doctorate of Education degree; yet, his most notable educational achievement was earning a Master of Education degree from the University of South Alabama, and

**WHEREAS**, Representative Gaston has admirably served his constituents and the State of Alabama since his election to House District 100 in the Alabama House of Representatives in 1982, with his most prominent role being Speaker Pro Tempore for the past 12 years, and

**WHEREAS**, Representative Gaston was first recognized for his leadership abilities when he was appointed Chairman of the House State Government Committee in 1987, and since that time, he has continued to serve in leadership capacities for the Alabama House of Representatives, serving as Chairman of the House Legislative Council, a member of the Permanent Oil and Gas Study Committee, and Vice Chair of the Joint Legislative Council, a position that he currently holds, and

**WHEREAS**, with an impeccable record of legislative accomplishments and the heart of a servant leader, Representative Gaston has always kept the best interests of the University of South Alabama and its healthcare operations at the forefront of the legislature, and

**WHEREAS**, Representative Gaston has established two scholarships at the University of South Alabama -- the Victor Gaston Book Scholarship that provides assistance for the Student Government Association President and a second scholarship in memory of his late wife, Jean Jumonville Gaston, that is dedicated to preparing future educators,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the Honorable Victor Gaston on the occasion of his retirement for his many years of service to the State of Alabama, and

**BE IT FURTHER RESOLVED**, the Board of Trustees extends sincere appreciation to Representative Gaston for his advocacy and friendship to the University of South Alabama.

Chairman Shumock called for consideration of **Item 19** as follow. On motion by Ms. Atkins, seconded by Mr. Graham, the Board voted unanimously to approve the resolution:

**RESOLUTION  
COMMENDATION OF THE HONORABLE HARRY SHIVER**

**WHEREAS**, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional career, and

**WHEREAS**, the Honorable Harry Shiver has admirably served his constituents and the State of Alabama since his election to House District 64 in the Alabama House of Representatives nearly sixteen years ago, and

**WHEREAS**, Representative Shiver has held a seat on several impactful House of Representatives committees, including the State Government and Public Safety Committee and the Homeland Security Committee, and, as a retired educator of 36 years, has made a positive impact on education-related issues throughout our state, and

**WHEREAS**, as a lifelong resident of Baldwin County serving as an avid volunteer in his community, Representative Shiver holds the utmost respect of his constituents, none of which are prouder than his loving wife, Jean, and their family, and

**WHEREAS**, Representative Shiver's continued support of the University of South Alabama, whether in the State House or at a sporting event, will always be immensely appreciated,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the Honorable Harry Shiver on the occasion of his retirement for his many years of service to the State of Alabama, and

**BE IT FURTHER RESOLVED**, the Board of Trustees of the University of South Alabama extends sincere gratitude for Representative Shiver's advocacy and friendship.

Chairman Shumock presented **Item 19.A** as follows, and on motion by Ms. Atkins, seconded by Ms. Mitchell, the Board voted unanimously to approve the resolution:

**RESOLUTION  
COMMENDATION OF THE HONORABLE JOE FAUST**

**WHEREAS**, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional career, and

**WHEREAS**, the Honorable Joe Faust is a dedicated public servant, as exemplified by his decades of service to our country in the Alabama National Guard and during the Berlin Crisis, and

**WHEREAS**, Representative Faust began his career as a regional sales manager and supervisor in the dairy industry and later became an insurance broker before twice being elected to the Baldwin County Commission, where he served with distinction, and

**WHEREAS**, Representative Faust has admirably served his constituents and the State of Alabama since his election to House District 94 in the Alabama House of Representatives in 2002, serving since 2015 as the Vice Chairman of the vitally important House Transportation, Utilities and Infrastructure Committee, and

**WHEREAS**, Representative Faust has been a stalwart member of the Alabama House of Representatives, ever visible from his front row seat on the House floor where he could interact with fellow House members to support the causes for our area, and

**WHEREAS**, Representative Faust will continue to be known for his strong legacy of public service to all the people of Baldwin County, especially his most important constituents, his wife Sharon and his family, and

**WHEREAS**, Representative Faust has always supported the University of South Alabama in all of its endeavors over his years of service,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the Honorable Joe Faust on the occasion of his departure from elected office for his many years of service to the State of Alabama, and

**BE IT FURTHER RESOLVED**, the Board of Trustees extends sincere appreciation to Representative Faust for his advocacy and friendship to the University of South Alabama.

Chairman Shumock presented **Item 20** as follows, and on motion by Mr. Corcoran, seconded by Judge Windom, the Board voted unanimously to approve the resolution:

**RESOLUTION  
COMMENDATION OF THE HONORABLE KAY IVEY**

**WHEREAS**, the Honorable Kay Ivey has been a longtime advocate of the University of South Alabama (USA) throughout her years of public service, and

**WHEREAS**, in 2021, the University bestowed upon Governor Ivey the degree of Doctor of Humane Letters (L.H.D.), honoris causa, for her dedication and many contributions to the State of Alabama and support for the University, and

**WHEREAS**, Governor Ivey's instrumental support of USA projects, such as the School of Marine and Environmental Sciences Healthy Ocean Initiative and fisheries studies, has furthered the University's core missions of teaching, research and service, and

**WHEREAS**, in the fall of 2017, Governor Ivey announced a \$4 million award to USA Health for the expansion and renovation of the region's only level one trauma center, and

**WHEREAS**, Governor Ivey recognizes the vital importance of the USA College of Medicine in addressing the growing need for physicians in rural and underserved areas of our state and nation, as well as USA's reputation for providing students a high-quality medical education, and

**WHEREAS**, in the fall of 2020, Governor Ivey announced a \$50 million allocation to USA to assist with the construction of a new College of Medicine facility, which was the first time in USA's history to receive an allocation of that size and significance and equal to the amount received by the State's two largest institutions, making it the largest one-time state allocation USA has ever received, and

**WHEREAS**, this significant funding will contribute to advancements in medical discovery and healthcare standards, and thereby, further the College of Medicine's mission of excellence as well as its impact within our region and far beyond,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the Honorable Kay Ivey for her visionary commitment that will ensure access to the highest quality medical education, and

**BE IT FURTHER RESOLVED** that the University family wishes to express its profound thanks for the transformational impact that Governor Ivey has had upon all levels of education, healthcare and research in the State of Alabama.

Chairman Shumock called for consideration of **Item 21** as follows, and on motion by Ms. Atkins, seconded by Ms. Mitchell, the Board voted unanimously to approve the resolution:

**RESOLUTION  
COMMENDATION OF THE HONORABLE RICHARD SHELBY**

**WHEREAS**, the Honorable Richard Shelby has been an avid supporter of the University of South Alabama (USA) throughout his many years of congressional service, and

**WHEREAS**, in 2006, the University bestowed upon Senator Shelby the degree of Doctor of Humane Letters (L.H.D.), honoris causa, for his dedication and many contributions to the State of Alabama and support for the University, and

**WHEREAS**, Senator Shelby's exemplary leadership, accomplishments and contributions to education and healthcare have been further recognized by the University through the USA National Alumni Association Distinguished Service Award and the dedication of Shelby Hall, which houses the USA College of Engineering and School of Computing, and

**WHEREAS**, Senator Shelby has advanced the University's core missions of teaching, research and service by his instrumental support for numerous projects, such as USA Health, USA Mitchell Cancer Institute, USA Transit System, Telemedicine, Coastal Weather Research Center, Youth Violence Prevention, College of Engineering and School of Computing, Coastal Engineering Hurricane Intensity Research, Mitchell College of Business, and many others, and

**WHEREAS**, Senator Shelby recognizes the vital importance of the USA College of Medicine in addressing the growing need for physicians in rural and underserved areas of our state and nation, as well as USA's reputation for providing students a high-quality medical education, and

**WHEREAS**, Senator Shelby helped secure \$60 million in federal funding to support the construction of a state-of-the-art center for the medical and scientific education of future physicians and researchers, and

**WHEREAS**, this significant funding will contribute to advancements in medical discovery and healthcare standards, and thereby, further the College of Medicine's mission of excellence as well as its impact within our region and far beyond,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the Honorable Richard Shelby for his visionary commitment that will ensure access to the highest quality medical education, and

**BE IT FURTHER RESOLVED** that the University family wishes to express its deepest appreciation for the transformational impact that Senator Shelby has had upon all levels of education, healthcare and research in the State of Alabama and across the nation.

Chairman Shumock invited Ms. Maxey Roberts and Mr. John McMillan, USA Foundation (USAF) Directors, and Mr. John Whiddon, son of the late Dr. Frederick P. Whiddon as well as USAF Director, and his wife, Ms. Linda Whiddon, to join him, Mr. Yance and President Bonner for the presentation of **Item 22** as follows. He also recognized other Whiddon family members in attendance. Mr. Yance addressed the assembly, advising of the USA Foundation's significant record of giving to the University, as well as the concerted efforts recently that made possible much needed funding support from the USA Foundation to aid the University in the construction of a new instructional building for the College of Medicine. He read the resolution and moved for its approval. Dr. Stokes seconded and the Board voted unanimously to approve the resolution. Ms. Roberts, Mr. McMillan and Mr. Whiddon thanked the Board for the recognition and for remembering the contributions of Dr. Whiddon in a meaningful way:



**RESOLUTION**  
**COMMENDATION OF THE USA FOUNDATION AND NAMING OF THE COLLEGE OF MEDICINE**

**WHEREAS**, Dr. Frederick Palmer Whiddon served as the first president of the University of South Alabama (USA), working with community leadership to create a new state university in 1963 by an act of the Alabama Legislature, thereby establishing the first new public university in Alabama in almost 70 years, and becoming the youngest university president in the country, and

**WHEREAS**, Dr. Whiddon built consensus and support from the community that enabled the founding of a medical school at the University of South Alabama in 1973, filling a critical need to educate more physicians and differentiate the University from most other institutions of higher education in the State of Alabama, and

**WHEREAS**, Dr. Whiddon fulfilled his vision of establishing South as the region's premier provider of higher education and healthcare, and as a primary economic driver for the local community and beyond, thus, forever transforming the quality of life for the people of the upper Gulf Coast, and

**WHEREAS**, since enrolling its charter class in 1973, the USA College of Medicine, in collaboration with USA Health, has advanced teaching, research, and clinical care, promoting the highest standard of healthcare throughout the region, and playing a vital role in the education of physicians in our region and state, and

**WHEREAS**, the growth and reach of the College of Medicine have been nurtured and accelerated as a result of the steadfast partnership between the USA Foundation and the University of South Alabama, and

**WHEREAS**, the USA Foundation Board of Directors recognizes the vital importance of the USA College of Medicine and bestowed a \$30 million gift of support for the College of Medicine that will facilitate construction of a state-of-the-art center for the medical and scientific education of future physicians and researchers, and

**WHEREAS**, this significant commitment from the USA Foundation will contribute to advancements in medical discovery and healthcare standards, and thereby, further the College of Medicine's mission of excellence as well as its impact within our region and far beyond, and

**WHEREAS**, the USA Board of Trustees joins the USA Foundation in honoring the legacy of Dr. Whiddon and acknowledges his wisdom and leadership in establishing the College of Medicine at the University of South Alabama,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby commends the USA Foundation for its visionary commitment that will ensure access to the highest quality medical education, and extends profound thanks on behalf of the entire University community, and

**BE IT FURTHER RESOLVED**, the Board of Trustees proclaims that the USA College of Medicine will henceforth be known as the *Frederick P. Whiddon College of Medicine*.

Chairman Shumock noted the recent passing of the late Mr. Steve McMillan, brother of Mr. John McMillan, remembering him as a leader in the local community and state, and as an advocate for South Alabama. He read **Item 23** as follows and, on motion by Judge Windom, seconded by

Ms. Atkins, the Board voted unanimously to approve the resolution. Mr. John McMillan talked about his brother's sincere commitment to the constituents he represented and thanked the Board for honoring him:

**RESOLUTION  
POSTHUMOUS COMMENDATION OF THE HONORABLE STEVE MCMILLAN**

**WHEREAS**, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional career, and

**WHEREAS**, the late Steve McMillan was first elected to House District 95 in the Alabama House of Representatives in 1982 and admirably served his constituents and the State of Alabama until his passing on April 28, 2022, and

**WHEREAS**, having served on numerous House of Representatives committees that impact education and healthcare throughout our state, including the Ways and Means Education Committee, Representative McMillan was always a devoted supporter of the University of South Alabama and USA Health, and

**WHEREAS**, Representative McMillan was a true statesman who had a passion for serving his constituents, with his work continuing outside of the State House, through volunteer and leadership roles in his community,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby posthumously commends the Honorable Steve McMillan for his many years of service to the State of Alabama, and

**BE IT FURTHER RESOLVED**, the Board of Trustees of the University of South Alabama extends heartfelt condolences and deepest sympathies to the family, friends and colleagues of Representative McMillan, as well as sincere appreciation for his advocacy and his friendship.

Chairman Shumock was joined by his wife, Ms. Debbie Shumock; his mother, Ms. Carmel Shumock; his daughter and son-in-law, Ms. Amanda and Mr. Matt King; and his granddaughter and USA student, Ms. Laney King, and by Ms. Atkins, who said it was her privilege to read **Item 24** as follows. On motion by Mr. Yance, seconded by Dr. Stokes, the Board voted unanimously to approve the resolution. Chairman Shumock took part in the unveiling his portrait that would be installed on the Board Room wall, and he reflected on his service as Chair pro tempore of the Board, recognizing many of the individuals from the University with whom he had forged strong bonds:

**RESOLUTION  
COMMENDATION OF MR. JAMES H. SHUMOCK FOR SERVICE AS CHAIR PRO TEMPORE AND  
CONFERRAL OF THE TITLE CHAIR PRO TEMPORE EMERITUS**

**WHEREAS**, Mr. James H. "Jimmy" Shumock has served faithfully as a member of the Board of Trustees of the University of South Alabama since his appointment in 2010, and

**WHEREAS**, Mr. Shumock was elected as Chair Pro Tempore of the Board of Trustees in 2019, and, before he served in this capacity, he held the positions of Vice Chair from 2016 to 2019 and Secretary from 2013 to 2016, and

**WHEREAS**, Mr. Shumock's guidance has been critical to the University's progress, as demonstrated through his service on the Board's Executive Committee, Audit Committee, Budget and Finance Committee, Evaluation and Compensation Committee, Academic and Student Affairs Committee, and Long-Range Planning Committee, and

**WHEREAS**, the positive results of Mr. Shumock's leadership as Board Chair will be realized for years to come, made possible by the strategic initiatives he has championed, such as the construction of Hancock Whitney Stadium; broadening of South's scholarship program; strengthening of enrollment and retention; and expansion of USA Health, which includes the founding of the Mapp Family Campus in Baldwin County and the USA Health Freestanding Emergency Department in West Mobile, as well as his ongoing involvement as a member of the USA Health Assessment Committee, and

**WHEREAS**, one of Mr. Shumock's most significant accomplishments was his prudent leadership and financial stewardship during the global coronavirus pandemic, balancing health, education and economic concerns to keep the University operating and USA Health in a strong position to respond to our region's needs, and

**WHEREAS**, Mr. Shumock also played an instrumental role in two presidential transitions including helping to guide the University through both interim periods and, as Board Chair, initiating and serving as a member of the 2021 President Search Committee that was charged with identifying a pool of highly qualified candidates for the position of University president, and whose deliberations resulted in the recommendation of a slate of finalists to the Board of Trustees that included the Honorable Josiah Robins Bonner Jr., who was ultimately appointed as the University's fourth president, and

**WHEREAS**, Mr. Shumock is a proud South Alabama alumnus, having earned a Bachelor of Science degree in accounting from USA in 1980, after which he began a distinguished career at Thompson Engineering, Inc., that spanned more than 30 years, eventually serving as Executive Vice President for Transportation and as Chief Executive Officer and Chairman of the Board of Directors for Thompson Engineering as well as for Thompson Holdings, Inc., and

**WHEREAS**, Mr. Shumock and his wife, Debbie, are loyal and dedicated supporters of South Alabama and, over the years, have donated generously to numerous projects, programs and objectives, such as the construction of the MacQueen Alumni Center and Hancock Whitney Stadium and the improvement of other athletic facilities; the Jaguar Athletic Fund, Inc., for which Mr. Shumock has also served for many years as President of the Board of Directors; and scholarships, including the *USA Board of Trustees Endowed Scholarship* and the *Hollis and Carmel Shumock Endowed Scholarship in Business*, which they established and named after his parents, and

**WHEREAS**, Mr. Shumock, through his wisdom, philanthropy and steadfast guidance, has played a prominent role in advancing the interests of all University of South Alabama constituencies,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama expresses its sincere appreciation to Mr. James H. Shumock for his many contributions and invaluable service to the Board, to the entire University community, and to the people of the state of Alabama, all of whom have benefited from his knowledge, dedication and generosity, and confers upon him the honorary title of *Chair Pro Tempore Emeritus* of the University of South Alabama Board of Trustees.

USA Board of Trustees  
June 3, 2022  
Page 14

There being no further business, the meeting was adjourned at 12:13 p.m.

Attest to:

Respectfully submitted:

Katherine Alexis Atkins, Secretary

James H. Shumock, Chair pro tempore

# APPENDIX A



UNIVERSITY OF SOUTH ALABAMA

**DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY  
PURSUANT TO ALABAMA ACT 2014-133**

**PROPERTY ADDRESS:**

Lot 2, USA Mapp Subdivision  
Fairhope, AL 36632

Parcel Number: 46-01-11-0-000-001.756  
PPIN: 388141

**APPRAISAL INFORMATION:**

Appraised by: Courtney & Morris Appraisals, Inc.  
Date of Appraisal: 04/25/2022  
Appraised Value: \$1,717,000.00

**CONTRACTS RELATED TO THE PURCHASE:**

Attached as Exhibit "A"

**PURCHASE TERMS:**

Cash Purchase

**SOURCES OF FUNDS USED IN THE PURCHASE:**

Unrestricted Funds

PURCHASE AGREEMENT  
FAIRHOPE SINGLE TAX CORPORATION  
LEASEHOLD PROPERTY

This Purchase Agreement (this "Agreement") is made to be effective as of the Effective Date (as defined in this Agreement) by and between Mapp Limited Partnership, an Alabama Limited Partnership, (the "Seller") and University of South Alabama, a public body corporate and institution of higher learning of the State of Alabama (the "Purchaser").

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Seller and Purchaser agree as follows:

Article One  
Purchase and Sale

Section 1.01. Agreement of Purchase and Sale.

A. Fairhope Single Tax Corporation ("FSTC") is the owner of the following described land (the "FSTC Land") located in Baldwin County, Alabama, and more particularly described as follows, to-wit:

Lot 2 of the USA Mapp Subdivision, as shown on map or plat thereof recorded on Slide Number 2740-E, Probate Records of Baldwin County, Alabama.

B. FSTC has leased the FSTC Land to the Seller as evidenced by a ninety-nine (99) year ground lease dated September 9, 2020 and recorded September 11, 2020 as Instrument Number 1856965, Pages 1 through 2, in the records of the Office of the Judge of Probate of Baldwin County, Alabama (the "FSTC Lease to the Seller").

C. Upon and subject to the terms, provisions and conditions expressed in this Agreement the parties agree that: (i) the Seller shall transfer and assign to the Purchaser and the Purchaser shall acquire from the Seller an assignment of the FSTC Lease to the Seller; (ii) the Seller shall convey the Improvements thereon to the Purchaser; and (ii) the Purchaser agrees to purchase from the Seller said leasehold interest of the Seller in the FSTC Land, the Improvements thereon and acquire a new ninety-nine (99) year ground lease from FSTC to the Purchaser in the FSTC Land (the "FSTC Lease to the Purchaser").

The FSTC Land, leasehold interests and Improvements are collectively referred to in this Agreement as the "Leasehold Property".

Section 1.02. Permitted Exceptions. The Leasehold Property shall be conveyed subject to FSTC rents and ad valorem taxes for the year of the conveyance, zoning ordinances, subdivision regulations, building restrictions, flood plain classification, utility easements and other matters which are deemed to be Permitted Exceptions pursuant to Section 2.03. of this Agreement, including but not limited to the following (collectively the "Permitted Exceptions"):

All of the terms and conditions of the ninety-nine (99) year ground lease from the Fairhope Single Tax Corporation to Mapp Limited Partnership, an Alabama Limited Partnership, dated September 9, 2020 and recorded September 11, 2020 as Instrument Number 1856965, Pages 1 through 2, the terms and conditions of the Constitution and By-Laws of the Fairhope Single Tax Corporation and the provisions of the Code of Alabama (1975) Sections 10A-20-9.01 through 10A-20-9.05.

All of the terms and conditions of the ninety-nine (99) year ground lease from the Fairhope Single Tax Corporation to University of South Alabama, a public body corporate and institution of higher learning of the State of Alabama, the terms and conditions of the Constitution and By-Laws of the Fairhope Single Tax Corporation and the provisions of the Code of Alabama (1975) Sections 10A-20-9.01 through 10A-20-9.05.

All oil, gas and other minerals in, on or under the above-described property and all rights and easements in connection therewith which are owned by others.

Any potential current use rollback taxes which may be assessed against the leasehold property.

Existing rights of way of State Highway Number 104.

Minimum Building Setback Lines, Drainage and Utility Easements, Highway Construction Setback Line and other matters, including but not limited to, restrictions and obligations for sidewalks and fire hydrants as shown on the recorded plat of said Subdivision.

Section 1.03. Purchase Price. The Seller shall at the Closing (as defined in this Agreement) sell, assign, transfer and convey and the Purchaser is to purchase the Leasehold Property for a total of One Million Seven Hundred Seventeen Thousand Dollars (\$1,717,000.00) (the "Purchase Price"). Within three (3) business days from the execution of this Agreement, the Purchaser shall deliver an earnest money deposit of One Thousand and No/100 (\$1,000.00) Dollars (the "Earnest Money") to Irby & Heard, P.C. The Earnest Money shall be applied to the Purchase Price at the closing of this transaction ("Closing"). At Closing, the Purchaser shall pay to Seller the balance of the Purchase Price in immediately available funds.

Section 1.04. Payment of the Purchase Price. The Purchase Price shall be payable at the Closing (as defined in this Agreement) in immediately available funds, subject to appropriate credits, proration and adjustments as provided in this Agreement.

#### Article Two Title

Section 2.01. Commitment for Leasehold Title Insurance. The Seller instructs Irby & Heard, P.C., to prepare and deliver to the Purchaser and Seller a commitment for an owner's leasehold title insurance policy (the "Owner's Leasehold Title Commitment") from Commonwealth Land Title Insurance Company (the "Title Company") covering the Leasehold Property, showing all matters affecting title to the Leasehold Property and binding the Title Company to issue at the Closing (as defined in this Agreement) the Owner's Leasehold Title Policy pursuant to Section 2.03 of this Agreement on the ALTA standard leasehold form in the full amount of the Purchase Price.

Section 2.02. Title Review Period. The Purchaser shall have until the Closing (the "Title Review Period") in which to notify the Seller, in writing, of such objections as the Purchaser may have to anything contained in the Owner's Leasehold Title Commitment (other than standard printed exceptions and those matters referred to in Section 1.02 of this Agreement). Any item contained in the Owner's Leasehold Title Commitment to which the Purchaser does not object during the Title Review Period shall be deemed a Permitted Exception. In the event the Purchaser shall notify the Seller of objections to title prior to the expiration of the Title Review Period, the Seller shall have fifteen (15) days after receipt of notification of such objections, or such greater period of time as may be mutually acceptable to the Purchaser and Seller (the "Cure Period"), within which the Seller may cure or remove such objection. If the Seller fails either to cure or remove such objection to the reasonable satisfaction of Irby & Heard, P.C., and the Purchaser prior to the expiration of the Cure Period, and if by reason of such objection Irby & Heard, P.C., refuses to issue the Owner's Leasehold Title Policy as provided in this Agreement, the Purchaser may either terminate this Agreement by written notice to the Seller or waive such objection and accept such title as the Seller is able to convey without any reduction in the Purchase Price.

#### Article Three Closing

Section 3.01. Time and Place. The Closing of the transaction contemplated by this Agreement (the "Closing") shall be held at the offices of Irby & Heard, P.C. on or before forty-five (45) days from the Effective Date of this Agreement, or at such time and place as mutually agreeable to the Seller and



Purchaser. At the Closing, the Seller and Purchaser shall perform the obligations set forth in this Agreement, respectively, the performance of which obligations shall be concurrent conditions. The Seller and Purchaser agree that the Closing may be completed by mail rather than an in person closing.

Section 3.02. Obligations of the Seller at the Closing. At the Closing, the Seller shall:

A. Pursue in good faith approval through FSTC and to attempt to comply with all of the requirements of FSTC. The obligation of the Seller or Purchaser to close the transaction contemplated by this Agreement is contingent upon the specific approval by FSTC.

B. Deliver to FSTC and to the Purchaser all documents reasonably required by FSTC to approve and close the transaction contemplated by this Agreement.

C. Deliver to FSTC and to the Purchaser an assignment of the FSTC Lease to the Seller from the Seller to Purchaser satisfying the reasonable requirements of FSTC.

D. Deliver to the Purchaser a Warranty Bill of Sale (the "Warranty Bill of Sale"), a copy of which is attached hereto and marked Exhibit "A", executed and acknowledged by the Seller in recordable form conveying the Leasehold Property to the Purchaser, subject only to the Permitted Exceptions.

E. Deliver to the Purchaser a FIRPTA Affidavit, duly executed by the Seller and stating that the Seller is not a "foreign person" as defined in the federal Foreign Investment in Property Tax Act of 1980 and the 1984 Tax Reform Act.

F. Deliver to the Purchaser an Affidavit (the "Affidavit") executed and acknowledged by the Seller complying with the requirements of Ala. Code 1975, §40-18-86, et al. (Acts of Ala. 2008-504) (the "Act"). The Seller and Purchaser understand that it is a condition of the Closing that the requirements of the Act be satisfied at the Closing.

G. Deliver to the Purchaser possession and occupancy of the Leasehold Property, subject to the Permitted Exceptions.

H. Deliver such other documents and instruments that both the attorney representing the Seller and the attorney representing the Purchaser or Irby & Heard, P.C. may reasonably require to properly consummate the transaction contemplated by this Agreement.

Section 3.03. Obligations of the Purchaser at the Closing. At the Closing, the Purchaser shall:

A. Pursue in good faith approval through FSTC and to attempt to comply with all of the requirements of FSTC. The obligation of the Seller or Purchaser to close the transaction contemplated by this Agreement is contingent upon the specific approval by FSTC.

B. Pay to the Seller the Purchase Price in immediately available funds pursuant to Section 1.04, of this Agreement, it being agreed that at the Closing the Earnest Money shall be delivered to the Seller and applied towards payment of the Purchase Price.

C. Deliver such other documents and instruments that the attorney representing the Seller, the attorney representing the Purchaser or Irby & Heard, P.C. may reasonably require to properly consummate the transaction contemplated by this Agreement.

Section 3.04. Closing Costs, Credits and Prorations.

A. Costs of Closing the transaction contemplated by this Agreement shall be allocated

between the Seller and Purchaser as follows:

1. The Seller shall pay: (i) the cost of preparation of the Warranty Bill of Sale and FSTC Lease to the Purchaser; and (ii) the cost and premium for the Owner's Leasehold Title Commitment and the Owner's Leasehold Title Policy.

2. The Purchaser shall pay: (i) the cost of recording the Warranty Bill of Sale, the FSTC Lease to the Purchaser and any other conveyance documents that the Purchaser may choose to record; (ii) the cost imposed by FSTC for the transfer of the FSTC Lease to the Seller and the cost imposed by FSTC to issue the FSTC Lease to the Purchaser; (iii) the cost imposed by FSTC for the approval of the transaction contemplated by this Agreement; and (iv) all Closing cost or similar fees of the Closing agent.

3. All other expenses incurred by the Seller or Purchaser with respect to the Closing, including but not limited to, attorney's fees of the Purchaser and Seller, shall be borne and paid exclusively by the party incurring same, without reimbursement except to the extent otherwise specifically provided in this Agreement.

B. All FSTC rents and ad valorem and similar taxes and rents (excluding assessments which will be paid by the Seller) for the current FSTC lease year or current ad valorem tax year relating to the Leasehold Property shall be prorated as of 12:01 a.m., on the day of the Closing, as if the Purchaser were vested with title to the Leasehold Property during the entire day upon which the Closing occurs. If the Closing occurs before FSTC rents or the ad valorem tax rate are fixed for the current FSTC rent year or current ad valorem tax year, the apportionment of FSTC rents and ad valorem taxes shall be made on the basis of an estimated FSTC rent and ad valorem tax rate for the Leasehold Property; and when FSTC rents and ad valorem tax rate are fixed for the FSTC rent year and ad valorem tax year in which the Closing occurs, the Seller and Purchaser agree, one to the other, to adjust the proration of FSTC rents and ad valorem taxes and, if necessary, to refund or pay such sums to the other party as shall be necessary to effect such adjustment. If the Leasehold Property is not assessed as a separate parcel for ad valorem tax or assessment purposes, then such ad valorem taxes and assessments attributable to the Leasehold Property shall be determined by both the Seller and Purchaser. In the event the Leasehold Property has been assessed for ad valorem property tax purposes at such rates as would result in "roll-back" taxes upon the changes in land usage or ownership of the Leasehold Property, the Purchaser agrees to pay all such taxes and indemnify and save the Seller harmless from and against any and all claims and liabilities for such taxes. The Purchaser shall be responsible for any taxes or penalties imposed under Alabama Current Use Law as a result of this transaction.

C. All unpaid assessments, if any, existing as of the date of the Closing, whether due and payable before or after the Closing, shall be paid by the Seller in cash at the Closing to the assessing entity.

All prorations and adjustments described in this Article Three shall be effective by increasing or decreasing, as appropriate, the amount of cash to be paid by the Purchaser to the Seller at the Closing. The provisions of this Article Three shall survive the Closing.

#### Article Four "As Is" Condition

Section 4.01. As Is Condition. The Purchaser acknowledges and agrees with the Seller that the Purchaser has inspected the Leasehold Property and is thoroughly familiar with the condition of the Leasehold Property and accepts the same in its present condition. The Purchaser acknowledges and agrees that the Seller has not made and does not make any representations, warranties or covenants of any kind or character whatsoever in respect to the condition of the Leasehold Property, either express or

implied. The Purchaser acknowledges and agrees that upon the Closing, the Seller shall sell and convey to the Purchaser and the Purchaser shall accept the Leasehold Property "As Is, Where Is" with all faults.

Section 4.02. Inspection by the Purchaser. During the period beginning on the Effective Date and ending at the Closing (as defined in this Agreement), (the "Inspection Period") the Purchaser shall have the right to make a physical inspection of the Leasehold Property and the Improvements, including, without limitation, the environmental condition of the Leasehold Property and the Improvements, including, without limitation, making surveys, maps, or contour studies, performing test bores, soil tests and/or examinations, and conducting other engineering studies. The Purchaser agrees to indemnify and hold the Seller harmless of and from any claim for damages or injuries arising from the inspection by the Purchaser of the Leasehold Property and the Improvements and, notwithstanding anything to the contrary in this Agreement, such obligation to indemnify shall survive the Closing or any termination of this Agreement. All inspections shall occur at reasonable times agreed upon by the Seller and Purchaser and shall be conducted so as not to unreasonably interfere with use of the Leasehold Property and the Improvements by the Seller.

Section 4.03. Right of Termination. The Seller agrees that in the event the Purchaser determines that the Leasehold Property or the Improvements are not suitable for the purposes of the Purchaser, the Purchaser shall have the right to terminate this Agreement by sending written notice of said Termination (the "Notice of Termination") to the Seller prior to the expiration of the Inspection Period. Upon delivery by the Purchaser of the Notice of Termination within the Inspection Period, this Agreement shall terminate and the Earnest Money shall be returned to the Purchaser. If the Purchaser fails to send the Seller the Notice of Termination as provided for in this Section 4.03., prior to the expiration of the Inspection Period, the Purchaser shall no longer have any right to terminate this Agreement and shall be bound to proceed to the Closing and consummate the transaction contemplated pursuant to the terms of this Agreement.

Section 4.04. No Representations by the Seller. No representations or promises with respect to the sale and purchase of the Leasehold Property have been made by the Seller to the Purchaser other than expressly set forth in this Agreement. The Purchaser acknowledges and agrees that the Purchaser, independently, without relying on any representation of the Seller nor any information provided by the Seller, has determined to the satisfaction of the Purchaser the suitability of the Leasehold Property and that the Purchaser is not relying on any representations or statements made by the Seller in entering into this transaction.

#### Article Five Default

Section 5.01. Default by the Purchaser. In the event that the Purchaser fails to consummate this Agreement for any reason, except default by the Seller or the permitted termination of this Agreement by either the Seller or the Purchaser as expressly provided in this Agreement, the Seller shall have the right to pursue any remedy available at law or in equity as a result of such breach, including specifically, without limitation the right to: (i) retain the Earnest Money and terminate this Agreement and recover damages against the Purchaser for the breach by the Purchaser of this Agreement, and (ii) enforce specific performance of this Agreement. Notwithstanding anything to the contrary contained in this Section 5.01., if the Purchaser, or any affiliate of the Purchaser, asserts a claim to the Leasehold Property which clouds the title of the Seller, and if such claim is found by a court of competent jurisdiction to be without merit, then the Seller shall have all remedies available at law or in equity against the Purchaser. In the event of default by the Purchaser, the Seller shall have the right to recover costs and reasonable attorneys' fees in exercising any default remedies under this Agreement.

Section 5.02. Default by the Seller. In the event that the Seller should fail to consummate this Agreement for any reason, except default by the Purchaser or the permitted termination of this Agreement by the Seller or Purchaser as expressly provided in this Agreement, the Purchaser shall have the right to receive the return of the Earnest Money, which return shall operate to terminate this Agreement and release

the Seller from any and all liability under this Agreement.

Article Six  
Risk of Loss and Condemnation

Section 6.01. Minor Loss or Damage. In the event of loss or damage to the Leasehold Property (the "Damaged Premises") prior to the Closing which is not "Major" (which is defined in this Agreement), this Agreement shall remain in full force and effect and the Seller shall perform any necessary repairs or, at the option of the Seller, the Seller shall reduce the cash portion of the Purchase Price in an amount equal to the cost of such repairs, the Seller retaining all of the right, title and interest of the Seller to any claims and proceeds the Seller may have with respect to any casualty insurance policies relating to the Damaged Premises. In the event that the Seller performs repairs upon the Leasehold Property, the Seller shall use reasonable efforts to complete such repairs promptly and the date of the Closing shall be extended a reasonable time in order to allow for the completion of such repairs.

Section 6.02. Major Loss or Damage. In the event of a "Major" loss or damage prior to the Closing, the Purchaser may, at any time prior to the Closing, terminate this Agreement by written notice to the Seller, in which event the Earnest Money shall be returned to the Purchaser. In the event the Purchaser does not terminate this Agreement in the event of loss of a "Major" loss, this Agreement shall remain in full force and effect and the Seller shall perform any necessary repairs or, at the option of the Seller, the Seller shall reduce the cash portion of the Purchase Price in an amount equal to the cost of such repairs, the Seller retaining all of the right, title and interest of the Seller to any claims and proceeds the Seller may have with respect to any casualty insurance policies relating to the Damaged Premises. In the event that the Seller performs repairs upon the Leasehold Property, the Seller shall use reasonable efforts to complete such repairs promptly and the date of the Closing shall be extended a reasonable time in order to allow for the completion of such repairs. For purposes of Section 6.01 and Section 6.02, "Major" loss or damage refers to the following: (i) loss or damage to the Leasehold Property or any portion of the Leasehold Property such that the cost of repairing or restoring the Damaged Premises to a condition substantially identical to that of the Damaged Premises prior to the event of damage would be, in the certified opinion of a mutually acceptable architect, equal to or greater than Fifteen Thousand Dollars (\$15,000.00); or (ii) any loss which permanently and materially impairs the current use of the Leasehold Property.

Section 6.03. Condemnation

A. Material Condemnation. If all or a material part of the Leasehold Property is condemned or taken by eminent domain or purchase in lieu thereof prior to the Closing, the Purchaser may elect, by written notice to the Seller given not later than fifteen (15) days following receipt of the notice of condemnation to: (i) take title to the Leasehold Property without abatement or reduction of the Purchase Price, in which case the Purchaser shall not be entitled to receive on the Closing, any condemnation proceeds or rights of the Seller in and to any unpaid condemnation proceeds, or (ii) terminate this Agreement and receive return of the Earnest Money.

B. Immaterial Condemnation. If any immaterial part of the Leasehold Property is taken by eminent domain or by purchase in lieu thereof prior to the Closing, this Agreement shall remain in full force and effect, and the Purchaser shall be obligated to take title to the Leasehold Property without any abatement or reduction of the Purchase Price. In such event, the Seller shall pay to the Purchaser on the Closing the amount of all condemnation proceeds theretofore received by the Seller less the costs incurred by the Seller, if any, in defending such proceeding, and the Seller shall assign to the Purchaser all of the rights of the Seller in and to any unpaid condemnation proceeds (less the costs incurred by the Seller, if any, in defending such proceeding).

C. Definition of Material Taking. For the purposes of this Article Six, "material taking" shall mean and refer to such taking as: (i) in excess of twenty percent (20%) of the Leasehold Property, (ii)

which renders use of the Leasehold Property as contemplated by the Purchaser economically unfeasible, or (iii) which causes the Leasehold Property to violate any zoning or land use ordinance.

Article Seven  
Miscellaneous

Section 7.01. Commissions. The Seller and Purchaser warrant each to the other (and it is agreed that this warranty shall survive delivery of the Warranty Bill of Sale) that no broker or agent has been employed with respect to the sale of the Leasehold Property. Each party agrees to indemnify and hold harmless the other from any claim made by brokers or agents who claim to act for the party sought to be charged for a commission, compensation, brokerage fees or similar payment in connection with this transaction and against any and all expense or liability arising out of any such claim.

Section 7.02. Notices. Any notice pursuant to this Agreement shall be given in writing by (i) personal delivery, or (ii) expedited delivery service with proof of delivery, or (iii) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (iv) electronic transmission (provided that such electronic transmission is confirmed), sent to the intended addressee at the address set forth in this Agreement, or to such other address or to the attention of such other person as the addressee shall have designated by written notice sent in accordance with this Agreement, and shall be deemed to have been given either at the time of personal delivery, or, in the case of expedited delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided in this Agreement, or, in the case of electronic transmission upon receipt. Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement shall be as follows:

If to the Seller:	Louis E. Mapp
Via U.S. Mail:	Post Office Drawer 139 Point Clear, Alabama 36564
Via Personal or Expedited Delivery:	c/o Sam W. Irby Irby & Heard, P.C. 317 Magnolia Avenue Fairhope, Alabama 36532
with a copy to:	Sam W. Irby Irby & Heard, P.C.
Via U.S. Mail:	Post Office Box 1031 Fairhope, Alabama 36533
Via Personal or Expedited Delivery:	317 Magnolia Avenue Fairhope, Alabama 36532 Via Email: <a href="mailto:samirby@irbyandheard.com">samirby@irbyandheard.com</a>
If to Purchaser:	William B. Grete
Via U.S. Mail and Expedited Delivery:	2451 University Hospital Drive, Suite 2-110 Mobile, Alabama 36617-2293 Via Email: <a href="mailto:wgrete@health.southalabama.edu">wgrete@health.southalabama.edu</a>

Section 7.03. Modifications. This Agreement cannot be changed orally, and no agreement shall be effective to waive, change, modify or discharge this Agreement in whole or in part unless such agreement is in writing and is signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

Section 7.04. Calculation of Time Periods. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such

last day is a Saturday, Sunday or legal holiday, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday or legal holiday.

Section 7.05. Time of Essence. The Seller and Purchaser agree that time is of the essence of this Agreement.

Section 7.06. Heirs, Successors and Assigns. The terms and provisions of this Agreement are to apply to and bind the permitted heirs, successors and assigns of the parties to this Agreement. Provided, however, the Purchaser shall not assign any of the right or interest of the Purchaser in this Agreement without the consent of the Seller.

Section 7.07. Entire Agreement. This Agreement contains the entire agreement between the parties pertaining to the subject matter of this Agreement and fully supersedes all prior agreements and understandings between the parties pertaining to such subject matter of this Agreement.

Section 7.08. Further Assurance. Each party agrees that said party will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to the Closing, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Agreement. Without limiting the generality of the foregoing, the Purchaser shall, if requested by the Seller, execute acknowledgments of receipt with respect to any materials delivered by the Seller to the Purchaser with respect to the Leasehold Property.

Section 7.09. Attorneys' Fees. In the event of any controversy, claim or dispute between the parties affecting or relating to the subject matter or performance of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all of the reasonable expenses, including reasonable attorneys' and accountants' fees, incurred by the prevailing party.

Section 7.10. Signatures. This Agreement and any additional amendments to this Agreement may be executed only by hand-signatures or by electronic signature using DocuSign or other similar technology; however, such signatures may be transmitted by facsimile or email, and any such electronic transmissions of the signatures shall be deemed to constitute originals. In addition, either party may rely upon any electronic transmission of any document that is properly executed by the other party. The signature of any party thereon shall be considered for those purposes as an original signature, and the document transmitted shall be considered to have the same binding legal effect as an original signature on an original document. At the request of any party, a facsimile or scanned email document shall be re-executed by all parties in original form. No party may raise the use of a facsimile machine or scanned email, or the fact that any signature was transmitted through the use of a facsimile or scanned email as a defense to the enforcement of this Agreement. Except as is expressly provided in this paragraph to the contrary, neither the Electronic Signatures in Global and National Commerce Act nor any parallel, corresponding or similar state law or regulation shall apply to the execution of this Agreement or any further amendment to this Agreement, and neither party hereto shall be bound by any electronic signature. Exchanges of drafts of this Agreement or any further amendment to this Agreement or email correspondence negotiating the terms thereof are not to be deemed binding on any party.

Section 7.11. Counterparts. This Agreement may be executed in several counterparts, and all such executed counterparts shall constitute the same agreement. It shall be necessary to account for only one (1) such counterpart in proving this Agreement.

Section 7.12. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall nonetheless remain in full force and effect.

Section 7.13. Applicable Law. This Agreement shall in all respects be governed by and

construed in accordance with the substantive Federal Laws of the United States of America and the laws of the State of Alabama.

Section 7.14. No Third Party Beneficiary. The provisions of this Agreement and of the documents to be executed and delivered at Closing are and will be for the benefit of the Seller and the Purchaser only and are not for the benefit of any third party, and accordingly, no third party shall have the right to enforce the provisions of this Agreement or of the documents to be executed and delivered at Closing.

Section 7.15. Captions. The Article headings and Section headings appearing in this Agreement are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define the text of any Article or Section or any subsection of this Agreement.

Section 7.16. Construction. The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits or amendments attached to this Agreement.

Section 7.17. Termination of Agreement. It is understood and agreed that if either the Purchaser or Seller terminates this Agreement pursuant to a right of termination granted under this Agreement, such termination shall operate to relieve the Seller and the Purchaser from all obligations under this Agreement, except for such obligations as are specifically stated in this Agreement to survive the termination of this Agreement.

Section 7.18. Survival of Covenants. Any of the representations, warranties, covenants and agreements of the parties, as well as any rights and benefits of the parties pertaining to a period of time following the Closing of the transaction contemplated by this Agreement, shall survive the Closing and shall not be merged in this Agreement.

Section 7.19 Effective Date. June 23 2022 If the Purchaser fails to execute this Agreement and deliver same to the Seller on or before 5:00 p.m., on ~~May 31, 2022~~, all negotiations between the Seller and the Purchaser concerning the sale of the Leasehold Property shall be deemed terminated. The date of execution by the Seller shall be deemed the Effective Date of this Agreement (the "Effective Date"). 78

Section 7.20. Offer. The Purchaser acknowledges that this Agreement constitutes an offer by the Purchaser to Seller with respect to the Leasehold Property and all other matters contemplated in this Agreement. No action by the Seller shall constitute acceptance of the offer, and this Agreement shall not be binding upon the Seller, unless and until the execution and delivery of this Agreement by the Seller.

Section 7.21 Disclosure. The law firm of Irby & Heard, P.C. represents the Seller in the preparation of this Agreement and in this transaction. Jones Walker LLP and William Grete represent the Purchaser in this transaction.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties to this Agreement have duly executed this Agreement to be effective as of the Effective Date.

Seller:

Mapp Limited Partnership, an Alabama Limited Partnership

By: MEFM, Inc., an Alabama Corporation  
Its: General Partner

By: Louis E. Mapp  
Louis E. Mapp  
Its: President

(Affix Corporate Seal)

Executed by the Seller this 20<sup>th</sup> 27  
day of ~~May~~, 2022.

June

Purchaser:

University of South Alabama, a public body corporate and institution of higher learning of the State of Alabama

By: Polly Stakley  
Its: Interim V.P., Finance & Admin.

ATTEST:

Stanna Jeyi  
Its: Assoc. V.P., Finance & Admin.

Executed by the Purchaser this 20<sup>th</sup>  
day of ~~May~~, 2022.

June

*JS*

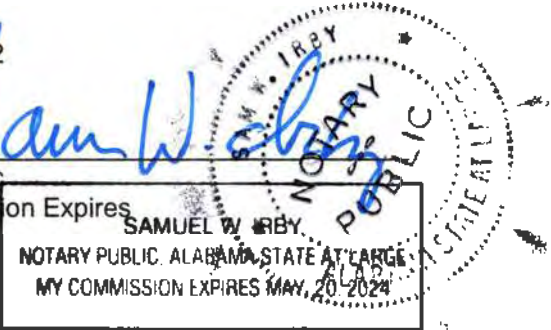


STATE OF ALABAMA :

COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Louis E. Mapp, whose name as President of MEFM, Inc., an Alabama Corporation, acting in its capacity as General Partner of Mapp Limited Partnership, an Alabama Limited Partnership, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such Officer and with full authority, executed the same voluntarily for and as the act of said MEFM, Inc., an Alabama Corporation, acting in its capacity as General Partner of Mapp Limited Partnership, an Alabama Limited Partnership.

Given under my hand and seal this 27<sup>th</sup> day of May, 2022

Sam W. Irby  
Notary Public  
My Commission Expires June  


STATE OF ALABAMA :

COUNTY OF Mobile :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Polly Stealin and Norma Tipton whose names as Interim V.P. Finance Admin. and Asst. V.P. Finance Admin. of University of South Alabama, a public body corporate and institution of higher learning of the state of Alabama, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, they, as such officers and with full authority, executed the same voluntarily for and on behalf of said body.

Given under my hand and seal this 20<sup>th</sup> day of May, 2022.

Carol Burke Moore  
Notary Public  
My Commission Expires: 3/8/23

THIS INSTRUMENT PREPARED BY:  
Sam W. Irby  
Irby & Heard, P.C.  
Attorneys at Law representing Mapp Limited Partnership  
Post Office Box 1031  
Fairhope, Alabama 36533  
(251) 928-4555



AND  
Jones Walker, LLP  
and William B. Grete  
Chief Legal Counsel, USA Health  
Both representing University of South Alabama  
2451 University Hospital Drive  
Mobile, Alabama 36617-2293  
(251) 445-9164

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Exhibit "A"  
Attached and made a part of the  
Purchase Agreement

WARRANTY BILL OF SALE

STATE OF ALABAMA :

COUNTY OF BALDWIN :

KNOW ALL MEN BY THESE PRESENTS, Mapp Limited Partnership, an Alabama Limited Partnership, the Grantor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration acknowledged to have been paid to the said Grantor by University of South Alabama, a public body corporate and institution of higher learning of the State of Alabama, the Grantee, does GRANT, BARGAIN, SELL AND CONVEY the improvements, and transfer the leasehold interest in, to the said Grantee, subject to the provisions contained in this Warranty Bill of Sale, all that leasehold property in the County of Baldwin, State of Alabama, described as follows, to-wit:

Lot 2 of USA Mapp Subdivision, according to map or plat thereof recorded on Slide 2740-E in records in the Office of the Judge of Probate of Baldwin County, Alabama.

THE LEASEHOLD PROPERTY AND IMPROVEMENTS THEREON ARE SOLD TO THE GRANTEE AS IS, WHERE IS AND THE GRANTOR MAKES NO WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE LEASEHOLD PROPERTY OR ITS MERCHANTABILITY OR FITNESS FOR ANY PURPOSE.

THIS CONVEYANCE AND THE WARRANTIES IN THIS WARRANTY BILL OF SALE ARE MADE SUBJECT TO THE FOLLOWING:

All of the terms and conditions of the ninety-nine (99) year ground lease from the Fairhope Single Tax Corporation to Mapp Limited Partnership, an Alabama Limited Partnership, dated September 9, 2020 and recorded September 11, 2020 as Instrument Number 1856965, Pages 1 through 2, the terms and conditions of the Constitution and By-Laws of the Fairhope Single Tax Corporation and the provisions of the Code of Alabama (1975) Sections 10A-20-9.01 through 10A-20-9.05.

All of the terms and conditions of the ninety-nine (99) year ground lease from the Fairhope Single Tax Corporation to University of South Alabama, a public body corporate and institution of higher learning of the State of Alabama, the terms and conditions of the Constitution and By-Laws of the Fairhope Single Tax Corporation and the provisions of the Code of Alabama (1975) Sections 10A-20-9.01 through 10A-20-9.05.

All oil, gas and other minerals in, on or under the above-described property and all rights and easements in connection therewith which are owned by others.

Any potential current use rollback taxes which may be assessed against the leasehold property.

Existing rights of way of State Highway Number 104.

Minimum Building Setback Lines, Drainage and Utility Easements, Highway Construction Setback Line and other matters, including but not limited to, restrictions and obligations for sidewalks and fire hydrants as shown on the recorded plat of said Subdivision.

TOGETHER WITH ALL AND SINGULAR the rights, privileges, tenements, hereditaments and appurtenances hereunto belonging, or in anywise appertaining.

TO HAVE AND TO HOLD unto the said Grantee, in LEASEHOLD.

And, except as to the above, and taxes and rents hereafter falling due, which are assumed by the Grantee, the Grantor, for Grantor and for the successors and assigns of Grantor, does COVENANT AND WARRANT to and with the said Grantee, that Grantor is seized of a leasehold interest in and to said property and the improvements on said property, and has a good and lawful right to sell and convey the same; that Grantor is in quiet and peaceable possession of said property; and that said property is free and clear of all liens and encumbrances of every kind and nature whatsoever; and Grantor does WARRANT AND WILL DEFEND the title to said leasehold property and the improvements on said leasehold property, and the possession of said leasehold property, unto the said Grantee, against the lawful claims and demands of all persons whomsoever.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

Mapp Limited Partnership, an Alabama Limited Partnership

By: MEFM, Inc., an Alabama Corporation  
Its: General Partner

By: \_\_\_\_\_  
Louis E. Mapp  
Its: President

(Affix Corporate Seal)

STATE OF ALABAMA :

COUNTY OF BALDWIN :

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that Louis E. Mapp, whose name as President of MEFM, Inc., an Alabama Corporation, acting in its capacity as General Partner of Mapp Limited Partnership, an Alabama Limited Partnership, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such Officer and with full authority, executed the same voluntarily for and as the act of said MEFM, Inc., an Alabama Corporation, acting in its capacity as General Partner of Mapp Limited Partnership, an Alabama Limited Partnership

Given under my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires:

Address of Grantor:

Post Office Drawer 139  
Point Clear, Alabama 36564

Address of Grantee:

775 N. University Boulevard, Suite 150  
Mobile, Alabama 36608-4548

This Instrument Prepared By:

Sam W. Irby  
Irby & Heard, P.C.  
Attorneys at Law  
Post Office Box 1031  
Fairhope, Alabama 36533  
(251) 928-4555

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UNIVERSITY OF SOUTH ALABAMA

**DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY  
PURSUANT TO ALABAMA ACT 2014-133**

**PROPERTY ADDRESS:**

6012 Galena Drive  
Mobile, AL 36608

Parcel Number: 28-04-17-2-001-083.XXX  
Key Number: 490524

**APPRAISAL INFORMATION:**

Appraised by: ACRE Appraisals  
Date of Appraisal: 07/06/2022  
Appraised Value: \$85,000.00

**CONTRACTS RELATED TO THE PURCHASE:**

Attached as Exhibit "A"

**PURCHASE TERMS:**

Cash Purchase

**SOURCES OF FUNDS USED IN THE PURCHASE:**

Unrestricted Funds

## REAL ESTATE PURCHASE CONTRACT

The **University of South Alabama** ("Buyer"), a public body corporate of the State of Alabama, whose principal address is 307 University Boulevard North, AD-170, Mobile, AL 36688 ("Buyer's Address"), hereby agrees to buy, and **Ralph Flanagan** ("Seller"), whose principal address is 6012 Galena Drive, Mobile, Alabama 36608 ("Seller's Address"), hereby agrees to sell for the consideration and upon the terms hereinafter set forth, the real estate commonly known as:

**6012 Galena Drive, Mobile, Alabama 36608**  
**Parcel: R02 28 04 17 2 001 083.XXX (Key#: 490524)**

**Lot 12, Block 4 of Hillsdale Heights Subdivision according to plat thereof recorded in Map Book 10, Page 183, of the records in the office of the Judge of Probate, Mobile County, Alabama**

TOGETHER WITH all rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining (the "Property").

### **ARTICLE I - Purchase Price and Condition of Property**

1.1 The purchase price for the Property shall be ***FIFTY-EIGHT THOUSAND AND NO/100 DOLLARS (\$58,000.00)*** (the "Purchase Price") and shall be payable on the day of Closing ("Closing Date") by cash, cashier's check, certified check or wire transfer. Buyer shall pay the cost of acquiring a current title insurance policy for the benefit of Buyer, and the cost of document preparation, including a general warranty deed. Buyer further agrees to pay other closing and settlement costs but shall not be responsible for Seller's attorney's fees, if any. Property taxes shall be prorated as of the Closing Date.

1.2 Buyer agrees to deliver earnest money in the amount of Five Hundred Dollars (\$500.00) to the Title Insurance Company within ten (10) business days of the execution of this Real Estate Purchase Contract (the "Contract"), said earnest money to be returned to Buyer in full if the Closing of this transaction does not occur by the time specified herein due to Seller's failure to meet all conditions to Closing.

1.3 Seller agrees that the proceeds of this sale shall be used to satisfy any and all outstanding mortgages and/or liens that exist on the Property at the Closing of this transaction (the "Closing") before any remaining proceeds from the sale are given to Seller.

## **ARTICLE II- Closing**

2.1 Unless otherwise extended by the provisions of the Contract or by agreement in writing by the parties, the Closing shall be held within sixty (60) days of the signing of this Contract.

2.2 The Closing shall be held at the office of Guarantee Title Company, LLC located at 4300 Downtowner Blvd., Mobile, Alabama, 36609.

## **ARTICLE III - Possession**

3.1 Possession shall be delivered to Buyer at Closing. Seller and Buyer acknowledge and agree that until the Closing Date, Seller shall have possession of the Property and shall continue to pay any and all expenses incurred by Seller, such as yard maintenance, and Seller agrees to indemnify and hold Buyer harmless from any and all costs associated with same. Seller shall be responsible for insuring the property during the period of Seller's possession. Buyer shall bear no responsibility for risk of loss prior to the time that Seller vacates the property.

## **ARTICLE IV - Deed and Other Documents**

4.1 Seller shall convey the Property to Buyer by recordable General Warranty Deed (the "Deed"), conveying good and marketable title of record to the Property, in fee simple, free and clear of all liens and encumbrances except for the lien of real property taxes not yet due and payable, any existing easements of record, and other exceptions approved in writing by Buyer.

4.2 Seller shall execute and deliver with the Deed such other documents as may be required by any governmental entity or by the title insurance company as a condition to the issuance of its policy of title insurance in accordance with Article VI, including, but not limited to:

- (a) The standard affidavit required by the title insurance company for the removal of the standard preprinted exceptions from the title insurance policy; and
- (b) A Certificate of Non-Foreign Status or other evidence satisfactory to Buyer and the title insurance company confirming that Buyer is not required to withhold or pay to the Internal Revenue Service any part of the "amount realized" as such term is defined in the Internal

Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

#### **ARTICLE V - Title Insurance**

5.1 Buyer shall order a title insurance commitment or preliminary title report issued by Guarantee Title Company (referred to as "Title Insurance Company") in which the Title Insurance Company commits that upon delivery and recordation of the Deed and other documents provided for in this Contract, it will issue, at its usual rate, a standard form ALTA owner's commitment with extended coverage or comparable form, insuring access to the Property and such other endorsements as Buyer may request (the "Policy"), insuring Buyer in the total amount of the Purchase Price, fee simple title to the Premises subject only to (a) the lien for real estate taxes not yet due and payable; (b) exceptions approved in writing by Buyer; and/or (c) such liens as are to be released and discharged at the Closing. Seller agrees to provide to Buyer and the Title Insurance Company all title information in Seller's possession relating to the Property together with a copy of the most recent tax bills relating to the Property.

5.2 Without limiting the foregoing or being limited thereby, the standard exceptions for parties in possession, mechanics' and materialmen's liens and matters which would be disclosed by an accurate survey shall be eliminated from said Policy.

5.3 While Buyer shall bear the costs and expenses incurred in connection with the issuance of said title commitment and Policy, Seller shall bear all costs and expenses incurred in connection with any endorsements thereto which are required to conform the Policy to the terms and conditions of this Contract.

5.4 If the title commitment or report shows any exceptions to title other than those referred to in Article 5.1 above, Buyer shall notify Seller in writing of the defects in title within ten (10) days after receipt of the title commitment (with copies of all documents referred to therein). Seller shall then have ten (10) days after receipt of such notice in which to cure such defects and furnish to Buyer satisfactory proof that such defects have been cured. Seller agrees to use its best efforts to cure such defects. If Seller fails or is unable to cure such title defects within such ten (10) day period or to obtain title insurance which will give affirmative coverage to Buyer against loss as a result of such title defects, Buyer shall have the option, to be exercised in its sole discretion, to (i) proceed with Closing of this transaction subject to such title defects, or (ii) terminate this Contract.



**ARTICLE VI - Taxes and Assessments**

6.1 Seller shall pay or credit against the Purchase Price all unpaid real estate taxes, including penalties and interest, for all tax years preceding the Closing Date, and shall credit a portion of such taxes for the tax year in which the Closing is held, prorated through the Closing Date. The proration of such taxes shall be based on a 365-day year and on the most recently available rate and valuation and the amount so computed and adjusted shall be final.

6.2 Seller shall pay any special assessments which (a) are a lien on the Property on the Closing Date, whether such assessments are past due, then due or thereafter to become due or (b) are not a lien but are then known and will be payable in whole or in part after the Closing Date.

**ARTICLE VII - Utility Charges**

7.1 Seller shall pay or credit on the Purchase Price all unpaid utility charges and all charges for services of any type furnished to the Property by all governmental agencies, public utilities and/or private utilities through the Closing Date.

**ARTICLE VIII - Risk of Loss**

8.1 The risk of loss, damage or destruction to the Property and any improvements thereon through condemnation, fire or otherwise shall be borne by Seller until the Closing or until Seller delivers actual possession of the Property to Buyer, whichever is later.

**ARTICLE IX - Conditions to Closing**

9.1 Buyer's obligation to close this transaction is subject to the following conditions and covenants:

- (a) Easements. Buyer may obtain at or prior to Closing all other easements or licenses deemed necessary by Buyer upon terms and conditions acceptable to Buyer. Seller agrees to reasonably cooperate with Buyer in obtaining any such easements or licenses.
- (b) Survey. Buyer may obtain, at Buyer's sole cost, a certified ALTA survey, being a legal description, made by a licensed surveyor, showing the area, dimensions and location of the Property to the nearest monuments, streets, alleys or property, the

location of all improvements, utilities and encroachments, and the location of all proposed and recorded easements against or appurtenant to the Property. If a survey is obtained and discloses any condition rendering the Property unusable, in Buyer's sole judgment, for the intended purpose of Buyer, Buyer may terminate this Contract with no penalty.

- (c) **Title Insurance.** Buyer shall have obtained from Seller a satisfactory title insurance commitment or preliminary title report in accordance with Article V above.
- (d) **Seller's Performance.** Seller shall have performed all terms, covenants and obligations required of Seller hereunder.
- (e) **Environmental Audit and Testing.** Buyer, at Buyer's expense, may obtain a current satisfactory Phase I or Phase II Environmental Audit of the Property and any other environmental testing which Buyer deems reasonably necessary to evaluate potential environmental risks. If such audit or tests reveal the existence of any toxic or hazardous waste, material or substance on, under or surrounding the Property, Buyer may terminate this Contract with no further liability to Seller.
- (f) **Satisfaction of all existing mortgages and/or liens.**
- (g) **Termination of any and all leases on the property and removal of all occupants and contents held within any structures remaining.**

#### **ARTICLE X - Notices**

10.1 Unless otherwise provided herein, all notices shall be in writing and shall be deemed effective upon the earlier of either (a) personal delivery (b) facsimile or (c) deposit in the U.S. Mail, marked Certified or Registered, return receipt requested, with postage prepaid to Seller at 6012 Galena Drive, Mobile, Alabama 36608, and to Buyer at 775 N. University Blvd., Suite 150, Mobile, AL 36608.

#### **ARTICLE XI - Representations and Warranties**

11.1 Seller represents, warrants and covenants to Buyer as to the following matters, and shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date.

- (a) All covenants, conditions, restrictions, easements and similar matters affecting the

Property have been complied with.

- (b) There is no pending or threatened litigation, arbitration, administrative action or examination, claim, or demand whatsoever relating to the Property or the furnishings and equipment contained in the premises and sold as part of this Contract. No attachments, execution proceedings, liens, assignments or insolvency proceedings are pending, threatened or contemplated against Seller, the Property or the furnishings and equipment contained in the premises and sold as part of this Contract. Seller is not contemplating the institution of insolvency proceedings.
- (c) Seller has no knowledge of any pending or contemplated eminent domain, condemnation, or other governmental or quasi-governmental taking of any part or all of the Property.
- (d) Seller has not been notified of any possible future improvements by any public authority, any part of the cost of which might be assessed against any part of the Property.
- (e) To the best of Seller's knowledge, Seller: (i) has not used the Property for the storage, treatment, generation, production or disposal of any toxic or hazardous waste, material or substance nor does Seller have knowledge of such use by others; (ii) has not caused or permitted and has no knowledge of the release of any toxic or hazardous waste, material or substance on or off site of the Property; (iii) has not received any notice from any governmental authority or other agency concerning the removal of any toxic or hazardous waste, material or substance from the Property; and (iv) has disclosed to Buyer the location of all underground storage tanks on the Property (if any).
- (f) No event has occurred with respect to the Property which would constitute a violation of any applicable environmental law, ordinance or regulation.
- (g) The execution and delivery of this Contract has been duly authorized and validly executed and delivered by Seller, and will not (i) constitute or result in the breach of or default under any oral or written agreement to which Seller is a party or which affects the Property; (ii) constitute or result in a violation of any order, decree or injunction with respect to which either Seller and/or the Property is/are bound; (iii) cause or entitle any party to have a right to accelerate or declare a default under any oral or written agreement to which Seller is a party or which affects the Property;

and/or (iv) violate any provision of any municipal, state or federal law, statutory or otherwise, to which either Seller or the Property may be subject.

11.2 As an inducement to Seller to enter into this Contract, Buyer represents that Buyer has the right, power and authority to purchase the Property in accordance with the terms and conditions of this Contract and that Buyer has validly executed and delivered this Contract.

11.3 Except as is expressly provided in this Contract, Buyer acknowledges that neither Seller nor any agent, attorney, employee or representative of Seller has made any representations as to the physical nature or condition of the Property.

#### **ARTICLE XII – Termination, Default, and Remedies.**

12.1 If Buyer fails or refuses to consummate the purchase of the Property pursuant to this Contract at the Closing or fails to perform any of Buyer's other obligations hereunder either prior to or at the Closing for any reason other than termination of this Contract by Buyer pursuant to a right so to terminate expressly set forth in this Contract or Seller's failure to perform Seller's obligations under this Contract, then the Seller, as Seller's sole and exclusive remedy, shall have the right to terminate this Contract by giving written notice thereof to Buyer prior to or at the Closing, whereupon neither party hereto shall have any further rights or obligations hereunder.

12.2 If Seller fails or refuses to consummate the sale of the Property pursuant to this Contract at the Closing or fails to perform any of Seller's other obligations hereunder either prior to or at the Closing for any reason other than the termination of this Contract by Seller pursuant to a right so to terminate expressly set forth in this Contract, or Buyer's failure to perform Buyer's obligations under this Contract, then Buyer, as Buyer's sole and exclusive remedy, shall have the right to terminate this Contract by giving written notice thereof to Seller prior to or at the Closing, whereupon neither party hereto shall have any further rights or obligations hereunder.

#### **ARTICLE XIII - Miscellaneous**

13.1 This Contract shall inure to the benefit of and bind the parties hereto, their respective heirs, executors, administrators, personal and/or legal representatives, successors and assigns.

13.2 This Contract constitutes the entire agreement between the parties and there are no representations, oral or written, relating to the Property or to this transaction which have not been incorporated herein. Any agreement hereafter made shall be ineffective to change, modify or discharge

this Contract in whole or in part unless such agreement is in writing and signed by the party against whom enforcement of any change, modification or discharge is sought.

13.3 The headings of the Articles hereof have been inserted for convenience only and shall in no way modify or restrict any provisions hereof or be used to construe any such provisions.

13.4 If two or more persons constitute the Seller, the word "Seller" shall be construed as if it reads "Sellers" throughout this Contract.

13.5 This Contract shall be construed, interpreted and enforced in accordance with the laws of the State of Alabama. The parties agree and acknowledge that the only forum for any claim against Buyer pursuant to this Agreement is the Alabama State Board of Adjustment.

13.6 This Contract may be executed in multiple counterparts, each of which shall be considered to be an original document.

13.7 The Effective Date shall be the date of the last execution hereof.

13.8 Time is of the essence hereof.

13.9 Any condition or right of termination, cancellation or rescission granted by this Contract to Seller or Buyer may be waived by such party provided such waiver is in writing.

13.10 If the time period or date by which any right, option or election provided under this Contract must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires or occurs on a Saturday, Sunday, or legal or bank holiday, then such time period or date shall be automatically extended through the close of business on the next regularly scheduled business day.

13.11 If any provision of this Contract, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of this Contract and such provisions as applied to other persons, places, and circumstances shall remain in full force and effect.

#### **ARTICLE XIV - Acceptance**

14.1 In the event this Contract is not signed simultaneously by both parties, it shall be considered to be an offer made by the party first executing it. In such event this offer shall expire at 12:00pm NOON, Friday, July 15, 2022 Central Daylight Time following the offer unless one copy of this Contract, executed by the party to whom this offer had been made, shall have been mailed (in accordance with Article X hereof) or personally delivered to the party making the offer.

**ARTICLE XV – Broker Agency Disclosure: 34-27-8-(c)**

The selling company is:	The listing company is:
<b>USA Properties</b>	<b>USA Properties</b>
<p><b><u>TWO BLOCKS MAY BE CHECKED</u></b></p> <p><input type="checkbox"/> and is an Agent of the Seller  <input checked="" type="checkbox"/> and is an Agent of the Buyer  <input type="checkbox"/> and is an Agent of both Seller and Buyer acting as a limited  <input type="checkbox"/> and is assisting the <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> Seller as a transaction broker.</p> <p>Buyer(s) initials: <u>dt</u> _____</p>	<p><b><u>TWO BLOCKS MAY BE CHECKED</u></b></p> <p><input type="checkbox"/> and is an Agent of the Seller  <input checked="" type="checkbox"/> and is an Agent of the Buyer  <input type="checkbox"/> and is an Agent of both Seller and Buyer acting as a limited  <input type="checkbox"/> and is assisting the <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> Seller as a transaction broker.</p> <p>Seller(s) initials: <u>RF</u> _____</p>

**ARTICLE XVI – Broker Commissions**

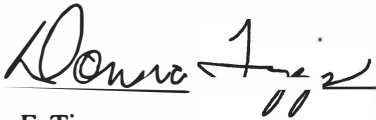
16.1 Both Buyer and Seller agree and understand that USA Properties is acting as an agent of the Buyer in this transaction and is solely assisting Seller as a transaction broker. Seller understands that Seller is under no obligation to pay a commission to USA Properties with respect to this transaction.

**SIGNATURES ON THE NEXT PAGE**

Signed by Buyer this 15th day of  
July, 2022.

BUYER:

**UNIVERSITY OF SOUTH ALABAMA**

By:  \_\_\_\_\_

Donna F. Tipps  
Contract Officer

Signed by Seller(s) this 14th day of  
July, 2022.

SELLER:

**RALPH FLANAGAN**

By:  \_\_\_\_\_

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**SPECIAL MEETING**

**August 29, 2022  
4:00 p.m.**

A special meeting of the University of South Alabama Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Monday, August 29, 2022, at 4:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Arlene Mitchell, Jimmy Shumock and Jim Yance were present, and Tom Corcoran, Steve Furr, Ron Jenkins, Bill Lewis, Lenus Perkins and Margie Tuckson participated remotely.

Members Absent: Alexis Atkins, Scott Charlton, Ron Graham, Steve Stokes, Mike Windom and Kay Ivey.

Administration & Guests: Owen Bailey, Jo Bonner, Camille Bonura (SGA), Kristin Dukes, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, John Marymont and Polly Stokley.

The meeting came to order, and the attendance roll was called, **Item 1**. Chair Mitchell called for consideration of the revised agenda, **Item 1.A**. On motion by Mr. Shumock, seconded by Mr. Yance, the revised agenda was adopted unanimously.

Chair Mitchell yielded to President Bonner, who introduced Provost Kent to explain **Item 1.B** as follows. Provost Kent advised that, while a resolution awarding faculty promotion and tenure had been approved at the June Board meeting, the names of two faculty members who were recommended to receive promotion were inadvertently omitted from the resolution. She said the resolution for consideration would grant promotion to these faculty members. On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the Board voted unanimously to approve the resolution:

**RESOLUTION  
PROMOTION**

**WHEREAS**, in accordance with University policy, applications for promotion from the faculty members listed below have been reviewed by the respective faculty peers, the departmental chair and dean of the College of Engineering, and by the Provost and Executive Vice President, and the President, and, subsequently, these individuals are recommended for promotion,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees approves and grants promotion to the following individuals.

**COLLEGE OF ENGINEERING:**

**Promotion to Professor:**

- Na Gong
- Win-Wook Kang



In accordance with the provisions of the Alabama Open Meetings Act, President Bonner recommended that an executive session be convened for an anticipated duration of 45 minutes for the purpose of discussing preliminary negotiations involving a matter of trade or commerce, **Item 2**. He stated that Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. On motion by Mr. Shumock, seconded by Mr. Yance, the Board voted unanimously to convene an executive session at 4:05 p.m., as recorded below:

AYES:

- Ms. Brown Stewart
- Mr. Corcoran
- Dr. Furr
- Capt. Jenkins
- Judge Lewis
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Ms. Tuckson
- Mr. Yance

There being no further business, the meeting was adjourned at 4:52 p.m.

Attest to:

Respectfully submitted:

Lenus M. Perkins, Secretary

Arlene Mitchell, Chair pro tempore

# APPENDIX A

Executive Session

Special meeting of the University of South Alabama Board of Trustees on August 29, 2022.

The purpose of the executive session for the above-referenced meeting is to discuss preliminary negotiations involving a matter of trade or commerce.

This declaration is submitted pursuant to the requirements of the Alabama Open Meetings Act by Kristin Daniels Dukes, ASB number 6408o61k.

*Kristin Daniels Dukes*

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**AUDIT COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Audit Committee**

**June 2, 2022  
1:30 p.m.**

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Ron Graham, Chair, on Thursday, June 2, 2022, at 1:31 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Tom Corcoran, Ron Graham and Lenus Perkins were present, and Ron Jenkins participated remotely.

Other Trustees: Chandra Brown Stewart, Steve Furr, Arlene Mitchell, Jimmy Shumock, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Laura Schratt, Jeb Schrenk, Polly Stokley and Margaret Sullivan.

Following introductory remarks by Chairman Shumock, the meeting came to order and the attendance roll was called, **Item 1**. Mr. Graham called for consideration of the minutes of a meeting held on March 10, 2022, **Item 2**. On motion by Mr. Perkins, seconded by Ms. Atkins, the committee voted unanimously to adopt the minutes.

Mr. Graham called on Ms. Schratt to address **Item 3**, a resolution to approve a revised Audit Committee charge. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 3, 2022.) Ms. Schratt explained the revisions being recommended, and, on motion by Mr. Corcoran, seconded by Mr. Perkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Concerning **Item 4**, a report on the activities of the Office of Internal Audit (OIA), Ms. Schratt presented the OIA quarterly report for the period January 1, 2022, to March 31, 2022, discussing progress made with five key performance indicators and with recommendations made by OIA. She also provided information on the various risk assessments performed for the general University and USA Health sectors.

There being no further business, the meeting was adjourned at 1:37 p.m.

Respectfully submitted:

William Ronald Graham, Chair



KPMG LLP  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201-2127

June 29, 2022

Audit Committee of the Board of Trustees  
University of South Alabama  
Mobile, Alabama

We have audited the University of South Alabama (the University)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement (the Supplement) that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2021, and have issued our report thereon under date of June 29, 2022. A single audit encompasses an audit of the financial statements and a compliance audit of federal awards. Under our professional standards, we are providing you with the accompanying information related to the conduct of our compliance audit. We have previously provided you with the information related to the audit of the financial statements in a letter dated November 15, 2021.

#### **Our Responsibility under Professional Standards**

We are responsible for forming and expressing an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. The University's major federal programs are identified in the schedule of findings and questioned costs. We have a responsibility to perform our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that instances of material noncompliance are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that noncompliance, whether caused by error or fraud, that is not direct and material to a major federal program is detected. Our audit does not relieve management or the audit committee of their responsibilities. Instances of noncompliance that are required to be reported in accordance with the Uniform Guidance are described in the schedule of findings and questioned costs.

In addition, in planning and performing our audit of compliance, we considered internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance. However, significant deficiencies in internal control over compliance identified during our audit have been provided to you in the schedule of findings and questioned costs.



Audit Committee of the Board of Trustees  
University of South Alabama  
June 29, 2022  
Page 2 of 3

We also have a responsibility to communicate significant matters related to the audit of compliance that are, in our professional judgment, relevant to the responsibilities of the audit committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Student Financial Assistance**

As indicated in the schedule of findings and questioned costs, we audited the Student Financial Assistance (SFA) cluster as a major program. We audited compliance with the types of compliance requirements described in the Supplement that could have a direct and material effect on the SFA cluster. These requirements included the Gramm-Leach-Bliley Act (GLBA) - Student Information Security special test. The three suggested audit procedures included in the Supplement for this special test are to (1) verify that the institution designated an individual to coordinate the information security program; (2) verify that the institution performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b); and (3) verify that the institution documented a safeguard for each risk identified from step (2).

Our procedures over the GLBA were limited to inquiry of management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the overall adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

### **Disagreements with Management**

There were no disagreements with management on compliance matters that would have caused a modification of our auditors' reports on compliance for each major federal program or on internal control over compliance.

### **Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2021.

### **Significant Issues Discussed, or Subject to Correspondence, with Management**

#### *Major Issues Discussed with Management Prior to Retention*

We generally discuss a variety of matters, including auditing standards and federal regulations with you and management each year prior to our retention by you as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Material Written Communications*

Attached to this letter please find a copy of the management representation letter, which constitutes material written communications between management and us.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.



Audit Committee of the Board of Trustees  
University of South Alabama  
June 29, 2022  
Page 3 of 3

**Confirmation of Audit Independence**

We hereby confirm that as of June 29, 2022, we are independent accountants with respect to the University under relevant professional and regulatory standards.

\* \* \* \* \*

This letter to the audit committee is intended solely for the information and use of the audit committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

Jackson, Mississippi  
June 29, 2022





## UNIVERSITY OF SOUTH ALABAMA

June 29, 2022

KPMG LLP  
188 East Capitol Street  
Suite 1100  
Jackson, MS 39201

Ladies and Gentlemen:

We are providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University of South Alabama (the University)'s federal programs, in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

In connection with your audit of the financial statements of the business type activities and aggregate discretely presented component units of the University as of September 30, 2021 and for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position, changes in financial position, and cash flows of the University in conformity with U.S. generally accepted accounting principles, you were previously provided with a letter of representations under date of November 15, 2021. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

We confirm having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves as of June 29, 2022, the following representations made to you during your single audit:

- 1.e We are responsible for the design, implementation, and maintenance of effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award.e
- 2.e We are responsible for understanding and complying with the requirements of federal statutes,e regulations, and the terms and conditions of federal awards related to each of the University's federale programs.e
- 3.e We are responsible for taking corrective action on audit findings of the compliance audit and havee developed a corrective action plan that meets the requirements of the Uniform Guidance.e
- 4.e We are responsible for the design, implementation, and maintenance of internal controls to prevente and detect fraud in the administration of federal programs. We have no knowledge of any fraude or suspected fraud affecting the entity's federal programs involving:e
  - a.e Management, including management involved in the administration of federal programs.e

b.e Employees who have significant roles in internal control over the administration of federale programs.e

c.e Others where the fraud could have a material effect on compliance with federal statutes,e regulations, and the terms and conditions of federal awards related to its federal programs.e

5.e We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) ine accordance with the Uniform Guidance and:e

a.e The SEFA, including its form and content, is fairly presented in accordance with the requirementsse of the Uniform Guidance.e

b.e The SEFA includes all expenditures made during the year ended September 30, 2021 for alle awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts,e loans, loan guarantees, cooperative agreements, interest subsidies, insurance, noncashe assistance (such as free rent, food commodities, donated property or donated surplus property),e direct appropriations, and other assistance.e

c.e The methods of measurement or presentation of the supplementary information have note changed from those used in the prior period.e

d.e The significant assumptions or interpretations underlying the measurement or presentation of thee supplementary information are reasonable and appropriate in the circumstances.e

e.e We will make the audited financial statements readily available to the intended users of the SEFAe no later than the date of issuance by the entity of the SEFA and the auditors' report thereon.e

Additionally, we confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of June 29, 2022, the following representations made to you during your single audit:

6.e The University is responsible for complying, and has complied, with the requirements of the Uniforme Guidance.e

7.e We have identified and disclosed all of our government programs and related activities subject to thee Uniform Guidance compliance audit.e

8.e The University has designed, implemented, and maintained effective internal control over compliancnee for federal programs that provides reasonable assurance that the University is managing federale awards in compliance with federal statutes, regulations, and the terms and conditions of the federale award that could have a material effect on its federal programs.e

9.e We have communicated to you all significant deficiencies and material weaknesses in the design ore operation of internal control over compliance that we have identified, which could adversely affect thee University's ability to administer a major federal program in accordance with the applicablee requirements of federal statutes, regulations, and the terms and conditions of federal awards. Undere standards established by the American Institute of Certified Public Accountants, a deficiency ine internal control over compliance exists when the design or operation of a control does not allowe management or employees, in the normal course of performing their assigned functions, to prevent,e or detect and correct on a timely basis noncompliance with a type of compliance requirement of ae federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internale control over compliance, such that there is a reasonable possibility that material noncompliance withe a compliance requirement will not be prevented, or detected and corrected on a timely basis. Ae "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control overe

compliance with a compliance requirement that, is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- 10.eThe University has complied with requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its major federal programs.e
- 11.eThe University has charged costs to federal awards in accordance with the applicable cost principles.e
- 12.eFederal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.e
- 13.eThe copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.e
- 14.eWe have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.e
- 15.eWe have issued management decisions on a timely basis (within six months of acceptance of the audit report by the FAC) for audit findings that relate to federal awards made to subrecipients.e Additionally, management has followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient by the University.e
- 16.eWe have considered the results of subrecipient audits and have made any necessary adjustments to the University's accounting records.e
- 17.eWe have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.e
- 18.eWe have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.e
- 19.eWe have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements, for major federal programs.e
- 20.eWe have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to major federal programs.e
- 21.eWe have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards.e
- 22.eWe have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the compliance requirements over federal programs, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.e
- 23.eWe have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.e

24. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
25. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
26. We have advised you of all contracts or other agreements with service organizations.
27. We have disclosed to you all communications from the University's service organizations relating to noncompliance at the service organizations.
28. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control over major federal programs, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
29. We have disclosed to you any known noncompliance relating to major federal programs occurring subsequent to the period covered by the auditors' report.
30. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance over major federal programs during the reporting period.
31. KPMG LLP assisted management in completing Part II, Part III, item 3(d), and items 4(a)-(d), and Part IV of the data collection form. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the information included in Part II, Part III, item 3(d), and items 4(a)-(d), and Part IV of the data collection form.
32. The reporting package does not contain protected personally identifiable information.

Very truly yours,

University of South Alabama



Jo Bonner

*University President*



Interim Vice President for Finance and Administration



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Basic Financial Statements and Single Audit Reporting  
in Accordance with the Uniform Guidance

September 30, 2021

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

September 30, 2021

**Table of Contents**

	<b>Page</b>
Management's Discussion and Analysis (Unaudited)	1
Independent Auditors' Report	14
Basic Financial Statements:	
Statements of Net Position – University of South Alabama, September 30, 2021 and 2020	16
Consolidated Statements of Financial Position – University of South Alabama Foundation, June 30, 2021 and 2020	17
Statements of Net Position – USA Research and Technology Corporation, September 30, 2021 and 2020	18
Statements of Net Position – University of South Alabama Health Care Authority, September 30, 2021 and 2020	19
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama, Years ended September 30, 2021 and 2020	20
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, Year ended June 30, 2021	21
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, Year ended June 30, 2020	22
Statements of Revenues, Expenses, and Changes in Net Position – USA Research and Technology Corporation, Years ended September 30, 2021 and 2020	23
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama Health Care Authority, Years ended September 30, 2021 and 2020	24
Statements of Cash Flows – University of South Alabama, Years ended September 30, 2021 and 2020	25
Notes to Basic Financial Statements	27
Schedules of Required Supplementary Information:	
Schedule of the University's Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)	85
Schedule of the University's Pension Contributions (Unaudited)	86

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

September 30, 2021

**Table of Contents**

	<b>Page</b>
Schedule of the University's Proportionate Share of the Net OPEB Liability and Related Ratios (Unaudited)	87
Schedule of the University's OPEB Contributions (Unaudited)	88
Notes to Required Supplementary Schedules (Unaudited)	89
Schedule of Expenditures of Federal Awards:	
Schedule of Expenditures of Federal Awards, Year ended September 30, 2021	92
Notes to Schedule of Expenditures of Federal Awards	97
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	99
Independent Auditors' Report on Compliance for Each Federal Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	101
Schedule of Findings and Questioned Costs – Year ended September 30, 2021	104

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

**Introduction**

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 2021 and 2020, and for the years then ended. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units either are blended with the University's financial position and results of operations or are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB). As more fully described in note 1 to the basic financial statements, the University of South Alabama Professional Liability Trust Fund, the University of South Alabama General Liability Trust Fund and USA HealthCare Management, LLC are reported as blended component units. The University of South Alabama Foundation, the USA Research and Technology Corporation and the University of South Alabama Health Care Authority are discretely presented.

**Financial Highlights**

At September 30, 2021 and 2020, the University had total assets and deferred outflows of \$1,932,363,000 and \$1,610,872,000, respectively; total liabilities and deferred inflows of \$1,590,053,000 and \$1,394,594,000, respectively; and net position of \$342,310,000 and \$216,278,000, respectively.

The University has experienced a significant growth in its health care operations over the past several years incurring increases in net patient service revenues of \$68,247,000, or 12%, between 2020 and 2021 and \$62,635,000, or 13%, between 2019 and 2020. Due to improved operational performance by both the University and USA Health along with significant market growth, there was a notable increase in cash and investment balances between 2020 and 2021, increasing by \$89,871,000, or 15% to \$699,693,000 at September 30, 2021.

An overview of each statement is presented herein along with financial analysis of the transactions impacting each statement. Where appropriate, comparative financial information is presented to assist in the understanding of this analysis.

**Analysis of Financial Position and Results of Operations**

*Statements of Net Position*

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at September 30, 2021 and 2020. Net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may be either expendable or nonexpendable and is the net position that is restricted by law or external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statements of net position, along with all of the University's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments and net patient receivables. Of these amounts, cash and cash equivalents, investments and net patient receivables comprise approximately 57%, 14% and 15%, respectively, of current assets at September 30, 2021. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

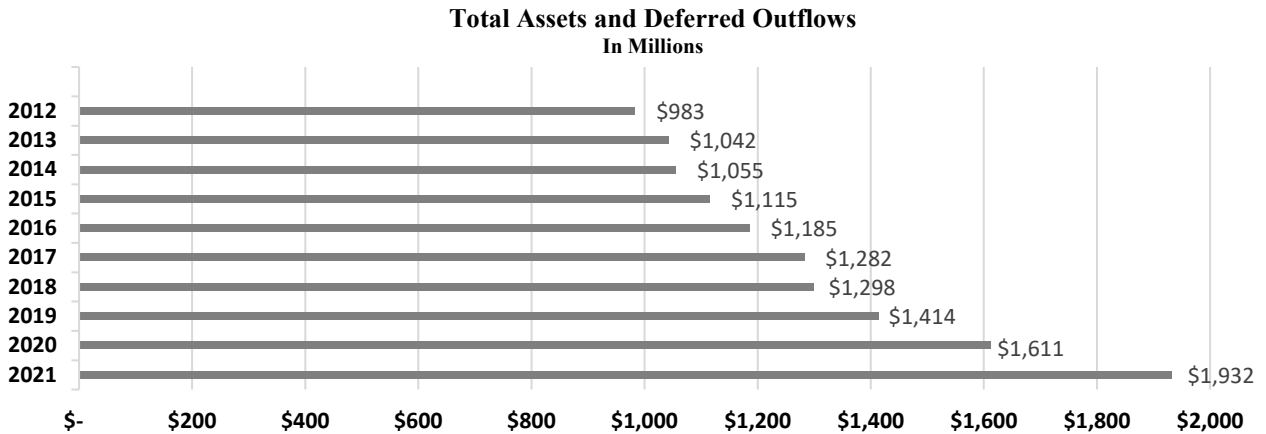
The condensed schedules of net position at September 30, 2021, 2020 and 2019 follow (in thousands):

**Condensed Schedules of Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets:</b>			
Current	\$ 363,476	355,235	224,156
Capital assets, net	841,811	818,084	759,801
Other noncurrent	448,536	341,027	338,985
Total assets	<u>1,653,823</u>	<u>1,514,346</u>	<u>1,322,942</u>
Deferred outflows	<u>278,540</u>	<u>96,526</u>	<u>91,038</u>
Total assets and deferred outflows	<u>1,932,363</u>	<u>1,610,872</u>	<u>1,413,980</u>
<b>Liabilities:</b>			
Current	241,038	253,028	172,847
Noncurrent	1,125,784	927,735	1,053,095
Total liabilities	<u>1,366,822</u>	<u>1,180,763</u>	<u>1,225,942</u>
Deferred inflows	<u>223,231</u>	<u>213,831</u>	<u>95,913</u>
Total liabilities and deferred inflows	<u>1,590,053</u>	<u>1,394,594</u>	<u>1,321,855</u>
<b>Net position:</b>			
Net investment in capital assets	402,125	377,602	354,556
Restricted, nonexpendable	108,116	63,623	59,378
Restricted, expendable	69,527	82,912	69,139
Unrestricted deficit	<u>(237,458)</u>	<u>(307,859)</u>	<u>(390,948)</u>
Total net position	<u>\$ 342,310</u>	<u>216,278</u>	<u>92,125</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

Total assets and deferred outflows of the University as of September 30 is as follows:



Net position represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is classified into one of four categories:

Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

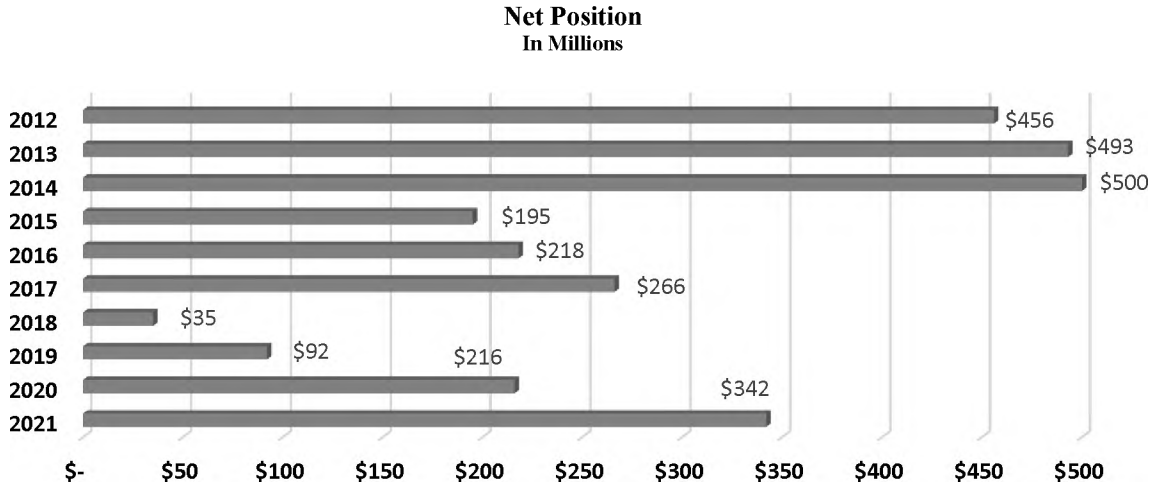
Restricted expendable net position is subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

Unrestricted net position represents amounts not invested in capital assets or not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University.

Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at September 30, 2021 and 2020 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

Net position of the University as of September 30 is as follows:



All categories of restricted net position collectively increased by approximately \$31,108,000 between September 30, 2021 and 2020, primarily due to the addition of restricted gifts to the University and investment earnings on those gifts. Unrestricted net position increased from \$(307,859,000) to \$(237,458,000) between September 30, 2021 and 2020. A summary of unrestricted net position at September 30, 2021 and 2020 is summarized as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Unrestricted net position related to net pension liability	\$ (287,984)	(291,297)
Unrestricted net position related to net OPEB liability	(235,072)	(234,739)
Unrestricted net position related to other activity	285,598	218,177
Unrestricted net position	<u>\$ (237,458)</u>	<u>(307,859)</u>

*Statements of Revenues, Expenses, and Changes in Net Position*

Changes in total University net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the changes in net position resulting from operating and nonoperating revenues earned by the University, and operating and nonoperating expenses incurred by the University, as well as any other revenues, expenses, gains, and losses earned or incurred by the University.

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. These include patient service revenues (net of provision for bad debts), tuition and fees (net of scholarship allowances), most noncapital grants and contracts, revenues from auxiliary activities and sales and services of educational

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

activities (primarily athletic activities). Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

Nonoperating revenues have the characteristics of nonexchange transactions because generally no goods or services are provided. Such transactions include investment income, state appropriations, gifts and other contributions. State appropriations are required by GASB to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operation and administration of the University, but not directly incurred to acquire or produce the goods and services provided in return for operating revenues. Such nonoperating expenses include interest on the University's indebtedness, losses related to the disposition of capital assets, transfers to affiliates to fund operations and transfers to intergovernmental agencies related to medical expenditures.

The condensed schedules of revenues, expenses, and changes in net position for the years ended September 30, 2021, 2020 and 2019 follow (in thousands):

	2021	2020	2019
<b>Condensed Schedules of Revenues, Expenses, and Changes in Net Position</b>			
Operating revenues:			
Tuition and fees, net	\$ 128,040	129,644	139,871
Patient service revenues, net	622,678	554,431	491,796
Federal, state and private grants and contracts	44,589	39,668	36,647
Other	65,388	58,949	62,527
	860,695	782,692	730,841
Operating expenses:			
Salaries and benefits	554,587	491,791	495,123
Supplies and other services	338,512	285,289	268,416
Other	97,399	81,216	79,492
	990,498	858,296	843,031
Operating loss	(129,803)	(75,604)	(112,190)
Nonoperating revenues and expenses:			
State appropriations	126,481	123,063	115,209
Net investment income	54,294	23,378	8,203
Other, net	61,611	41,274	25,189
Net nonoperating revenues	242,386	187,715	148,601
Income before capital contributions and grants and additions to endowment	112,583	112,111	36,411

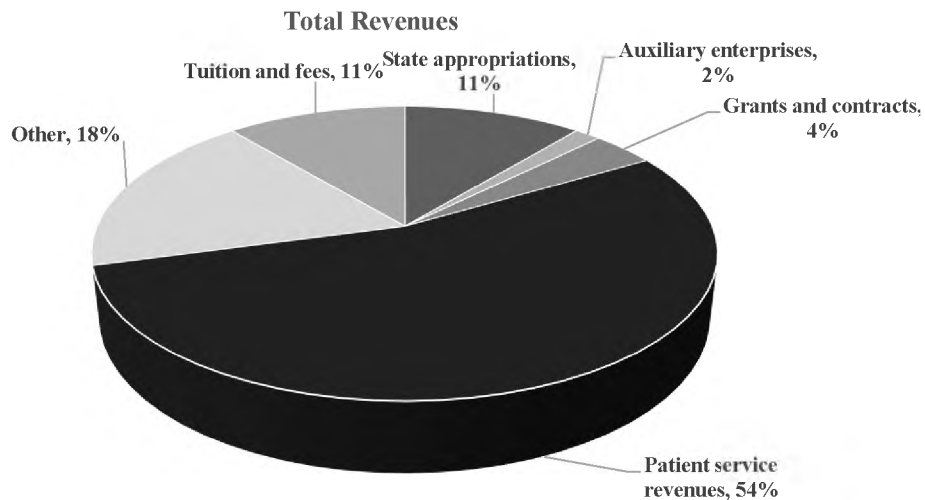
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

**Condensed Schedules of Revenues, Expenses,  
and Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital contributions and grants and additions to endowment	13,449	12,042	20,316
Increase in net position	<u>126,032</u>	<u>124,153</u>	<u>56,727</u>
Beginning net position	<u>216,278</u>	<u>92,125</u>	<u>35,398</u>
Ending net position	<u>\$ 342,310</u>	<u>216,278</u>	<u>92,125</u>

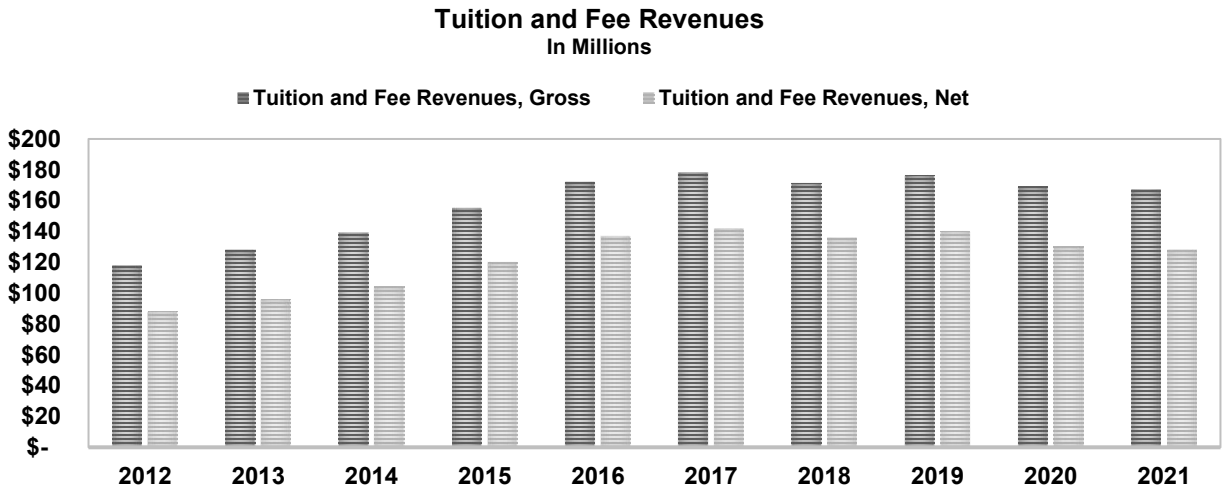
Approximately 54% and 55% of total revenues of the University were net patient service revenues in 2021 and 2020, respectively. Excluding patient service revenues, tuition and fees charged to students represent the largest component of total University revenues, approximately 11% and 13% of total revenues in 2021 and 2020, respectively. In both 2021 and 2020, state appropriations and grants and contracts (federal, state and private) represented approximately 15% of total revenues.

A summary of University revenues for the year ended September 30, 2021 is presented as follows:

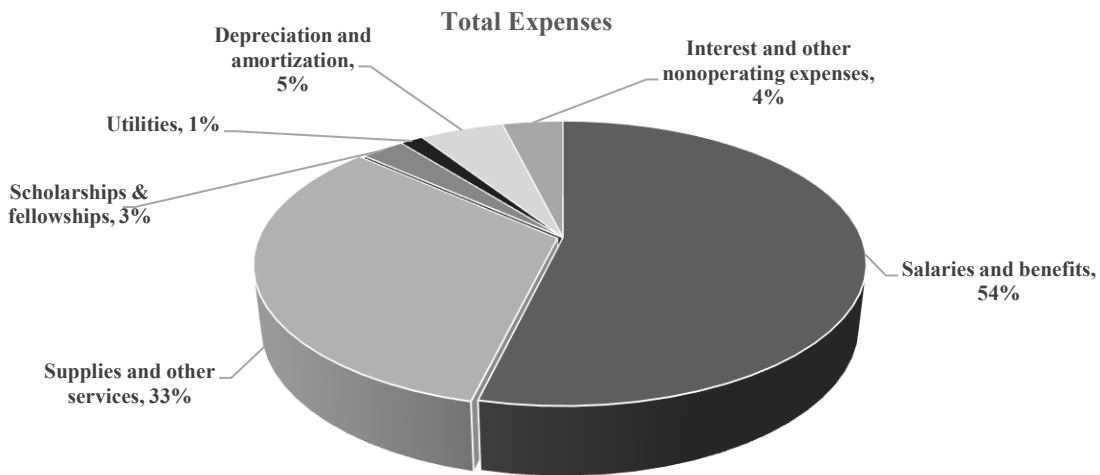


**UNIVERSITY OF SOUTH ALABAMA**  
 (A Component Unit of the State of Alabama)  
 Management's Discussion and Analysis (Unaudited)  
 September 30, 2021 and 2020

Tuition revenues have generally remained steady in recent years. A decline in enrollment coupled with increases in tuition rates have caused tuition revenues to remain relatively flat. Tuition and fees, gross and net of scholarship allowances, for the past ten fiscal years are as follows:



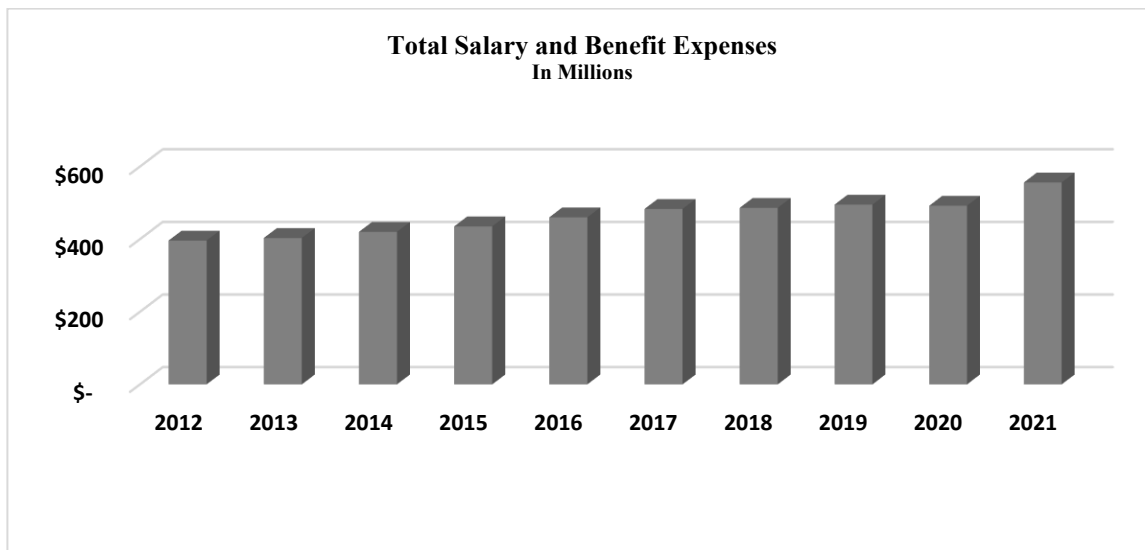
University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2021 is presented as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant and scholarships. Expenses related to auxiliary enterprise activities, USA Health and depreciation and amortization are presented separately. Functional expense information is presented in note 17 to the basic financial statements.

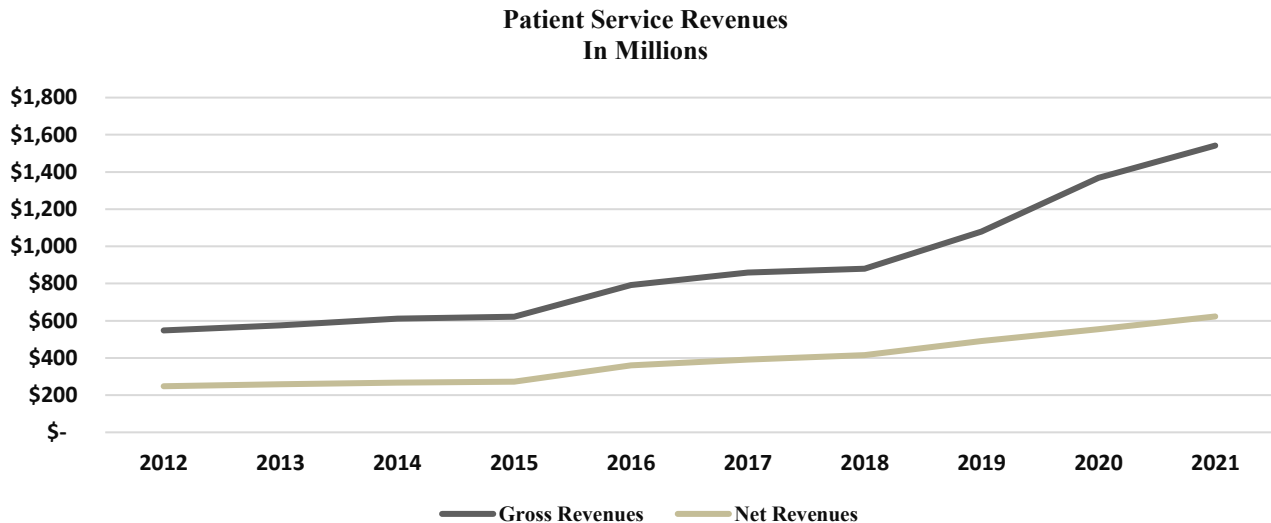
In 2021 and 2020, respectively, approximately 54% and 57% of the University's total operating expenses were salaries and benefits.



For the years ended September 30, 2021 and 2020, the University reported operating losses of approximately \$129,803,000 and \$75,604,000, respectively. Operating losses are offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, the total change in net position was approximately \$126,032,000 and \$124,153,000 for the years ended September 30, 2021 and 2020, respectively.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

USA Health represents a significant portion of total University revenues. Operating patient service revenues, gross and net, for the last ten fiscal years are presented as follows:



*Statements of Cash Flows*

The statements of cash flows present information related to cash flows of the University. The statements present cash flows by category: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net cash provided to, or used by, the University is presented by category.

**Capital Assets and Debt Administration**

Total capital asset additions for the University were approximately \$79,103,000 and \$110,120,000 in 2021 and 2020, respectively. Significant construction projects that remain in progress at September 30, 2021 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, the Transportation building, Campus Storm Shelter and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal year 2021 include the Medical Simulation Lab Building, Mitchell Center renovations, Baseball Clubhouse, Hancock Whitney Stadium and MacQueen Alumni Center. At September 30, 2021, the University had outstanding commitments of approximately \$28,969,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

In December 2019, the University refinanced the Series 2010 Bond with the University Facilities Revenue Bond, Series 2019-C, with a face value of \$19,086,000. In February 2020, the University issued a new University Facilities Revenue Bond, Series 2020, with a face value of \$37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities. In March 2021, the University issued a new University Facilities Revenue Bond, Series 2021, with a face value of \$40,555,000. The proceeds, along with internal contributions from the University, are financing USA Health facilities and transportation infrastructure. In July 2021, the University refinanced the Series 2012-A Bond with the University Facilities Revenue Bond, Series 2021-B, with a face



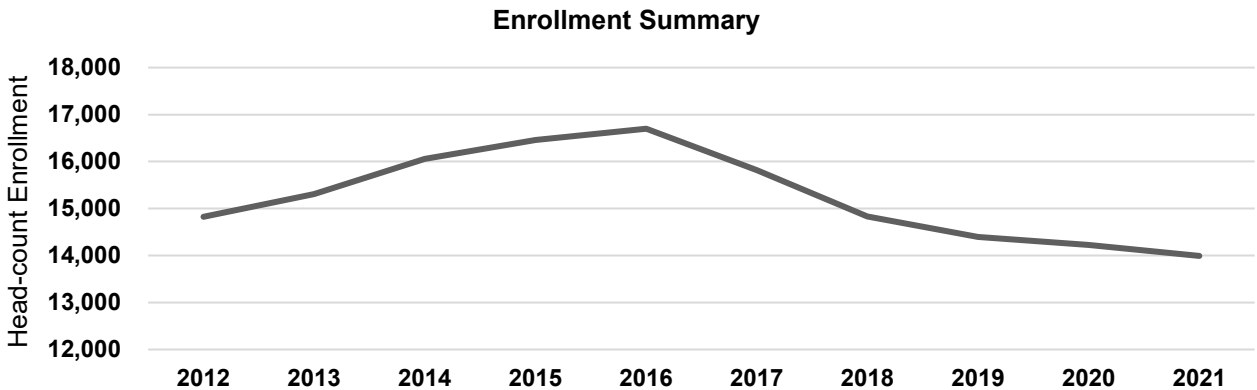
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

value of \$15,387,000. The terms for Bonds 2016-B, 2016-C and 2016-D were revised in September 2021 to address the removal of the LIBOR rate to be replaced by the ISDA-based replacement index after year ended September 30, 2021. The dates by which the Lender may cause all of the outstanding principal on such bonds to mature and become due and payable by the University were extended 5 years for each bond.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during 2021 or 2020. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2020 and 2021 Bond issuances. Additional information regarding the University's debt is included in note 7.

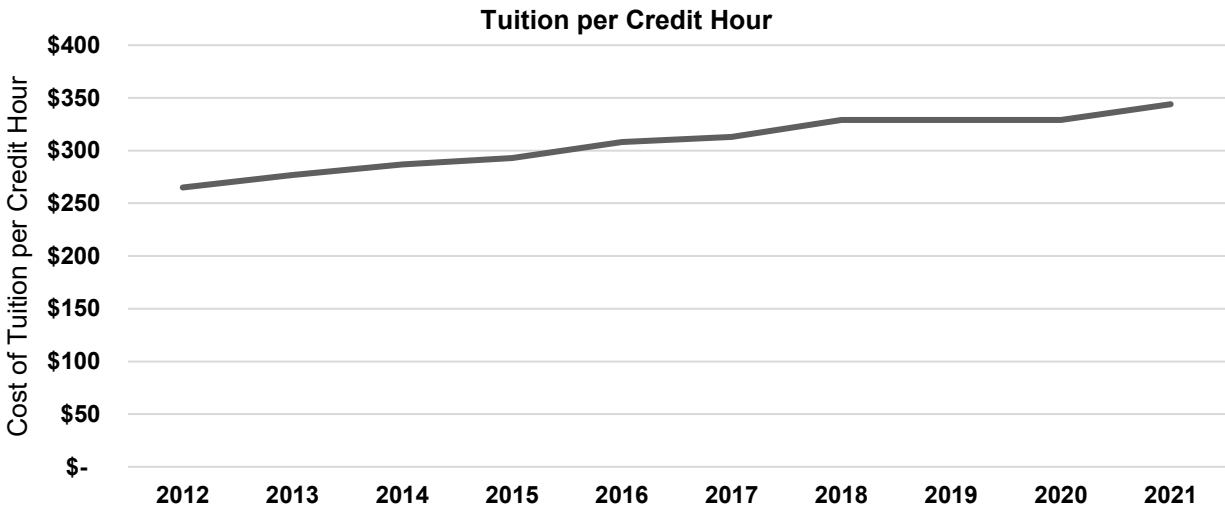
**Economic Outlook**

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 1% from Fall 2019 to Fall 2020 and an additional decline of 2% between Fall 2020 and Fall 2021, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of returning students. The enrollment trend for the University between 2012 and 2021 is as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

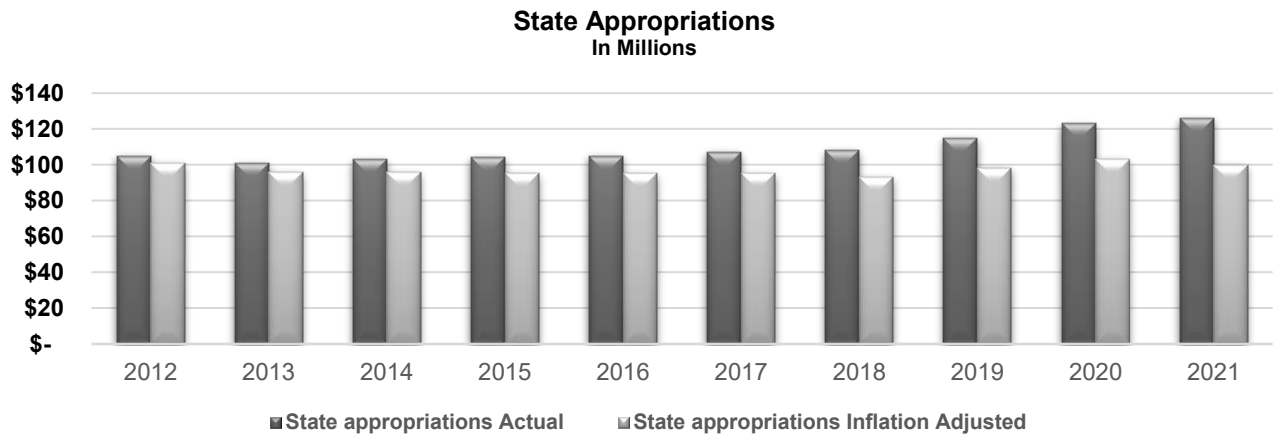
During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 30%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2012 and 2021 is as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

A state appropriation in the amount of approximately \$121,564,000 and \$118,299,000 was authorized and received for the years ended September 30, 2021 and 2020, respectively. Additional appropriations of approximately \$4,017,000 and \$900,000 were received during fiscal year 2021 for advancement and technology, and certain academic and healthcare initiatives. An additional appropriation of approximately \$4,764,000 was received during fiscal year 2020 for advancement and technology, and certain healthcare initiatives. A state appropriation in the amount of approximately \$129,098,000, representing an increase of approximately 6.2%, has been authorized for the year ending September 30, 2022. While no announcement has been made, the University is aware that reductions in the 2022 appropriation are possible.

The ten-year trend of state appropriations for the University is as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis (Unaudited)  
September 30, 2021 and 2020

In addition to state appropriations, the University is subject to declines in general economic and political conditions in the United States and, specifically, the State of Alabama. Weakening of the economy, as well as changes in federal and state funding policies, could potentially have a negative impact on the University's enrollment, extramural funding, endowment performance and health care operations.

During the second fiscal quarter of 2020, The United States was thrust into the midst of a pandemic health crisis related to the spread of the 2019 novel coronavirus, or COVID-19 (the "Crisis"). While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of the University could be significant both from an operational and financial standpoint.

As a result of the Crisis, the University moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls, resulting in a pro-rata refund of housing and dining fees. Additionally, all instruction for the 2020 May and summer terms was delivered online and residence halls remained largely closed. The University returned to modified in-person delivery of education for the 2020 fall semester and residence halls reopened at a lower capacity level. The University returned to normal operations for the Fall 2021 semester.

This Crisis also impacted the operations of USA Health, initially, as most elective procedures at USA University Hospital and USA Children's and Women's Hospital were postponed or canceled resulting in a decline in revenues. As of the end of fiscal 2020 and throughout fiscal year 2021, USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

Management has taken a number of actions to mitigate the anticipated declines in operations, including a reduction of operational expenses throughout the University, including USA Health. Additionally, the University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of September 30, 2021, the University (including USA Health) has been awarded \$93,064,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$68,749,000 was awarded in the year-ended September 30, 2021 and \$24,315,000 was awarded in the year-ended September 30, 2020. Of the total amounts awarded \$58,249,000 and \$11,350,000 have been recognized as nonoperating revenue in the statements of revenues, expenses and changes in net position for the years ended September 30, 2021 and 2020, respectively.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2022 or beyond.

### **Requests for Information**

These basic financial statements are designed to provide a general overview of the University of South Alabama and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Polly Stokley; Senior Associate Vice President for Finance and Administration; University of South Alabama Administration Building Room 170; Mobile, Alabama 36688. These basic financial statements can be obtained from our website at <http://www.southalabama.edu/departments/financialaffairs/businessoffice/statements.html>.



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188 East Capitol Street  
Jackson, MS 39201-2127

## Independent Auditors' Report

The Board of Trustees  
University of South Alabama:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and aggregate discretely presented component units of University of South Alabama, a component unit of the State of Alabama, (the University), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the years then ended as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of South Alabama Foundation, which represent 92% and 93%, respectively, of total assets and 98% and 99%, respectively, of net assets or net position as of June 30, 2021 and 2020, and 67% and 49%, respectively, of total revenues, gains and other support for the years then ended of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the aggregate discretely presented component units of the University of South Alabama as of September 30, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1–13, the schedule of the University's proportionate share of the net pension liability and related ratios, schedule of the University's pension contributions, schedule of the University's proportionate share of the net OPEB liability and related ratios, and the schedule of the University's OPEB contributions on pages 85–88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

Jackson, Mississippi  
November 15, 2021

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Statements of Net Position

September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 207,064	237,573
Investments	50,181	35,831
Patient receivables (net of allowance for doubtful accounts of \$84,639 in 2021 and \$74,026 in 2020)	53,826	45,796
Accounts receivable, other	31,528	16,694
Notes receivable, net	6,839	7,321
Prepaid expenses, inventories, and other	14,038	12,020
Total current assets	363,476	355,235
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	82,261	50,805
Restricted investments	298,144	265,620
Investments	62,043	19,993
Other noncurrent assets and accounts receivable	6,088	4,609
Capital assets, net	841,811	818,084
Total noncurrent assets	1,290,347	1,159,111
Total assets	1,653,823	1,514,346
<b>Deferred outflows</b>	278,540	96,526
Total assets and deferred outflows	1,932,363	1,610,872
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	109,769	113,363
Unrecognized revenues	91,715	101,731
Deposits	3,032	3,386
Current portion of other long-term liabilities	6,747	6,515
Current portion of long-term debt	29,775	28,033
Total current liabilities	241,038	253,028
<b>Noncurrent liabilities:</b>		
Long-term debt, less current portion	465,924	443,321
Net pension liability	315,591	294,615
Net other postemployment benefits liability	260,646	103,288
Other long-term liabilities, less current portion	83,623	86,511
Total noncurrent liabilities	1,125,784	927,735
Total liabilities	1,366,822	1,180,763
<b>Deferred inflows</b>	223,231	213,831
Total liabilities and deferred inflows	1,590,053	1,394,594
<b>Net position:</b>		
Net investment in capital assets	402,125	377,602
Restricted, nonexpendable:		
Scholarships	38,771	32,898
Other	69,345	30,725
Restricted, expendable:		
Scholarships	37,721	24,699
Other	31,806	58,213
Unrestricted deficit	(237,458)	(307,859)
Total net position	\$ 342,310	216,278

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(In thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,490	2,633
Investments:		
Equity securities	238,006	157,457
Timber and mineral properties	171,385	168,063
Real estate	19,904	53,455
Other	5,809	5,811
Other assets	448	453
Total assets	\$ 437,042	387,872
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 205	155
Other liabilities	894	594
Total liabilities	1,099	749
Net assets:		
Without donor restrictions	62,043	79,835
With donor restrictions	373,900	307,288
Total net assets	435,943	387,123
Total liabilities and net assets	\$ 437,042	387,872

See accompanying notes to basic financial statements.



**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Current assets:		
Unrestricted cash and cash equivalents	\$ 1,565	819
Rent receivable	198	187
Prepaid expenses and other current assets	22	19
Total current assets	1,785	1,025
Noncurrent assets:		
Intangible assets, net	205	215
Capital assets, net	19,877	19,738
Total noncurrent assets	20,082	19,953
Deferred outflows	921	1,089
Total assets and deferred outflows	22,788	22,067
<b>Liabilities:</b>		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses	323	202
Unrecognized rent revenue	431	353
Current portion of notes payable	1,342	7,950
Total current liabilities	2,096	8,505
Noncurrent liabilities:		
Notes payable, excluding current portion	19,379	12,531
Total noncurrent liabilities	19,379	12,531
Total liabilities	21,475	21,036
<b>Net position:</b>		
Net investment in capital assets	282	555
Unrestricted	1,031	476
Total net position	\$ 1,313	1,031

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY**  
(Discretely Presented Component Unit of the University of South Alabama)

Statements of Net Position  
September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,524	2,576
Patient receivables (net of allowance for doubtful accounts of \$2,117 in 2021 and \$450 in 2020)	2,641	1,552
Inventories	74	32
Other current assets	2,199	614
Total current assets	8,438	4,774
Noncurrent assets:		
Capital assets	5,348	1,932
Total assets	13,786	6,706
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	3,923	2,258
Accrued salaries and wages	2,064	2,535
Unrecognized revenue	770	1,640
Current portion of capital lease obligations	14	19
Total current liabilities	6,771	6,452
Noncurrent liabilities:		
Other noncurrent liabilities	195	—
Capital lease obligations, less current portion	10	24
Total liabilities	6,976	6,476
<b>Net position:</b>		
Net investment in capital assets	5,165	1,889
Unrestricted (deficit)	1,645	(1,659)
Total net position	\$ 6,810	230

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Tuition and fees (net of scholarship allowances of \$39,392 in 2021 and \$38,995 in 2020)	\$ 128,040	129,644
Patient service revenues (net of provision for bad debts of \$96,820 in 2021 and \$99,459 in 2020)	622,678	554,431
Federal grants and contracts	25,652	21,814
State grants and contracts	9,127	8,884
Private grants and contracts	9,810	8,970
Auxiliary enterprises (net of scholarship allowances of \$1,218 in 2021 and \$1,206 in 2020)	18,507	19,038
Other operating revenues	46,881	39,911
Total operating revenues	<u>860,695</u>	<u>782,692</u>
Operating expenses:		
Salaries and benefits	554,587	491,791
Supplies and other services	338,512	285,289
Scholarships and fellowships	27,270	15,464
Utilities	15,144	15,515
Depreciation and amortization	54,985	50,237
Total operating expenses	<u>990,498</u>	<u>858,296</u>
Operating loss	<u>(129,803)</u>	<u>(75,604)</u>
Nonoperating revenues (expenses):		
State appropriations	126,481	123,063
Net investment income	54,294	23,378
Interest expense	(11,765)	(9,543)
Other nonoperating revenues	101,325	64,035
Other nonoperating expenses	(27,949)	(13,218)
Net nonoperating revenues	<u>242,386</u>	<u>187,715</u>
Income before capital contributions and grants and additions to endowment	112,583	112,111
Capital contributions and grants	5,555	6,631
Additions to endowment	7,894	5,411
Increase in net position	126,032	124,153
Net position:		
Beginning of year	216,278	92,125
End of year	<u>\$ 342,310</u>	<u>216,278</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2021

(In thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, losses and other support:			
Net realized and unrealized gains on investments	\$ 5,204	56,052	61,256
Rents, royalties and timber sales	3,342	133	3,475
Interest and dividends	1,126	1,332	2,458
Gifts	1	511	512
Required match of donor contributions	(11)	11	—
Interfund interest	(165)	165	—
Other income	83	—	83
Allocation of Brookley	(16,773)	16,773	—
Net assets released from program restrictions	8,365	(8,365)	—
Total revenues, gains, losses and other support	<u>1,172</u>	<u>66,612</u>	<u>67,784</u>
Expenditures:			
Program services:			
Faculty support	2,694	—	2,694
Scholarships	1,130	—	1,130
Other academic programs	7,039	—	7,039
Total program service expenditures	10,863	—	10,863
Management and general	2,276	—	2,276
Other investment expense	1,625	—	1,625
Depletion expense	4,157	—	4,157
Depreciation expense	43	—	43
Total expenditures	<u>18,964</u>	<u>—</u>	<u>18,964</u>
Change in net assets	(17,792)	66,612	48,820
Net assets – beginning of year	<u>79,835</u>	<u>307,288</u>	<u>387,123</u>
Net assets – end of year	<u>\$ 62,043</u>	<u>373,900</u>	<u>435,943</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2020

(In thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, losses and other support:			
Net realized and unrealized gains (losses) on investments	\$ (3,741)	14,488	10,747
Rents, royalties and timber sales	3,810	148	3,958
Interest and dividends	1,081	1,101	2,182
Gifts	1	5,294	5,295
Required match of donor contributions	(5)	5	—
Interfund interest	(350)	350	—
Other income	390	—	390
Net assets released from program restrictions	8,365	(8,365)	—
Total revenues, gains, losses and other support	<u>9,551</u>	<u>13,021</u>	<u>22,572</u>
Expenditures:			
Program services:			
Faculty support	2,632	—	2,632
Scholarships	1,114	—	1,114
Other academic programs	6,851	—	6,851
Total program service expenditures	10,597	—	10,597
Management and general	2,293	—	2,293
Other investment expense	1,546	—	1,546
Depletion expense	4,485	—	4,485
Depreciation expense	40	—	40
Total expenditures	<u>18,961</u>	<u>—</u>	<u>18,961</u>
Change in net assets	(9,410)	13,021	3,611
Net assets – beginning of year	89,245	294,267	383,512
Net assets – end of year	<u>\$ 79,835</u>	<u>307,288</u>	<u>387,123</u>

See accompanying notes to basic financial statements.

**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 3,795	3,961
Operating expenses:		
Building management and operating expenses	1,090	1,163
Depreciation and amortization	1,173	1,161
Legal and administrative fees	219	221
Insurance	36	29
Total operating expenses	2,518	2,574
Operating income	1,277	1,387
Nonoperating revenues (expenses):		
Interest expense	(998)	(1,085)
Other	3	8
Net nonoperating expenses	(995)	(1,077)
Increase in net position	282	310
Net position:		
Beginning of year	1,031	721
End of year	\$ 1,313	1,031

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY**  
(Discretely Presented Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Operating revenues:		
Patient service revenues (net of provision for bad debts of \$2,065 in 2021 and \$643 in 2020)	\$ 27,906	18,581
Other operating revenues	2,208	1,196
Total operating revenues	30,114	19,777
Operating expenses:		
Salaries and benefits	33,283	22,992
Building and equipment expenses	5,317	2,787
Medical and surgical supplies	3,922	2,194
Other expenses	6,666	4,769
Depreciation and amortization	583	415
Total operating expenses	49,771	33,157
Operating loss	(19,657)	(13,380)
Nonoperating revenues:		
Investment income	2	5
Support from University of South Alabama	25,765	10,478
Interest expense	(1)	—
Other nonoperating revenues	471	196
Total nonoperating revenues	26,237	10,679
Increase (decrease) in net position	6,580	(2,701)
Net position at beginning of year	230	2,931
Net position at end of year	\$ 6,810	230

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 129,312	127,260
Receipts from and on behalf of patients and third-party payers	632,531	561,967
Receipts from grants and contracts	41,186	38,627
Receipts related to auxiliary enterprises	18,965	19,237
Payments to suppliers and vendors	(405,550)	(301,683)
Payments to employees and related benefits	(468,316)	(474,360)
Payments for scholarships and fellowships	(33,012)	(14,574)
Other operating receipts	33,943	19,402
	<u>(50,941)</u>	<u>(24,124)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
State appropriations	126,481	123,063
Endowment gifts	7,894	5,411
Agency funds received	1,654	2,537
Agency funds disbursed	(2,171)	(1,851)
Student loan program receipts	137,743	144,694
Student loan program disbursements	(135,445)	(145,725)
Other nonoperating revenues	76,567	119,217
Other nonoperating expenses	(56,255)	(14,298)
	<u>156,468</u>	<u>233,048</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital contributions and grants	5,555	6,631
Purchases of capital assets	(77,898)	(101,589)
Proceeds from sales of capital assets	94	18
Proceeds from issuance of capital debt	50,535	64,528
Principal payments on capital debt	(25,787)	(40,988)
Interest payments on capital debt	(19,501)	(15,699)
	<u>(67,002)</u>	<u>(87,099)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest and dividends on investments	9,208	8,582
Purchases of investments	(108,189)	(119,852)
Proceeds from sales of investments	61,403	107,360
	<u>(37,578)</u>	<u>(3,910)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	947	117,915
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	288,378	170,463
End of year	<u>\$ 289,325</u>	<u>288,378</u>



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

	<b>2021</b>	<b>2020</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (129,803)	(75,604)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	54,985	50,237
Changes in assets and liabilities, net:		
Student receivables	1,574	(1,568)
Net patient receivables	(8,030)	7,308
Grants and contracts receivables	(5,522)	(2,452)
Other receivables	(17,790)	(18,447)
Prepaid expenses, inventories, and other	(7,743)	11,936
Accounts payable and accrued liabilities	62,162	4,252
Unrecognized revenues	2,629	214
Net cash used in operating activities	\$ (47,538)	(24,124)
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of investment income	\$ 56,087	14,980
Addition of capital leases	2,572	3,584
Gifts of capital, investments and other assets	4,592	115
Capitalization of construction period interest	3,677	4,662
Decrease in accounts payable related to capital assets	(289)	(2,967)

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

On May 3, 1963, the Governor of Alabama signed enabling legislation creating the University of South Alabama (the University). The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization is included as a component unit. Accordingly, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2021 and 2020, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units. Each of these entities issues separate audited financial statements, which can be obtained by contacting Polly Stokley, Senior Associate Vice President for Finance and Administration, University of South Alabama Administration Building 170, Mobile, Alabama 36688.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39, 61 and 80. However, these entities are not presented in the accompanying financial statements as the University does not consider them significant enough to warrant inclusion in the University's reporting entity.

GASB requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements. Based on these requirements, the University reports the Professional Liability Trust Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM),

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

Jaguar Realty, LLC, USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC, USA Health MCI Business Services, LLC, USA Health Children's and Women's Provider Based Clinics, LLC and USA Health Reference Lab Billing Services, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

**(b) Professional Liability and General Liability Trust Funds**

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University is responsible. The PLTF and GLTF are separate legal entities, which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units (see note 18 for further discussion of, and disclosure for, these entities).

**(c) USA HealthCare Management, LLC**

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM. HCM commenced operations in October 2010, and is reported as a blended component unit (see note 18 for further discussion of, and disclosure for, this entity).

**(d) USA Health Billing Limited Liability Companies**

In fiscal year 2019, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as not-for-profit limited liability companies, whereby the University is the sole member. In fiscal year 2021, the University formed USA Health MCI Business Services, LLC and USA Health Children's and Women's Provider Based Clinics, LLC as not for profit limited liability companies, whereby the University is the sole member. These companies were created to assist with the complex patient and insurance billing of USA Health, a division of the University that includes two hospitals and a cancer treatment center.

**(e) University of South Alabama Health Care Authority**

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority (HCA). The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. The HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. HCA presents its financial statements in accordance with GASB. During fiscal year 2020, three not for profit limited liability companies were formed. There was no financial activity for these entities during fiscal year 2020 or 2021. The HCA is a sole member of two of these limited liability companies and the majority owner of the third limited liability company. During fiscal year 2021, two additional not-for-profit limited liability companies were formed. There was no

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

financial activity for these entities during fiscal year 2021. HCA is a sole member of these limited liability companies. Based on these requirements, HCA reports Mobile Heart USA, LLC, USA HCA OBGYN Services, LLC, USA HCA PBC, LLC, USA Health Industrial Medicine, LLC, USA Health IPA, LLC and USA Health, LLC as blended component units. The majority owned limited liability company, USA BC ASC Holdco, LLC, is anticipated to be an equity method investment. USA BC ASC Holdco, LLC also 100% owns USA Baldwin County ASC, LLC. There was no financial activity in this entity in the year ended September 30, 2021. Since inception, HCA's operations have been partially funded by the University, with total support amounting to \$25,765,000 during the year ended September 30, 2021 and \$10,478,000 during the year ended September 30, 2020. This support is reported in nonoperating expenses on the University's statements of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for HCA as of and for the years ended September 30, 2021 and 2020 are discretely presented.

**(f) *University of South Alabama Foundation***

The University of South Alabama Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. Total distributions received or accrued by the University for the years ended September 30, 2021 and 2020 were \$10,698,000 and \$10,280,000, respectively, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 14 and GASB Statement No. 61, the University has included the Foundation's statements as of June 30, 2021 and June 30, 2020 in the University's financial statements for the years ended September 30, 2021 and September 30, 2020, respectively. The accompanying consolidated statements of financial position and consolidated statements of activities and changes in net assets for the USA Foundation as of and for the years ended June 30, 2021 and 2020 are discretely presented.

**(g) *USA Research and Technology Corporation***

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

University. The Corporation presents its financial statements in accordance with GASB. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for the Corporation as of and for the years ended September 30, 2021 and 2020 are discretely presented.

**(h) Measurement Focus and Basis of Accounting**

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University’s basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**(i) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months at the time of purchase and include repurchase agreements and money market accounts.

**(k) Investments and Investment Income**

The University reports the fair value of investments using the three-level hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of alternative investments (low-volatility multi-strategy funds of funds) and certain private equity partnerships do not have readily ascertainable market values and the University values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(l) Derivatives**

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At September 30, 2021 and 2020, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows on the statements of net position since the interest rate swaps were deemed effective.

**(m) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consist of employer contributions to the Teacher's Retirement System of Alabama and the Public Education Employees Health Insurance Plan subsequent to the plan's measurement dates, changes in proportion and differences between employer contributions and proportionate share of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan, changes in the fair value of interest rate swaps and the loss on the defeasement of certain bond amounts.

Deferred inflows of resources consist of the proportionate share of the differences between expected and actual experience related to the pension plan, net difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions in the OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension and OPEB plans, changes in the fair values of interest rate swaps and gain on the refunding of certain bond amounts.

**(n) Bond Premiums, Discounts, and Loss on Extinguishment Costs**

Bond premiums, discounts, and loss on extinguishment costs associated with the issuance of certain bond series are capitalized and amortized over the life of the respective bond series on a straight-line basis in accordance with generally accepted accounting principles.

**(o) Accounts Receivable**

Patient receivables primarily result from hospital and ambulatory patient service revenues. Accounts receivable – other includes amounts due from students, the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts and patient receivables are recorded net of estimated uncollectible amounts.

**(p) Inventories**

The University's inventories primarily consist of medical supplies and pharmaceuticals. Medical supplies and pharmaceuticals are stated at the lower of cost (first-in, first-out method) or market.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(q) Capital Assets**

Capital assets are recorded at cost, if purchased, or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets using the straight-line method. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

All capital assets other than land are depreciated using the following asset lives:

Buildings, infrastructure and certain building components	40 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	4 to 15 years

Certain buildings are componentized for depreciation purposes.

Interest costs for certain constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the years ended September 30, 2021 and 2020 was approximately \$3,677,000 and \$4,662,000, respectively.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2021 and 2020, no impairments were recorded.

**(r) Unrecognized Revenues**

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenues and then recognized over the applicable portion of each school term. In fiscal years 2020 and 2021, USA Health received Advanced Medicare funding, which is reported as unrecognized revenues in the 2020 and 2021 statements of net position.

**(s) Cost Sharing Multiple-Employer Pension Plan**

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the Teachers' Retirement System of Alabama (TRS). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**(t) Postemployment Benefits Other Than Pensions (OPEB)**

Employees of the University are covered by a cost sharing multiple-employer other post employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**(u) Classification of Net Position**

The University's net position is classified as follows:

*Net investment in capital assets* reflects the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of *net investment in capital assets*.

*Restricted, nonexpendable* net position consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted, expendable* net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted* net position represents resources derived from student tuition and fees, state appropriations, patient service revenues, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for any purpose. Substantially all unrestricted net position is designated for academic and research programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(v) Scholarship Allowances and Student Financial Aid**

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or a nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

**(w) Donor Restricted Endowments**

The University is subject to the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, of the endowment assets. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 4.5% of the five-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted expendable net position.

**(x) Classification of Revenues**

The University has classified its revenues as either operating or nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; patient service revenues, net of provision for bad debts; most federal, state, and local grants and contracts; and sales and services of auxiliary enterprises, net of scholarship allowances.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, investment income and gifts and contributions.

**(y) Gifts and Pledges**

Pledges of financial support from organizations and individuals representing an unconditional promise to give are recognized in the basic financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(z) Grants and Contracts**

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

**(aa) Patient Service Revenues and Electronic Health Records Incentive Program**

Patient service revenues are reported at estimated net realizable amounts due from patients, third-party payers and others for healthcare services rendered, including estimated retroactive revenue adjustments due to future 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 and such amounts are adjusted in future periods, as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

**(bb) Compensated Absences**

The University accrues annual leave for employees as incurred at rates based upon length of service and job classification.

**(cc) Recently Adopted Accounting Pronouncements**

In 2021, the University adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which addresses the criteria for identifying fiduciary activities of all state and local governments. The University also adopted provisions of GASB Statement, No. 90, *Majority Equity Interests*, in 2021. This Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment. There was no significant impact to the University in 2021 related to these statements.

In 2020, the University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which updates the information that is disclosed in the financial statements related to debt. There was no significant impact to the University in the adoption of this statement.

**(2) Income Taxes**

The University is classified as both a governmental entity under the laws of the State of Alabama and as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Consistent with these designations, no provision for income taxes has been made in the accompanying basic financial statements.

In addition, the University's discretely presented component units, except for HCA, are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

income of HCA is excluded from federal and state income taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Consistent with these designations, no provision for income taxes has been made in the accompanying discretely presented component unit financial statements.

**(3) Cash and Cash Equivalents**

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2021 and 2020, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$16.5 billion and \$14.2 billion, respectively. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of \$289,325,000 and \$288,378,000 at September 30, 2021 and 2020, respectively.

At September 30, 2021, restricted cash and cash equivalents consist of \$2,586,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, \$56,972,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$11,287,000 related to collateral requirements of interest rate swaps, \$9,129,000 related to restricted donations related to certain capital projects, and \$2,287,000 related to endowment funds. At September 30, 2020, restricted cash and cash equivalents consist of \$1,183,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, \$31,958,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$9,468,000 related to collateral requirements of interest rate swaps, \$6,887,000 related to restricted donations related to certain capital projects, and \$1,309,000 related to endowment funds.

**(4) Investments**

**(a) University of South Alabama**

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policies," the "Endowment Fund Investment Policy," and the "Derivatives Policy" (collectively referred to as the University Investment Policies) as adopted by the Board of Trustees. The purpose of the nonendowment cash pool investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the "prudent person" standard in the context of managing its investment portfolio.

The investments of the blended component units of the University are invested pursuant to the separate investment policy shared by the PLTF and GLTF (the Trust Fund Investment Policy.) The objectives of the Trust Fund Investment Policy are to provide a source of funds to pay general and professional liability claims and to achieve long-term capital growth to help defray future funding

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

requirements. Additionally, certain investments of the University's component units, both blended and discretely presented, are subject to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as any requirements placed on them by contract or donor agreements.

Certain investments, primarily related to the University's endowment assets, are pooled. The University uses this pool to manage its investments and distribute investment income to individual endowment funds.

Investments and restricted investments of the University, by type, at fair value, are as follows at September 30, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
U.S. Treasury securities	\$ 13,202	12,033
U.S. federal agency notes	58,057	73,994
Commingled equity funds	117,826	92,882
Commingled fixed income funds	90,056	42,127
Marketable equity securities	54,701	36,728
Marketable debt securities	12,394	12,749
Private equity	21,514	14,805
Managed income alternative investments (low-volatility multi-strategy funds of funds)	<u>42,618</u>	<u>36,126</u>
	<u>\$ 410,368</u>	<u>321,444</u>

At September 30, 2021 and 2020, restricted investments consist of endowment funds, funds held in the PLTF and GLTF to pay insurance liability claims and funds related to collateral requirements of the interest rate swaps.

At September 30, 2021 and 2020, \$42,307,000 and \$28,113,000, respectively, of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statements of net position.

The University invests in several private equity funds. At September 30, 2021, the University had capital commitments to those funds of \$5,344,000.

(i) *Credit Risk and Concentration of Credit Risk*

**Nonendowment Cash Pool Investment Policy**

The University Investment Policies limit investment in corporate bonds to securities with a minimum "A" rating, at the time of purchase, by both Moody's and Standard and Poor's. Investments in corporate paper are limited to issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 by Fitch.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Additionally, the University Investment Policies require that not more than 10% of the cash, cash equivalents and investments of the University be invested in the obligations of a single private corporation and not more than 35% of the cash, cash equivalents and investments of the University be invested in the obligations of a single government agency.

**Endowment Fund Investment Policy**

The University Investment Policies limit investment in fixed income securities to securities with a minimum "BAA" rating, at the time of purchase, by both Moody's and Standard and Poor's. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated "BAA" or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

Additionally, the University Investment Policies require that not more than 5% of the Endowment Fund assets of the University be allocated to an individual investment manager and no more than 25% of the Endowment Fund assets be allocated to a "Funds of Funds" or multi-manager fund.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The University's exposure to credit risk and concentration of credit risk at September 30, 2021 and 2020 is as follows:

	<b>2021</b>	
	<b>Credit rating</b>	<b>Percentage of total investments</b>
Federal National Mortgage Association	AAA	1.3 %
Federal Home Loan Mortgage Corporation	AAA	3.1
Federal Home Loan Banks	AAA	4.9
Federal Farm Credit Banks Funding Corporation	AAA	4.9
Common Fund Bond Fund	A+	5.2
PIMCO Pooled Bond Fund	BAA+/AA/A	12.6
MSIFT Ultra Fixed Income Funds	AAAf	4.1
US Treasury securities	AAA	3.2
Marketable debt securities	BBB- to AAA	3.0

	<b>2020</b>	
	<b>Credit rating</b>	<b>Percentage of total investments</b>
Federal National Mortgage Association	AAA	4.9 %
Federal Home Loan Mortgage Corporation	AAA	13.5
Federal Farm Credit Banks Funding Corporation	AAA	3.1
Common Fund Bond Fund	AAA	6.5
PIMCO Pooled Bond Fund	BAA+/AA/A	6.6
US Treasury securities	AAA/AA+	3.7
Marketable debt securities	BBB- to AAA	4.0

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

(ii) *Interest Rate Risk*

At September 30, 2021 and 2020, the maturity dates of the University's fixed income investments are as follows (in thousands):

	<b>2021</b>				
	<b>Fair value</b>	<b>Years to maturity</b>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. Treasury securities	\$ 13,202	1,201	6,848	5,153	—
U.S. federal agency notes	58,057	—	45,183	4,984	7,890
Marketable debt securities	12,394	1,634	5,084	5,278	398
Commingled fixed income funds	90,056	33,425	31,700	3,660	21,270
	<u>\$ 173,709</u>	<u>36,260</u>	<u>88,815</u>	<u>19,075</u>	<u>29,558</u>

	<b>2020</b>				
	<b>Fair value</b>	<b>Years to maturity</b>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. Treasury securities	\$ 12,033	1,938	4,263	5,832	—
U.S. federal agency notes	73,994	—	65,666	—	8,328
Marketable debt securities	12,749	1,805	6,204	4,163	577
Commingled fixed income funds	42,127	1,379	1,501	3,467	35,780
	<u>\$ 140,903</u>	<u>5,122</u>	<u>77,634</u>	<u>13,462</u>	<u>44,685</u>

Commingled fixed income funds are classified based on the weighted average maturity of the individual investment instruments within each fund.

The University's Investment Policies do not specifically address the length to maturity on investments which the University must follow; however, they do require that the maturity range of investments be consistent with the liquidity requirements of the University.

(iii) *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, an organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held by third party institutions in the name of the University. The University's Investment Policies do not specifically address custodial credit risk.

(iv) *Mortgage-Backed Securities*

The University, from time to time, invests in mortgage-backed securities such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and other government sponsored enterprises of the United States government. The University invests in these

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

(v) *Fair Value Measurement*

Fair value measurements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72. These guidelines prioritize the inputs of valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The level in the fair value hierarchy that determines the classification of an asset or liability depends on the lowest level input that is significant to the fair value measurement. Observable inputs are derived from quoted market prices for assets or liabilities traded on an active market where there is sufficient activity to determine a readily determinable market price. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable inputs. The University's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value as of September 30, 2021 and 2020 (in thousands):

<u>Description</u>	<u>Asset fair value measurements at September 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ 13,202	—	—	13,202
U.S. federal agency notes	—	58,057	—	58,057
Commingled equity funds	67,833	49,993	—	117,826
Commingled fixed income funds	68,786	21,270	—	90,056
Marketable equity securities	54,701	—	—	54,701
Marketable debt securities	12,394	—	—	12,394
Private equity	—	—	19,510	19,510
Total investments at fair value	<u>\$ 216,916</u>	<u>129,320</u>	<u>19,510</u>	365,746
Investments measured at NAV:				
Private equity				2,004
Managed income alternative investments (low volatility multi-strategy funds of funds)				<u>42,618</u>
Total investments				<u>\$ 410,368</u>

<u>Description</u>	<u>Liability fair value measurements at September 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate exchange agreements	\$ —	38,317	—	38,317

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Description	Asset fair value measurements at September 30, 2020			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ 12,033	—	—	12,033
U.S. federal agency notes	—	73,994	—	73,994
Commingled equity funds	54,336	38,546	—	92,882
Commingled fixed income funds	21,183	20,944	—	42,127
Marketable equity securities	36,728	—	—	36,728
Marketable debt securities	12,749	—	—	12,749
Private equity	—	—	13,473	13,473
Total investments at fair value	\$ 137,029	133,484	13,473	283,986
Investments measured at NAV:				
Private equity				1,332
Managed income alternative investments (low volatility multi-strategy funds of funds)				36,126
Total investments				\$ 321,444

Description	Liability fair value measurements at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	\$ —	50,162	—	50,162

A rollforward schedule of amounts for Level 3 financial instruments for the fiscal years ended September 30, 2021 and 2020 is as follows (in thousands):

Description	Private equity	
	2021	2020
Beginning balance	\$ 13,473	11,638
Purchases	1,674	790
Net realized/unrealized gains (losses)	5,408	1,477
Sales	(1,045)	(432)
Ending balance	\$ 19,510	13,473

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(b) University of South Alabama Foundation**

Investments in securities consist primarily of equity securities totaling \$238,006,000 and \$157,457,000 at June 30, 2021 and 2020, respectively.

Investment income was comprised of the following for the years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Unrealized gains	\$ 54,502	7,651
Realized gains	6,754	3,096
Timber sales	2,660	3,190
Interest and dividends	2,458	2,182
Rents	753	705
Royalties	62	63
	\$ 67,189	16,887

Investment related expenses in the amounts of \$437,000 and \$368,000 are included in the USA Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2021 and 2020, respectively.

Real estate at June 30, 2021 and 2020 consisted of the following property held (in thousands):

	2021	2020
Land and land improvements – held for investment	\$ 18,826	52,423
Building and building improvements – held for investment	1,078	1,032
	\$ 19,904	53,455

Timber and mineral properties are stated at fair value. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production. Depletion of timber properties is recognized on a specific identification basis as timber rights are sold or on a unit basis for sales made on that basis. Reforestation costs consisting of site preparation and planting of seedlings are capitalized.

Investments at June 30, 2021 and 2020, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation from the trustee responsible for the management of the company and the timber valuation.

The USA Foundation has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*. ASC 820 provides a single definition of fair value and a hierarchical

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants (Level 1). The USA Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices (Level 2). Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable (Level 3). The USA Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The USA Foundation's investment assets at June 30, 2021 and 2020, are summarized based on the criteria of ASC 820 as follows (in thousands):

<u>Description</u>	<u>Fair value measurements at June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 134,997	—	—	134,997
Timber and mineral properties	—	—	171,385	171,385
Real estate	—	—	19,904	19,904
Other investments	—	—	5,809	5,809
	<u>\$ 134,997</u>	<u>—</u>	<u>197,098</u>	<u>332,095</u>
Investment in Commonfund measured at NAV				<u>103,009</u>
			<u>\$</u>	<u><u>435,104</u></u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

<u>Description</u>	<u>Fair value measurements at June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 105,487	—	—	105,487
Timber and mineral properties	—	—	168,063	168,063
Real estate	—	—	53,455	53,455
Other investments	—	—	5,811	5,811
	<u>\$ 105,487</u>	<u>—</u>	<u>227,329</u>	<u>332,816</u>
Investment in Commonfund measured at NAV				<u>51,970</u>
				<u>\$ 384,786</u>

For the years ended June 30, 2021 and 2020, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

<u>Description</u>	<u>2021</u>			
	<u>Timber and mineral properties</u>	<u>Real estate</u>	<u>Other investments</u>	<u>Total</u>
Beginning balance	\$ 168,063	53,455	5,811	227,329
Net unrealized gains (losses)	7,184	(2,571)	(2)	4,611
Reforestation	295	—	—	295
Purchase of timberland	—	14	—	14
Sale of real estate	—	(30,959)	—	(30,959)
Depreciation/depletion	(4,157)	(35)	—	(4,192)
Ending balance	<u>\$ 171,385</u>	<u>19,904</u>	<u>5,809</u>	<u>197,098</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

<b>2020</b>				
<b>Description</b>	<b>Timber and mineral properties</b>	<b>Real estate</b>	<b>Other investments</b>	<b>Total</b>
Beginning balance	\$ 164,307	61,508	5,809	231,624
Net unrealized gains (losses)	8,030	(8,019)	2	13
Reforestation	351	—	—	351
Purchase of timberland	20	—	—	20
Sale of timberland	(160)	—	—	(160)
Depreciation/depletion	(4,485)	(34)	—	(4,519)
Ending balance	\$ 168,063	53,455	5,811	227,329

As of June 30, 2021, the USA Foundation has no outstanding commitments to purchase securities or other investments. Additionally, substantially all of the USA Foundation's equity securities at June 30, 2021 are considered readily liquid. Timber and mineral properties, real estate, and other investments are generally considered illiquid.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(5) Capital Assets**

**(a) University of South Alabama**

A summary of the University's capital asset activity for the years ended September 30, 2021 and 2020 follows (in thousands):

	2021				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Capital assets not being depreciated:					
Land and other	\$ 28,722	1,394	27	—	30,143
Construction-in-progress	149,675	41,907	(115,399)	—	76,183
	<u>178,397</u>	<u>43,301</u>	<u>(115,372)</u>	<u>—</u>	<u>106,326</u>
Capital assets being depreciated:					
Land improvements	58,176	1,781	11,872	—	71,829
Buildings, fixed equipment, and infrastructure	857,612	16,230	101,201	(33)	975,010
Other equipment	250,432	12,419	2,299	(3,343)	261,807
Library materials	82,438	5,372	—	—	87,810
	<u>1,248,658</u>	<u>35,802</u>	<u>115,372</u>	<u>(3,376)</u>	<u>1,396,456</u>
Less accumulated depreciation for:					
Land improvements	(27,477)	(3,180)	—	—	(30,657)
Buildings, fixed equipment, and infrastructure	(344,332)	(27,602)	(80)	33	(371,981)
Other equipment	(172,521)	(20,704)	80	2,928	(190,217)
Library materials	(64,641)	(3,475)	—	—	(68,116)
	<u>(608,971)</u>	<u>(54,961)</u>	<u>—</u>	<u>2,961</u>	<u>(660,971)</u>
Capital assets being depreciated, net	<u>639,687</u>	<u>(19,159)</u>	<u>115,372</u>	<u>(415)</u>	<u>735,485</u>
Capital assets, net	<u>\$ 818,084</u>	<u>24,142</u>	<u>—</u>	<u>(415)</u>	<u>841,811</u>

At September 30, 2021, the University had commitments of approximately \$28,969,000 related to various construction projects.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

	<b>2020</b>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated:					
Land and other	\$ 24,382	4,331	9	—	28,722
Construction-in-progress	97,030	83,432	(30,787)	—	149,675
	<u>121,412</u>	<u>87,763</u>	<u>(30,778)</u>	<u>—</u>	<u>178,397</u>
Capital assets being depreciated:					
Land improvements	48,408	1,020	8,748	—	58,176
Buildings, fixed equipment, and infrastructure	838,191	7,857	19,131	(7,567)	857,612
Other equipment	243,278	9,799	2,899	(5,544)	250,432
Library materials	78,757	3,681	—	—	82,438
	<u>1,208,634</u>	<u>22,357</u>	<u>30,778</u>	<u>(13,111)</u>	<u>1,248,658</u>
Less accumulated depreciation for:					
Land improvements	(25,128)	(2,349)	—	—	(27,477)
Buildings, fixed equipment, and infrastructure	(325,100)	(25,352)	—	6,120	(344,332)
Other equipment	(158,694)	(19,183)	—	5,356	(172,521)
Library materials	(61,323)	(3,318)	—	—	(64,641)
	<u>(570,245)</u>	<u>(50,202)</u>	<u>—</u>	<u>11,476</u>	<u>(608,971)</u>
Capital assets being depreciated, net	<u>638,389</u>	<u>(27,845)</u>	<u>30,778</u>	<u>(1,635)</u>	<u>639,687</u>
Capital assets, net \$	<u><u>759,801</u></u>	<u><u>59,918</u></u>	<u><u>—</u></u>	<u><u>(1,635)</u></u>	<u><u>818,084</u></u>

At September 30, 2020, the University had commitments of approximately \$14,513,000 related to various construction projects.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(b) USA Research and Technology Corporation**

Changes in capital assets for the years ended September 30, 2021 and 2020 are as follows (in thousands):

	2021				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Land	\$ 223	—	—	—	223
Land improvements	1,985	—	—	—	1,985
Buildings	28,465	88	—	(34)	28,519
Tenant improvements	1,975	438	596	(520)	2,489
Other equipment	381	20	—	(11)	390
Construction in progress - nondepreciable	—	712	(596)	—	116
	<u>33,029</u>	<u>1,258</u>	<u>—</u>	<u>(565)</u>	<u>33,722</u>
Less accumulated depreciation for:					
Land improvements	(1,500)	(95)	—	—	(1,595)
Buildings	(10,249)	(749)	—	34	(10,964)
Tenant improvements	(1,233)	(241)	—	520	(954)
Other equipment	(309)	(32)	—	9	(332)
	<u>(13,291)</u>	<u>(1,117)</u>	<u>—</u>	<u>563</u>	<u>(13,845)</u>
Capital assets, net \$	<u>19,738</u>	<u>141</u>	<u>—</u>	<u>(2)</u>	<u>19,877</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

	<b>2020</b>				
	<b>Beginning balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Reductions</b>	<b>Ending balance</b>
Land	\$ 223	—	—	—	223
Land improvements	1,985	—	—	—	1,985
Buildings	28,452	13	—	—	28,465
Tenant improvements	1,974	4	—	(3)	1,975
Other equipment	387	—	—	(6)	381
Construction in progress - nondepreciable	10	—	—	(10)	—
	<u>33,031</u>	<u>17</u>	<u>—</u>	<u>(19)</u>	<u>33,029</u>
Less accumulated depreciation for:					
Land improvements	(1,406)	(94)	—	—	(1,500)
Buildings	(9,502)	(747)	—	—	(10,249)
Tenant improvements	(1,001)	(233)	—	1	(1,233)
Other equipment	(282)	(32)	—	5	(309)
	<u>(12,191)</u>	<u>(1,106)</u>	<u>—</u>	<u>6</u>	<u>(13,291)</u>
Capital assets, net \$	<u>20,840</u>	<u>(1,089)</u>	<u>—</u>	<u>(13)</u>	<u>19,738</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(c) Health Care Authority**

A summary of HCA's capital assets activity for the years ended September 30, 2021 and 2020 follows:

	2021				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Capital assets not being depreciated:					
Construction in progress	395	2,245	(395)	—	2,245
Works of art	\$ 1	—	—	—	1
	<u>396</u>	<u>2,245</u>	<u>(395)</u>	<u>—</u>	<u>2,246</u>
Capital assets being depreciated:					
Leasehold improvements	271	348	395	—	1,014
Equipment	2,039	1,328	—	—	3,367
Computer software	51	78	—	—	129
	<u>2,361</u>	<u>1,754</u>	<u>395</u>	<u>—</u>	<u>4,510</u>
Less accumulated depreciation for:					
Leasehold improvements	(34)	(51)	—	—	(85)
Equipment	(790)	(517)	—	—	(1,307)
Computer software	(1)	(15)	—	—	(16)
	<u>(825)</u>	<u>(583)</u>	<u>—</u>	<u>—</u>	<u>(1,408)</u>
Capital assets being depreciated, net	<u>1,536</u>	<u>1,171</u>	<u>—</u>	<u>—</u>	<u>3,102</u>
Capital assets, net	<u>\$ 1,932</u>	<u>3,416</u>	<u>—</u>	<u>—</u>	<u>5,348</u>

At September 30, 2021, HCA had commitments of \$133,733 related to various construction projects.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

	<b>2020</b>				<b>Ending balance</b>
	<b>Beginning balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Reductions</b>	
Capital assets not being depreciated:					
Construction in progress	240	155	—	—	395
Works of art	\$ —	1	—	—	1
	<u>240</u>	<u>156</u>	<u>—</u>	<u>—</u>	<u>396</u>
Capital assets being depreciated:					
Leasehold improvements	56	215	—	—	271
Equipment	1,716	323	—	—	2,039
Computer software	—	51	—	—	51
	<u>1,772</u>	<u>589</u>	<u>—</u>	<u>—</u>	<u>2,361</u>
Less accumulated depreciation for:					
Leasehold improvements	(13)	(21)	—	—	(34)
Equipment	(397)	(393)	—	—	(790)
Computer software	—	(1)	—	—	(1)
	<u>(410)</u>	<u>(415)</u>	<u>—</u>	<u>—</u>	<u>(825)</u>
Capital assets being depreciated, net	<u>1,362</u>	<u>174</u>	<u>—</u>	<u>—</u>	<u>1,536</u>
Capital assets, net	<u>\$ 1,602</u>	<u>330</u>	<u>—</u>	<u>—</u>	<u>1,932</u>

At September 30, 2020, HCA had commitments of \$51,419 related to various construction projects.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(6) Noncurrent Liabilities**

A summary of the University's noncurrent liability activity for the years ended September 30, 2021 and 2020 follows (in thousands):

	2021					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	\$ 452,651	65,922	(36,329)	482,244	23,327	458,917
Notes payable from direct borrowings	5,431	—	(1,062)	4,369	1,090	3,279
Capital lease obligations	13,272	2,572	(6,758)	9,086	5,358	3,728
Total long-term debt	<u>471,354</u>	<u>68,494</u>	<u>(44,149)</u>	<u>495,699</u>	<u>29,775</u>	<u>465,924</u>
Other noncurrent liabilities:						
Net pension liability	294,615	20,976	—	315,591	—	315,591
Net OPEB liability	103,288	157,358	—	260,646	—	260,646
Other long-term liabilities	93,026	8,165	(10,821)	90,370	6,747	83,623
Total other noncurrent liabilities	<u>490,929</u>	<u>186,499</u>	<u>(10,821)</u>	<u>666,607</u>	<u>6,747</u>	<u>659,860</u>
Total noncurrent liabilities	<u>\$ 962,283</u>	<u>254,993</u>	<u>(54,970)</u>	<u>1,162,306</u>	<u>36,522</u>	<u>1,125,784</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

	<b>2020</b>					
	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Less amounts due within one year</b>	<b>Noncurrent liabilities</b>
Long-term debt:						
Bonds payable	\$ 423,629	64,528	(35,506)	452,651	20,314	432,337
Notes payable from direct borrowings	4,295	2,147	(1,011)	5,431	1,063	4,368
Capital lease obligations	15,502	3,584	(5,814)	13,272	6,656	6,616
Total long-term debt	443,426	70,259	(42,331)	471,354	28,033	443,321
Other noncurrent liabilities:						
Net pension liability	282,739	11,876	—	294,615	—	294,615
Net OPEB liability	259,418	8,565	(164,695)	103,288	—	103,288
Other long-term liabilities	96,451	2,418	(5,843)	93,026	6,515	86,511
Total other noncurrent liabilities	638,608	22,859	(170,538)	490,929	6,515	484,414
Total noncurrent liabilities	\$ 1,082,034	93,118	(212,869)	962,283	34,548	927,735

Other long-term liabilities primarily consist of self-insurance liabilities, liabilities related to compensated absences and the fair value of derivatives. Amounts due within one year are included in current portion of other long-term liabilities.

During 2017, the University entered into a note payable for a period of ten years payable monthly at \$19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. In January 2020, there was an amendment of the Alabama Power note payable by an increase in the amount of \$2,147,000. The amount outstanding on the note at September 30, 2021 and 2020 is \$3,033,000 and \$3,402,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

In July 2018, the University converted a 2015 line of credit into a term loan for a period of five years, with monthly payments of \$63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at September 30, 2021 and 2020 is \$1,336,000 and \$2,029,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

During 2020, the University entered into a variable rate revolving line of credit with Hancock Whitney Bank to ensure the University was adequately prepared for potential cash-flow issues that could have been caused by the onset of the COVID-19 pandemic. The \$50,000,000 line of credit expired in June 2021 and

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

was not renewed. There were no draws on the line of credit during the years ended September 30, 2021 or 2020.

**(a) USA Research and Technology Corporation**

*(i) Notes Payable*

Notes payable from direct borrowings consisted of the following at September 30, 2021 and 2020 (in thousands):

	2021	2020
PNC Bank promissory note, 4.38%, payable through 2028	\$ 11,730	12,195
PNC Bank promissory note, 4.50%, payable through 2021	—	7,103
University of South Alabama, 3.00%, payable through 2023	800	1,183
Hancock Whitney promissory note, 3.08%, payable through 2031	8,191	—
	\$ 20,721	20,481

The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

The second promissory note payable to PNC Bank had a 10-year term and amortization was based on a 20-year term. The promissory note payable was secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the Dialysis Services Building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2021, the Corporation's debt service coverage ratio was 1.3 to 1.

In fiscal 2021, the Corporation refinanced the second promissory note payable to PNC Bank by entering into an agreement with Hancock Whitney Bank for a promissory note payable with a 10-year term. Amortization of this note is based on a 10-year term and is secured by an interest in rental leases and an interest in income received from rental of the following buildings: Building I, Building II, Building III, and the Dialysis Services Building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand. The note payable to Hancock Whitney is subject to the same debt service coverage ratio as the PNC note.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The Corporation's outstanding notes from direct borrowings with PNC Bank and Hancock Whitney Bank contain a provision that, in the event of default, PNC Bank or Hancock Whitney Bank may take any or all of the following actions: (a) declare the loan due and payable, (b) declare the note in default, and (c) exercise any other remedies or rights which it has under any instrument executed in connection with the loan. Prior to any of these actions, however, PNC Bank and Hancock Whitney Bank will give the University 30 days to cure the default. The Corporation's outstanding note from a direct borrowing with the University contains a provision that, in the event principal payments are not made when due, allows the University to declare the loan due and payable.

(ii) *Debt Service on Long-Term Obligations*

At September 30, 2021, total future debt service by fiscal year is as follows (in thousands):

	<b>Debt service on notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 1,342	769	2,111
2023	1,390	720	2,110
2024	1,022	676	1,698
2025	1,061	637	1,698
2026	1,101	597	1,698
2027–2032	14,805	1,264	16,069
Total	\$ 20,721	4,663	25,384

(iii) *Derivative Transaction*

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was \$1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At September 30, 2021 and 2020, the balance was \$921,000 and \$1,089,000, respectively.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(7) Bonds Payable**

Bonds payable consisted of the following at September 30, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92% payable through August 2032	\$ —	16,523
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	21,290	22,764
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033	5,323	5,691
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028	5,179	5,841
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of LIBOR plus .73%, 0.83% and 1.87% at September 30, 2021 and 2020, respectively, payable through March 2024	24,160	31,440
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030	3,375	3,750
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037	77,455	80,310
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 79% of one month LIBOR plus 0.72% and 68% of one-month LIBOR plus 0.82% at September 30, 2021 and 2020, respectively, (0.776% at September 30, 2021), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 79% of one month LIBOR plus 0.77% and 68% of one-month LIBOR plus 0.87% at September 30, 2021 and 2020, respectively, (0.826% at September 30, 2021), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2028	35,000	35,000
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 79% of one month LIBOR plus 0.83% and 68% of one-month LIBOR plus 0.93% at September 30, 2021 and 2020, respectively, (0.886% at September 30, 2021), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2031	45,000	45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	33,690	34,990
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 2049	47,750	47,750
University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 2033	17,205	18,440

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

	2021	2020
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	16,112	17,630
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	36,105	37,005
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041	40,555	—
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032	15,387	—
	443,586	422,134
Plus unamortized premium	40,173	32,141
Less unamortized debt extinguishment costs	(1,515)	(1,624)
	\$ 482,244	452,651

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes USA Health Children's and Women's Hospital revenues in an amount not exceeding \$10,000,000. The Series 2012-A Bonds began maturing in August 2013. In July 2021 the University issued Series 2021-B to refund the remaining Series 2012-A bonds. The Series 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A Bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and were redeemable beginning in June 2020. The Series 2016-A Bonds began maturing in November 2018 and are redeemable beginning in November 2026. The Series 2016-B, C and D Bonds will begin maturing in December 2024 and became redeemable as of December 2017. The Series 2017 Bonds began maturing in October 2017 and are redeemable beginning in October 2027. The Series 2019-A Bonds will begin maturing in April 2033. The Series 2019-B Bonds began maturing in April 2021. Both Series 2019-A and 2019-B are both redeemable beginning in April 2029. The Series 2019-C Bonds began maturing on April 1, 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds began maturing on April 1, 2021 and are redeemable beginning April 1, 2030. Series 2021 Bonds will begin maturing on April 1, 2022 and are redeemable beginning April 1, 2041. The Series 2021-B Bonds will begin maturing on August 1, 2022 and are not subject to redemption at the option of the University.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of \$85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the asset of the escrow trust account, nor the defeased indebtedness is included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of \$7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds and the balance of the related deferred outflow totaled \$5,886,000 and \$6,274,000, respectively, at September 30, 2021 and 2020. The principal outstanding on all defeased bonds is \$77,455,000 and \$80,310,000 at September 30,

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

2021 and 2020, respectively. The defeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C & D, with a face value totaling \$100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of \$4,539,000 was recorded as a deferred inflow and is being amortized over the remaining life of the Series 2016-B, C & D Bonds and the balance of the related net deferred inflow at September 30, 2021 and 2020 totaled \$3,442,000 and \$3,669,000, respectively.

In February 2020, the University issued its University Facilities Revenue Bonds, Series 2020, with a face value of \$37,005,000. The proceeds from the Series 2020 Bonds are financing a transportation hub, a warehouse building and improvements and new construction to certain USA Health facilities.

In March 2021, the University issued its University Facilities Revenue Bonds, Series 2021, with a face value of \$40,555,000. The proceeds from the Series 2021 Bonds are financing USA Health facilities and transportation infrastructure. In July 2021, the University issued its University Facilities Revenue Refunding Bonds, Series 2021-B, with a face value of \$15,387,000. The proceeds refunded the remaining Series 2012-A Bonds.

In September 2021, the terms for Bonds 2016-B, 2016-C and 2016-D were revised to address the removal of the LIBOR rate to be replaced by the ISDA-based replacement index after year ended September 30, 2021. The dates by which the Lender may cause all of the outstanding principal on such bonds to mature and become due and payable by the University were extended 5 years for each bond.

None of the proceeds from the issuance of the Series 2017 Bonds remained unspent at September 30, 2021, and \$2,356,000 of the proceeds remained unspent at September 30, 2020, and is included in restricted cash and cash equivalents on the 2020 statement of net position. None of proceeds from the issuance of the Series 2019-A and B Bonds remained unspent at September 30, 2021, and \$57,000 of the proceeds remained unspent at September 30, 2020, and is included in restricted cash and cash equivalents on the 2020 statement of net position. Approximately \$8,866,000 and \$29,545,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at September 30, 2021 and 2020, respectively and is included in restricted cash and cash equivalents on the 2021 statement of net position. Approximately \$48,106,000 of proceeds from the issuance of the Series 2021 Bonds remained unspent at September 30, 2021 and is included in restricted cash and cash equivalents on the 2021 statement of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At September 30, 2021 and 2020, no amounts were due or recorded in the financial statements.

The University is subject to restrictive covenants related to its bonds payable.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

*Debt Service on Long-Term Obligations*

Total debt service (which includes bonds and notes payable) by fiscal years is as follows as of September 30, 2021 (in thousands):

	<b>Debt service on notes and bonds</b>				
	<b>Bonds</b>		<b>Notes payable from direct borrowing</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 21,282	14,743	1,090	39	37,154
2023	22,324	14,095	989	11	37,419
2024	23,292	13,550	371	—	37,213
2025	21,289	12,962	371	—	34,622
2026	22,190	12,343	371	—	34,904
2027–2031	120,062	51,045	1,177	—	172,284
2032–2036	122,812	30,788	—	—	153,600
2037–2041	65,305	12,217	—	—	77,522
2042–2046	16,050	4,730	—	—	20,780
2047–2051	8,980	917	—	—	9,897
Subtotal	443,586	\$ 167,390	4,369	50	615,395
Plus (less):					
Unamortized bond premium	40,173				
Unamortized debt extinguishment costs	(1,515)				
Total	\$ 482,244		4,369		

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(8) Capital Lease Obligations**

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, and other office equipment. Future minimum capital lease payments at September 30, 2021 are as follows (in thousands):

Year ending September 30:		
2022	\$	5,576
2023		1,842
2024		1,094
2025		416
2026		368
2027-2038		145
		9,441
Less amounts representing interest		(355)
Net minimum lease payments	\$	9,086

These amounts are included in long-term debt (and current portion thereof) in the accompanying statements of net position.

**(9) Derivative Transactions – Interest Rate Swaps**

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. In December 2013, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2004 Bonds to enter into an interest rate swap agreement with the University with an effective date of March 15, 2014. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2004 Bonds, the University redeemed those bonds in April 2014 with proceeds from the Series 2014-A Bonds.

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the Series 2016-B, C & D Bonds.

The terms of the derivatives require the University to post collateral when certain criteria are met. Such amounts are described in note 3.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 4.9753% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.73%.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The 2016 swap will terminate in December 2036, when the Series 2016-B, C & D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C & D Bonds bear interest at a variable rate of 79% of the benchmark plus 72, 77 and 83 basis points, respectively.

*Fair value.* The 2014 interest rate swap had a negative fair value of approximately (\$9,138,000) at its inception. This amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2014 interest rate swap as other long-term liabilities in the amount of (\$1,663,000) and (\$3,001,000) in the statements of net position at September 30, 2021 and 2020, respectively. The change in the fair value of the swap of \$1,338,000 and \$652,000, respectively, during the years ended September 30, 2021 and 2020, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statements of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2014 interest rate swap totaled \$621,000 and \$197,000 at September 30, 2021 and 2020, respectively.

The 2016 interest rate swap had a negative fair value of approximately (\$48,530,000) at its inception. This amount, net of any amortization and adjustments to fair value, is reported as a borrowing arising from the 2016 interest rate swap as other long-term liabilities in the amount of (\$36,654,000) and (\$47,161,000) in the statements of net position at September 30, 2021 and 2020, respectively. The change in the fair value of the swap of \$10,507,000 and (\$5,064,000) during the years ended September 30, 2021 and 2020, respectively, is reported as a deferred outflow and contra asset (other noncurrent assets) in the statements of net position at September 30, 2021 and 2020 since the interest rate swap is a hedging derivative instrument. Net deferred inflows and outflows of resources for the 2016 interest rate swap totaled \$306,000 and \$8,417,000 at September 30, 2021 and 2020, respectively.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

*Risks Associated with these Transactions*

*Interest rate risk.* As the LIBOR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payments on the Series 2014-A and Series 2016-B, C & D Bonds. The University's exposure is limited to 0.48% and 0.54% of the notional amounts, the difference in the payment from the counterparty and the interest payment on the Series 2014-A and Series 2016-B, C & D Bonds.

*Credit risk.* As of September 30, 2021 and 2020, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2021 and 2020.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

*Termination risk.* The University may be required to terminate the swaps based on certain standard default and termination events, such as failure to make payments, breach of agreements and bankruptcy. As of the current date, no events of termination have occurred.

*Derivative payments and hedged debt.* As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2021 and calculating interest for subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year, are as follows (in thousands):

	<u>Variable rate note</u>		<u>Interest rate swap, net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2022	\$ 7,655	164	945	8,764
2023	8,050	131	550	8,731
2024	<u>8,455</u>	<u>54</u>	<u>176</u>	<u>8,685</u>
Total	<u>\$ 24,160</u>	<u>349</u>	<u>1,671</u>	<u>26,180</u>

Debt service requirements for the 2016 interest rate swap payments, by fiscal year, are as follows (in thousands):

	<u>Variable rate note</u>		<u>Interest rate swap, net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2022	\$ —	877	4,663	5,540
2023	—	1,155	4,385	5,540
2024	—	1,403	4,137	5,540
2025	5,600	1,447	3,929	10,976
2026–2030	32,610	6,340	15,429	54,379
2031–2035	41,880	3,388	8,102	53,370
2036–2039	<u>19,910</u>	<u>259</u>	<u>831</u>	<u>21,000</u>
Total	<u>\$ 100,000</u>	<u>14,869</u>	<u>41,476</u>	<u>156,345</u>

**(10) Patient Service Revenues**

USA Health has agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between USA Health's billings at established rates for services and amounts reimbursed by third-party payers.

A summary of the basis of reimbursement with major-third party payers follows:

**Medicare** – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both 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. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

USA Health University Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2019.

Revenues from the Medicare program accounted for approximately 13% and 15% of USA Health's net patient service revenues for the years ended September 30, 2021 and 2020, respectively.

**Blue Cross** – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon MS-DRG groupings. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on BCBS EAPGs.

Revenues from the Blue Cross program accounted for approximately 28% and 29% of USA Health's net patient service revenues for the years ended September 30, 2021 and 2020, respectively.

**Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule.

USA Health qualifies as a Medicaid essential provider and, therefore, also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. There can be no assurance that USA Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenues from the Medicaid program accounted for approximately 25% and 26% of USA Health's net patient service revenues for the years ended September 30, 2021 and 2020, respectively.

**Other** – USA Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to USA Health under these agreements include discounts from established charges and prospectively determined daily and case rates.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

The composition of net patient service revenues for the years ended September 30, 2021 and 2020 follows (in thousands):

	<b>2021</b>	<b>2020</b>
Gross patient service revenues	\$ 1,541,772	1,367,755
Less:		
Provision for contractual and other adjustments	(822,274)	(713,865)
Provision for bad debts	(96,820)	(99,459)
	\$ 622,678	554,431

Changes in estimates related to prior cost reporting periods resulted in a decrease of approximately \$2,152,000 and a decrease of approximately \$2,986,000 in patient service revenues for the years ended September 30, 2021 and 2020, respectively.

**(11) Defined Benefit Cost Sharing Pension Plan**

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the TRS.

**(a) Plan Description**

The TRS was established in September 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

**(b) Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after ten years of creditable service. Tier 1 TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five years of services (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the higher monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest three of the last ten 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 sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

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 five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

**(c) Contributions**

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

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

Participating employers' contractually required contribution rates were 12.36% of annual pay for Tier 1 members and 11.22% 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. Total employer contributions to the pension plan from the University were \$21,566,000 and \$21,413,000 for the years ended September 30, 2021 and 2020, respectively.

**(d) Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2021 and 2020, the University reported a liability of \$315,591,000 and \$294,615,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2021, the collective net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2020, the University's proportion of contributions to the pension plan was 2.551330%, which was a decrease of 0.113206% from its proportion measured as of September 30, 2019 of 2.664536%.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

For the years ended September 30, 2021 and 2020, the University recognized pension expense of approximately \$18,845,000 and \$17,629,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<b>2021</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 23,438	—
Changes of assumptions	3,282	—
Differences between expected and actual experience	15,619	5,473
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	30,825
Employer contributions subsequent to measurement date	21,566	—
	\$ 63,905	36,298

	<b>2020</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 10,259	—
Changes of assumptions	9,077	—
Differences between expected and actual experience	4,356	9,771
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	32,016
Employer contributions subsequent to measurement date	21,413	—
	\$ 45,105	41,787

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

At September 30, 2021, approximately \$21,566,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:		
2022	\$	(4,574)
2023		1,911
2024		5,529
2025		3,175
2026		—
	\$	6,041

**(e) Actuarial Assumptions**

The total pension liability as of September 30, 2021 and 2020 was determined by an actuarial valuation as of September 30, 2019 and 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25-5.00

\* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for females. The rates for disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

The 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

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<b>2021</b>	
	<b>Target allocation</b>	<b>Long-term expected rate of return*</b>
Fixed income	17.0 %	4.4 %
U.S. large stocks	32.0	8.0
U.S. mid stocks	9.0	10.0
U.S. small stocks	4.0	11.0
International developed market stocks	12.0	9.5
International emerging market stocks	3.0	11.0
Alternatives	10.0	10.1
Real estate	10.0	7.5
Cash equivalents	3.0	1.5
	<b>100.0 %</b>	

\* Includes assumed rate of inflation of 2.50%

**(f) Discount Rate**

The discount rate used to measure the total pension liability as of both September 30, 2021 and 2020 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(g) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate (in thousands):

	<b>2021</b>		
	<b>1% Decrease (6.70)%</b>	<b>Current rate (7.70)%</b>	<b>1% Increase (8.70)%</b>
University's proportionate share of collective net pension liability	\$ 421,064	315,591	226,348

	<b>2020</b>		
	<b>1% Decrease (6.70)%</b>	<b>Current rate (7.70)%</b>	<b>1% Increase (8.70)%</b>
University's proportionate share of collective net pension liability	\$ 399,958	294,615	205,471

**(h) Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2020. The auditors' report dated April 23, 2021 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2020 along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**(12) Other Employee Benefits**

**(a) Other Pension Plans**

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed \$422,000 and

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

\$462,000 in 2021 and 2020, respectively, representing 190 and 197 employees for 2021 and 2020, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed \$6,553,000 and \$5,544,000 in 2021 and 2020, respectively, representing 1,998 and 1,436 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

**(b) *Compensated Absences***

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately \$12,644,000 and \$12,962,000 at September 30, 2021 and 2020, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

**(13) Other Postemployment Benefit Plans**

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

**(a) *Plan Description***

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statements note disclosures.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(b) Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

**(c) Contributions**

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were \$6,868,000 and \$7,947,000 for the years ended September 30, 2021 and 2020, respectively.

**(d) OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2021 and 2020, the University reported a liability of \$260,646,000 and \$103,288,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2021, the net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2020, the University's proportion of contributions to the OPEB plan was 4.0162100%, which was an increase of 1.2784930% from its proportion measured as of September 30, 2019 of 2.7377170%.

For the years ended September 30, 2021 and 2020, the University recognized OPEB expense of approximately \$7,208,000 and \$(11,830,000), respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

At September 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<b>2021</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	11
Differences between expected and actual experience	6,610	93,709
Changes of assumptions	91,042	48,400
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,698	36,524
Employer contributions subsequent to the measurement date	6,868	—
	\$ 204,218	178,644
	<b>2020</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ 213	—
Differences between expected and actual experience	3,420	79,197
Changes of assumptions	4,938	42,782
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,208	46,198
Employer contributions subsequent to the measurement date	7,947	—
	\$ 36,726	168,177

At September 30, 2021, approximately \$6,868,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022. Other

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ending September 30:		
2022	\$	(6,239)
2023		(5,842)
2024		(5,955)
2025		(5,633)
2026		25,125
Thereafter		17,249
	\$	18,705

**(e) Actuarial Assumptions**

The total OPEB liability as of September 30, 2021 and 2020 was determined by an actuarial valuation performed as of September 30, 2019 and 2018, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75 %	2.75 %
Projected salary increases*	3.25%-5.00%	3.25%-5.00%
Long-term investment rate of return**	7.25 %	7.25 %
Municipal bond index rate at the measurement date	2.25	3.00
Projected year for fiduciary net position to be depleted	2040	2055
Single equivalent interest rate at the measurement date	3.05 %	5.50 %
Healthcare cost trend rate		
Pre-medicare eligible	6.75 %	6.75 %
Medicare eligible	***	***
Ultimate trend rate		
Pre-medicare eligible	4.75 %	4.75 %
Medicare eligible	4.75 %	4.75 %
Year of ultimate trend rate		
Pre-medicare eligible	2027	2026
Medicare eligible	2024	2024

\* Includes 3% wage inflation

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

\*\*\* Initial medicare claims are set based on scheduled increases through plan year 2022

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) of the total OPEB liability were based on the September 30, 2019 valuation.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table:

	<b>2021</b>	
	<b>Target allocation</b>	<b>Long-term expected real rate of return*</b>
Fixed income	30 %	4.40 %
U.S. large stocks	38	8.00
U.S. mid stocks	8	10.00
U.S. small stocks	4	11.00
International developed market stocks	15	9.50
Cash	5	1.50
	100 %	

\* Geometric mean, includes 2.5% inflation

**(f) Discount Rate**

The discount rate used to measure the total OPEB liability at September 30, 2020 and 2019 was 3.05% and 5.50%, respectively. 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 employers must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019. 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation by the asset class and by the mean and variance of real returns. 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

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

**(g) Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rates**

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 4.75%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 3.75% or 1-percentage point higher 5.75% than the current rate (in thousands):

	2021		
	1% Decrease (3.75)%	Current rate (4.75)%	1% Increase (5.75)%
University's proportionate share of collective net OPEB liability	\$ 206,042	260,646	331,723

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 2.05% or 1-percentage point higher 4.05% than the current rate (in thousands):

	2021		
	1% Decrease (2.05)%	Current rate (3.05)%	1% Increase (4.05)%
University's proportionate share of collective net OPEB liability	\$ 319,696	260,646	213,748

**(h) OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2020 and 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020 and 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**(14) Risk Management**

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. An independent trustee administers both funds. These trust funds are revocable and use contributions by the University and HCA, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. Any risk related to the payment of claims is the responsibility of the PLTF and GLTF. If

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the financial statements of the University for the years ended September 30, 2021 and 2020. 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. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University, HCM and HCA each participate in a separate self-insured health plan administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately \$2,767,000 and \$2,560,000 in 2021 and 2020, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2021 and 2020 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ 39,995	39,400
Liabilities incurred and other additions	98,027	101,204
Claims, administrative fees paid and other reductions	(96,412)	(100,609)
Balance, end of year	\$ 41,610	39,995

These amounts are included in other long-term liabilities (and current portion thereof) and in accounts payable and accrued liabilities in the accompanying statements of net position.

**(15) Other Related Parties and Related-Party Transactions**

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2021, SAMSF had total assets of \$10,684,000, net assets of \$9,673,000, and total revenues of \$1,750,000 for the year then ended. At September 30, 2020, SAMSF had total assets of \$10,662,000, net assets of \$9,515,000, and total revenues of \$1,345,000 for the year then ended. SAMSF reimburses the University for certain administrative expenses and other related support services. No such amounts were received for such expenses in 2021 and 2020.

**(16) Commitments and Contingencies**

**(a) Grants and Contracts**

At September 30, 2021 and 2020, the University had been awarded approximately \$80,663,000 and \$53,257,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.

**(b) Litigation**

Various claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion the resolution of these matters will not have a material effect on the financial position or the statements of revenues, expenses, and changes in net position of the University.

**(c) Rent Supplement Agreements**

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 6). As of September 30, 2021 and 2020, no amounts were payable pursuant to these agreements.

**(d) USA Research and Technology Corporation Leases**

The Corporation leases space in Building I to five tenants under operating leases. One lease has a 5-year initial term expiring in October 2023 with two 5 year renewal options. The second lease has a 5-year term expiring in April 2024 with no renewal option. The third lease has a 5-year term expiring in July 2024 with no renewal option. The fourth lease has a 5-year initial term expiring in August 2024 with one 5-year renewal option. The fifth lease has a 90-month initial term expiring in June 2025 with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month to month to seven years.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (which generally is the first calendar year of the lease term). Under these leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 73,487 and 64,385 square feet at September 30, 2021 and 2020, respectively.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease had a 10 year initial term, expiring in March 2020, with three 5 year renewal options. The lease was renewed for an additional 5 years, expiring in March 2025, with two 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2021. One lease is for a 40 year initial term expiring in October 2046 with 20 year, and 15 year renewal options. The second lease is for a 30 year initial term expiring in October 2036 with four 5 year renewal options. The third lease has a 38.5 year initial term expiring in September 2046 with 20 year and 15 year renewal options.

Minimum future rentals by fiscal year are as follows (in thousands):

2022	\$	3,509
2023		2,674
2024		2,007
2025		1,193
2026		789
2027–2049		6,570
Total	\$	16,742

**(17) Functional Expense Information**

Operating expenses by functional classification for the years ended September 30, 2021 and 2020 are listed below (in thousands).

		2021	2020
Instruction	\$	114,020	108,737
Research		30,068	31,558
Public service		8,320	7,009
Academic support		26,673	27,242
Student services		34,094	33,570
Institutional support		33,333	19,386
Operation and maintenance of plant		28,061	28,184
Scholarships		35,309	17,468
USA Health		614,610	523,020
Auxiliary enterprises		11,025	11,885
Depreciation and amortization		54,985	50,237
	\$	990,498	858,296

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

**(18) Blended Component Units**

As more fully described in note 1, HCM, PLTF and GLTF are reported as blended component units. Required combining financial information of the aggregate blended component units as of and for the years ended September 30, 2021 and 2020 is presented below (in thousands):

	<b>2021</b>	<b>2020</b>
Current assets	\$ 27,505	13,858
Noncurrent assets	59,708	50,775
Total assets	87,213	64,633
Current liabilities	46,765	27,869
Noncurrent liabilities	36,721	33,743
Total liabilities	83,486	61,612
Net position	\$ 3,727	3,021
	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 275,779	224,850
Operating expenses	(284,620)	(228,936)
Operating loss	(8,841)	(4,086)
Nonoperating revenues	9,547	5,069
Nonoperating expenses	—	—
Change in net position	\$ 706	983

**(19) Recently Issued Accounting Pronouncements**

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as allowed by Statement 95.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement, effective for periods ending after December 31, 2021, addresses financial reporting implications related to the replacement of LIBOR, which is expected to cease to exist in its current form at the end of 2021.

In May 2020, the GASB issued Statement No. 96 *Subscription Based Information Technology Arrangements* effective beginning with the fiscal year ending September 30, 2023 and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, effective beginning with the fiscal year ending September 30, 2022. Statement No. 96 requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to non-subscription payments, and requires note disclosures for SBITA. The objective of Statement No. 97 is to improve consistency and comparability of reporting for those entities who rely on the government to perform the duties of a governing board in its absence, mitigate the costs of reporting for defined contribution plans, and improve relevance, consistency, and comparability of accounting and financial reporting of Section 457 plans that meet the definition of a pension plan.

In October 2021, the GASB issued statement No. 98, *The Annual Comprehensive Financial Report and its acronym ACFR*. This statement, effective for periods after December 15, 2021, replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The effect of the implementation of GASB Statement Nos. 87, 89, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93, 94 and 98 will not impact the University.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
September 30, 2021 and 2020

**(20) COVID-19 Pandemic**

COVID-19, a respiratory disease caused by a novel strain of the coronavirus, has spread around the world, including the State of Alabama. The Centers for Disease Control confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020.

As a result of the pandemic, most higher education institutions, including the University, moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls. This had an adverse effect on the operations of the University due to the pro-rata refund of housing and dining fees and incremental costs incurred as a result of having to convert all instruction to an on-line format. All instruction for the May and summer terms was delivered online and residence calls remained largely closed. The University returned to a modified in-person delivery of education for the 2020 fall semester, although residence halls reopened at a lower occupancy level. For the 2021 fall semester, the University returned to normal operations and residence hall capacities returned to a near-normal level. Management is unable to predict the future impact of the pandemic on the University's operations.

Government orders suspending elective surgical and other procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. Patient volumes and revenues experienced gradual improvement beginning in July 2020 and are now at normal levels. Management is unable to predict the future impact of the pandemic on USA Health's operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to provide economic relief to Higher Education Institutions and other entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2021, the University (including USA Health) has been awarded \$93,064,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$68,749,000 was awarded during the year ended September 30, 2021 and \$24,315,000 was awarded during the year ended September 30, 2020. Of the total amounts awarded \$58,249,000 and \$11,350,000 have been recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020, respectively.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

September 30, 2021 and 2020

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAAPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPs program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. Beginning in April 2021, CMS began recouping the advanced payments by reducing the amount due to USA Health for Medicare and Medicaid services provided. CMS will reduce the remittances by 25% for the first 11 months and increase this percentage for the next six months if there is still a balance in advanced funds. The balance of the advanced payments are \$27,682,000 and \$35,156,000 as of September 30, 2021 and 2020, respectively and are reflected as unrecognized revenues in the accompanying 2021 and 2020 statements of net position.

The University's (including USA Health's) pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Management has taken precautionary steps to enhance operational and financial flexibility and to react to the risks the COVID-19 pandemic presents to operations, including the following:

- Established a campus wide contact tracing office to minimize the spread of the virus and therefore minimizing the financial impact on the University.
- Established a campus-wide reopening committee, now known as the Covid-19 Response Team, to address COVID issues related to the reopening of campus, the return of employees and students to an in-person environment, and the on-going monitoring of the impact of Covid-19 on the University community.
- As part of campus reopening, the student housing model was revised to provide a safer environment for residential students. This was accomplished by increasing the number of single occupant rooms and creating a quarantine facility within housing for students that become COVID positive.
- Implemented a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August of 2020. This unpaid furlough plan ultimately ended and funds were returned to employees due to positive financial results for the University.
- Proactively permanently eliminated certain positions, mostly unfilled, in academic and administrative areas.

Management believes the extent of the COVID-19 pandemic's adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the University's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for indeterminable length of time, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposures. The potential for a negative impact on University enrollment is also uncertain. Increased infection rates in our city and region certainly have the ability to increase the impact of these factors. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on the University.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2021

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
University's proportion of the net pension liability	2.551330 %	2.664536 %	2.843720 %	3.018313 %	3.108048 %
University's proportionate share of the net pension liability	\$ 315,591	294,615	282,739	296,654	336,477
University's covered-employee payroll	184,984	181,875	190,559	191,520	200,464
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.60 %	161.99 %	148.37 %	154.89 %	167.85 %
Plan fiduciary net position as a percentage of the total pension liability	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Pension Contributions (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2021

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 21,566	21,413	22,481	22,262	23,664
Contributions in relation to the contractually required contribution	<u>21,566</u>	<u>21,413</u>	<u>22,481</u>	<u>22,262</u>	<u>23,664</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
University's covered-employee payroll	\$ 184,984	181,875	190,559	191,520	200,464
Contributions as a percentage of covered-employee payroll	11.66%	11.77%	11.80%	11.62%	11.80%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net OPEB Liability and Related Ratios (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2021

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
University's proportion of the net OPEB liability	4.016210 %	2.737717 %	3.156420 %
University's proportionate share of the net OPEB liability	\$ 260,646	103,288	259,418
University's covered-employee payroll	184,984	181,875	190,559
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	140.90 %	56.79 %	136.14 %
Plan fiduciary net position as a percentage of the total OPEB liability	19.80 %	28.14 %	14.81 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's OPEB Contributions (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2021

(In thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 6,868	7,947	7,772
Contributions in relation to the contractually required contribution	<u>6,868</u>	<u>7,947</u>	<u>7,772</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>
University's covered-employee payroll	\$ 184,984	181,875	190,559
Contributions as a percentage of covered-employee payroll	3.71 %	4.37 %	4.08 %

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Required Supplementary Schedules (Unaudited)  
September 30, 2021 and 2020

**(1) Summary of Cost Sharing Pension Plan Provisions and Assumptions**

Employees of the University of South Alabama are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

**(a) Actuarial Assumptions**

The total pension liability as of September 30, 2021 and 2020 was determined by an actuarial valuation as of September 30, 2019 and 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25-5.00

\* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

The 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.

**(b) Discount Rate**

The discount rate used to measure the total pension liability as of both September 30, 2021 and 2020 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Required Supplementary Schedules (Unaudited)  
September 30, 2021 and 2020

**(2) Summary of OPEB Plan Provisions and Assumptions**

Retirees of the University of South Alabama are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

**(a) Changes in Actuarial Assumptions**

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

**(b) Recent Plan Changes**

Beginning in plan year 2021, the Medicaid Advantage Prescription Drug plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Prescription Drug plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Required Supplementary Schedules (Unaudited)  
September 30, 2021 and 2020

**(a) Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2017, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay, closed	Level percent of pay
Remaining amortization period	24 years	25 years
Asset valuation method	Market value of assets	Market value of assets
Inflation	2.750%	2.875%
Health care cost trend rate:		
Pre-medicare eligible	7.00%	7.75%
Medicare eligible	5.00%	5.00%
Ultimate trend rate:		
Pre-medicare eligible	4.75%	5.00%
Medicare eligible	4.75%	5.00%
Year of ultimate trend rate	2026 for Pre-medicare eligible 2024 for Medicare eligible	2022 for Pre-medicare eligible 2018 for Medicare eligible
Investment rate of return	5.00%, including inflation	5.00%, including inflation

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal sponsor/Program title	CFDA Number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
<b>Student Financial Assistance Cluster*:</b>							
U.S. Department of Education:							
Federal Supplemental Educational Opportunity Grant Program	84.007			\$ 496,939	—	496,939	—
Federal Work Study Program	84.033			402,316	—	402,316	—
Federal Perkins Loan Program	84.038			1,317,237	—	1,317,237	—
Federal Pell Grant Program	84.063			17,717,750	—	17,717,750	—
Federal Direct Student Loan Program	84.268			118,583,325	—	118,583,325	—
Teacher Education Assistance for College and Higher Education	84.379			36,274	—	36,274	—
Nurse Faculty Loan Program	93.264			146,557	—	146,557	—
Total Student Financial Assistance Cluster				<u>138,700,398</u>	<u>—</u>	<u>138,700,398</u>	<u>—</u>
<b>Research and Development Cluster:</b>							
U.S. Department of Agriculture:							
Forestry Research	10.652			75,945	—	75,945	—
Technical Assistance and Training Grants	10.761			15,526	—	15,526	—
U.S. Department of Agriculture	10.UNK			129,684	—	129,684	—
Total U.S. Department of Agriculture				<u>221,155</u>	<u>—</u>	<u>221,155</u>	<u>—</u>
U.S. Department of Commerce:							
Sea Grant Support	11.417	18-03 548001-1000	Texas A&M University	—	30,625	30,625	19,535
Coastal Zone Management Estuarine Research Reserves	11.420			43,994	—	43,994	462
Marine Fisheries Initiative	11.433			26,139	—	26,139	—
Cooperative Fishery Statistics	11.434	21.0024	National Oceanic and Atmospheric Administration	—	125,243	125,243	—
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451			413,273	—	413,273	238,984
Meteorologic and Hydrologic Modernization Development	11.467	SUBAWD001579	University Corporation for Atmospheric Research	—	2,045	2,045	—
Center for Sponsored Coastal Ocean Research – Coastal Ocean	11.478	17024-USA-001	Florida Gulf Coast University	—	56,795	56,795	20,122
Measurement and Engineering Research and Standards	11.609	G-99042-12	Colorado State University	—	48,143	48,143	—
Arrangements for Interdisciplinary Research Infrastructure	11.619	140453	Colorado State University	—	(108)	(108)	—
Total U.S. Department of Commerce				<u>483,406</u>	<u>262,743</u>	<u>746,149</u>	<u>279,103</u>
U.S. Department of Defense:							
Military Medical Research and Development	12.420			45,872	—	45,872	—
Basic Scientific Research	12.451			180,892	—	180,892	89,035
Basic, Applied, and Advanced Research in Science and Engineering	12.630			179,378	—	179,378	43,300
Air Force Defense Research Sciences Program	12.800			34,929	—	34,929	—
Department of Defense	12.UNK			527,099	—	527,099	119,894
Department of Defense	12.UNK	170262	Faraday Technology, Inc.	—	207	207	—
Department of Defense	12.UNK	2103140-13	Stevens Institute of Technology	—	423	423	—
Department of Defense	12.UNK	2102964-17	Stevens Institute of Technology	—	3,299	3,299	—
Total U.S. Department of Defense				<u>968,170</u>	<u>3,929</u>	<u>972,099</u>	<u>252,229</u>
U.S. Department of Interior:							
Wildlife Restoration	15.611	21-0166A	ADCNR	—	74,659	74,659	—
Wildlife Restoration	15.611	20-0173	ADCNR	—	12,424	12,424	—
Total CFDA				<u>—</u>	<u>87,083</u>	<u>87,083</u>	<u>—</u>
Natural Resource Damage Assessment, Restoration, and Implementation	15.658	15900.341559.02	Mississippi State University	—	12,261	12,261	—
Department of Interior	15.UNK			2,379,894	—	2,379,894	95,913
Department of Interior	15.UNK	140D0419-9-0003	Wichita State University	—	177,991	177,991	—
Total U.S. Department of Interior				<u>2,379,894</u>	<u>277,335</u>	<u>2,657,229</u>	<u>95,913</u>
U.S. Department of Justice:							
National Sexual Assault Kit Initiative	16.833	18-0054	Mobile Police Department	—	54,100	54,100	—
National Sexual Assault Kit Initiative	16.833	2018-AK-BX-0006	City of Mobile	—	87,920	87,920	—
Total CFDA				<u>—</u>	<u>142,020</u>	<u>142,020</u>	<u>—</u>
U.S. Department of Justice	16.UNK	20-0015	City of Mobile	—	28,971	28,971	—
U.S. Department of Justice	16.UNK	20-0413	City of Mobile	—	6,363	6,363	—
Total U.S. Department of Justice				<u>—</u>	<u>177,354</u>	<u>177,354</u>	<u>—</u>
U.S. Department of Transportation:							
Highway Planning and Construction	20.205	HSIP-NR18(911)	Alabama Department of Transportation	—	2,888	2,888	—
Highway Planning and Construction	20.205	930-937	Alabama Department of Transportation	—	6,595	6,595	—
Highway Planning and Construction	20.205	#1954 (0X-001954-000)	Alabama Department of Transportation	—	36,405	36,405	—
Highway Planning and Construction	20.205	#1954 (0X-001954-003)	Alabama Department of Transportation	—	21,243	21,243	—
Highway Planning and Construction	20.205	930-980	Alabama Department of Transportation	—	41,230	41,230	5,132
Total U.S. Department of Transportation				<u>—</u>	<u>108,361</u>	<u>108,361</u>	<u>5,132</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal sponsor/Program title	CFDA Number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
National Aeronautics and Space Administration:							
Aerospace Education Services Program	43.001			\$ 34,326	—	34,326	3,462
Aerospace Education Services Program	43.001	USA 19-001	Von Braun Center for Science & Innovation	—	2,561	2,561	—
Total CFDA				34,326	2,561	36,887	3,462
Exploration	43.003	Various	University of Alabama in Huntsville	—	4,117	4,117	—
Education	43.008	Various	University of Alabama in Huntsville	—	140,205	140,205	15,434
NASA	43.UNK			236	—	236	—
Total National Aeronautics and Space Administration				34,562	146,883	181,445	18,896
National Science Foundation:							
Engineering Grants	47.041			232,116	—	232,116	9,610
Engineering Grants	47.041	2017-91	University of Alabama in Huntsville	—	23,558	23,558	—
Total CFDA				232,116	23,558	255,674	9,610
Mathematical and Physical Sciences	47.049			57,735	—	57,735	—
Geosciences	47.050			67,170	—	67,170	17,441
Geosciences	47.050	17056-NSF-USA-MCI-02	Florida Gulf Coast University	—	246,239	246,239	—
Geosciences	47.050	17056-NSF-USA-MCI-03	Florida Gulf Coast University	—	2,562	2,562	—
Geosciences	47.050	2722JK	Dauphin Island Sea Lab	—	18,013	18,013	—
Total CFDA				67,170	266,814	333,984	17,441
Computer and Information Science and Engineering	47.070			215,052	—	215,052	29,093
Computer and Information Science and Engineering	47.070	AWD-001289-G1	Georgia Institute of Technology	—	124,384	124,384	—
Total CFDA				215,052	124,384	339,436	29,093
Biological Sciences	47.074			254,228	—	254,228	—
Social Behavioral and Economic Sciences	47.075			68,226	—	68,226	7,001
Education and Human Resources	47.076			1,700,302	—	1,700,302	—
Education and Human Resources	47.076	2102429-01	Stevens Institute of Technology	—	(254)	(254)	—
Total CFDA				1,700,302	(254)	1,700,048	—
Polar Programs	47.078	UA 16-052	University of Alabama	—	62,078	62,078	—
International Science and Engineering (OISE) (B)	47.079			685,775	—	685,775	525,567
Office of Integrative Activities	47.083			59,274	—	59,274	—
Office of Integrative Activities	47.083	330221-03	University of Louisiana at Lafayette	—	182,824	182,824	—
Total CFDA				59,274	182,824	242,098	—
National Science Foundation	47.UNK	19-84813-01	University of Texas Medical Branch	—	120,104	120,104	—
Total National Science Foundation				3,339,878	779,508	4,119,386	588,712
U.S. Department of Veteran Affairs	64.UNK			11,062	—	11,062	—
U.S. Environmental Protection Agency:							
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component	66.130	20-0531	Dauphin Island Sea Lab	—	8,343	8,343	—
Gulf of Mexico Program	66.475			267,045	—	267,045	103,738
Total U.S. Environmental Protection Agency				267,045	8,343	275,388	103,738
U.S. Department of Energy:							
Basic Energy Sciences University and Science Education	81.049			1,325,488	—	1,325,488	797,907
U.S. Consumer Product Safety Commission:							
Gulf Coast Ecosystem Restoration Council	87.051	B2F1-CLSM/GT1CP21AL001-01-00	Dauphin Island Sea Lab	—	82,748	82,748	—
U.S. Department of Health and Human Services:							
Enhance Safety of Children Affected by Substance Abuse	93.087	00517555-001	University of Alabama at Birmingham	—	9,507	9,507	—
Biological Response to Environmental Health Hazards	93.113			1,253,758	—	1,253,758	—
Biological Response to Environmental Health Hazards	93.113	17056-NIH-USA/MCI-02	Florida Gulf Coast University	—	267,465	267,465	—
Biological Response to Environmental Health Hazards	93.113	579730	University of Arizona	—	86,776	86,776	—
Biological Response to Environmental Health Hazards	93.113	1R44ES032522-01	Amelia Technologies LLC	—	37,050	37,050	—
Biological Response to Environmental Health Hazards	93.113	97220614	University of California, San Diego	—	95,221	95,221	—
Total CFDA				1,253,758	486,512	1,740,270	—
Injury Prevention and Control Research and State Grants	93.136			280,667	—	280,667	31,190
Research and Training in Alternative Medicine	93.213			10,040	—	10,040	—
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			93,788	—	93,788	—
Trans-NIH Research Support	93.310	18-0083	University of Alabama at Birmingham	—	645,535	645,535	—

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal sponsor/Program title	CFDA Number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
National Center for Advancing Translational Sciences	93.350	20-0575	University of Alabama at Birmingham	\$ —	46,543	46,543	—
National Center for Advancing Translational Sciences	93.350	000520695-002	University of Alabama at Birmingham	—	151,147	151,147	—
National Center for Advancing Translational Sciences	93.350	000520679-010	University of Alabama at Birmingham	—	115,106	115,106	—
National Center for Advancing Translational Sciences	93.350	20-0619	University of Alabama at Birmingham	—	49,118	49,118	—
National Center for Advancing Translational Sciences	93.350	000524523-SC003	University of Alabama at Birmingham	—	8,737	8,737	—
National Center for Advancing Translational Sciences	93.350	000520679-SC010	University of Alabama at Birmingham	—	69,995	69,995	—
Total CFDA				—	440,646	440,646	—
Research Infrastructure Programs	93.351			264,365	—	264,365	156,470
Advanced Education Nursing Traineeships	93.358	XIONG/ZHA 001/R01NS140349	Morehouse School of Medicine, Inc.	—	(7,731)	(7,731)	—
Nursing Research	93.361			27,866	—	27,866	—
Nursing Research	93.361	20-0206	University of Alabama at Birmingham	—	39,105	39,105	—
Total CFDA				27,866	39,105	66,971	—
Cancer Cause and Prevention Research	93.393			1,218,718	—	1,218,718	—
Cancer Cause and Prevention Research	93.393	FC00#15137-01	Fox Chase Cancer Center	—	321,286	321,286	—
Cancer Cause and Prevention Research	93.393	000526224-SC001	University of Alabama at Birmingham	—	68,616	68,616	—
Total CFDA				1,218,718	389,902	1,608,620	—
Cancer Treatment Research	93.395			454,137	—	454,137	48,128
Cancer Treatment Research	93.395	9500100715	Children's Hospital of Philadelphia	—	1,625	1,625	—
Cancer Treatment Research	93.395	170272	Children's Hospital of Philadelphia	—	6	6	—
Cancer Treatment Research	93.395	35263-1	Augusta University Research Institute Inc.	—	61,604	61,604	—
Cancer Treatment Research	93.395	FP00026529_SUB384_01	Children's Hospital of Philadelphia	—	139	139	—
Total CFDA				454,137	63,374	517,511	48,128
Cancer Biology Research	93.396			226,412	—	226,412	—
Cancer Biology Research	93.396	000528128-001	University of Alabama at Birmingham	—	13,542	13,542	—
Total CFDA				226,412	13,542	239,954	—
Cardiovascular Diseases Research	93.837			423,381	—	423,381	—
Cardiovascular Diseases Research	93.837	180090	University of Alabama at Birmingham	—	56,246	56,246	—
Total CFDA				423,381	56,246	479,627	—
Lung Diseases Research	93.838			4,397,650	—	4,397,650	152,822
Lung Diseases Research	93.838	170187	Thomas Jefferson University	—	117,564	117,564	—
Lung Diseases Research	93.838	NIH 5 R01 HL058506-22	Thomas Jefferson University	—	107,046	107,046	—
Total CFDA				4,397,650	224,610	4,622,260	152,822
Arthritis Musculoskeletal and Skin Diseases Research	93.846			(5,686)	—	(5,686)	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	576028	University of Pennsylvania	—	32,613	32,613	—
Clinical Research Related to Neurological Disorders	93.853			209,303	—	209,303	8,999
Clinical Research Related to Neurological Disorders	93.853	012044-138674	University of Cincinnati	—	755	755	—
Clinical Research Related to Neurological Disorders	93.853	010785-138674	University of Cincinnati	—	1,349	1,349	—
Clinical Research Related to Neurological Disorders	93.853	012043-138674	University of Cincinnati	—	782	782	—
Total CFDA				209,303	2,886	212,189	8,999
Allergy and Infectious Diseases Research	93.855			612,437	—	612,437	—
Allergy and Infectious Diseases Research	93.855	000522211-016	University of Alabama at Birmingham	—	11,849	11,849	—
COVID-19 – Allergy and Infectious Diseases Research	93.855	20-0345	Florida International University	—	17,532	17,532	—
Total CFDA				612,437	29,381	641,818	—
Pharmacology Physiology and Biological Chemistry	93.859			547,404	—	547,404	218,027
Pharmacology Physiology and Biological Chemistry	93.859	783K893	University of Wisconsin-Madison	—	22,773	22,773	—
Total CFDA				547,404	22,773	570,177	218,027
Aging Research	93.866			227,384	—	227,384	—
Aging Research	93.866	168700/168699	University of San Antonio	—	59,886	59,886	—
Total CFDA				227,384	59,886	287,270	—
HIV Prevention Activities Health Department Based	93.940	19-0124	University of Alabama at Birmingham	—	33,753	33,753	—
Medicaid	93.UNK	19-0041	ADT Pharmaceuticals Inc	—	62,711	62,711	—
Medicaid	93.UNK	19-0062	Florida International University	—	22,499	22,499	—
Medicaid	93.UNK	HHSO100201500027C	Stratatech Corporation	—	50,916	50,916	—
National Institute of Health	93.UNK	18038-01	Fox Chase Cancer Center	—	(39,833)	(39,833)	—
Total U. S. Department of Health and Human Services				10,241,624	2,638,833	12,880,457	615,636
Total Research and Development Cluster				19,272,284	4,486,037	23,758,321	2,757,266

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal sponsor/Program title	CFDA Number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
Other federal assistance:			4,485,963				
U.S. Department of Commerce:							
Coastal Zone Management Administration Awards	11.419	USA-CZM-309-20-1	Alabama Dept. of Conservation and Natural Resources	\$ —	9,428	9,428	—
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	DISL SHORT FORM D-14	Dauphin Island Sea Lab	—	249	249	—
U.S. Department of Commerce	11.UNK	20-0398	Synoptic Data PBC	—	33,074	33,074	—
Total U.S. Department of Commerce				—	42,751	42,751	—
U.S. Department of Defense:							
Basic Scientific Research	12.431						
Air Force Defense Research Sciences Program	12.800			121,847	—	121,847	—
U.S. Department of Defense	12.UNK	DESE-19-020	DESE Research, Inc	—	25,874	25,874	—
U.S. Department of Defense	12.UNK	21-0052	Colsa Corporation	42,751	70,811	70,811	—
U.S. Department of Defense	12.UNK	DI-SC-21-30	Dynetics, Inc.	—	104,605	104,605	—
Total U.S. Department of Defense				121,847	323,137	323,137	—
U.S. Department of Interior:							
Battlefield Land Acquisition Grants (B)	15.928			293,354	—	293,354	—
U.S. Department of Justice:							
Crime Victim Assistance / Discretionary Grants	16.582			133,153	201,290	133,153	2,468
Equitable Sharing Program	16.922			6,324	—	6,324	—
Total U.S. Department of Justice				139,477	—	139,477	2,468
U.S. Department of Labor:							
WIOA Youth Activities Cluster	17.259	07703881	Southwest Alabama Partnership for Training & Employment, Inc	—	53,539	53,539	—
U.S. Department of Transportation:							
Highway Planning and Construction	20.205	#2283 (OX-002283-000)	Alabama Department of Transportation	—	18,091	18,091	—
U.S. Department of Treasury:							
COVID-19 – Coronavirus Relief Fund*	21.019	20-0544	Alabama Department of Finance	—	1,196,916	1,196,916	—
COVID-19 – Coronavirus Relief Fund*	21.019	SLT00002 / SLT0223	Alabama Department of Finance	—	2,457,694	2,457,694	—
COVID-19 – Coronavirus Relief Fund*	21.019	SLT00002 / SLT0223	University of Alabama at Birmingham	—	295,556	295,556	—
Total U.S. Department of Treasury				—	3,950,166	3,950,166	—
National Aeronautics and Space Administration:							
Aerospace Education Services Program	43.001	2015-055	University of Alabama in Huntsville	—	783	783	—
Aerospace Education Services Program	43.001	2020-1257-2	University of Alabama in Huntsville	—	647	647	—
Total CFDA				—	1,430	1,430	—
Exploration	43.003	XHAB 2020-02	National Space Grant Foundation	—	10,032	10,032	—
Office of Stem Engagement	43.008	Various	University of Alabama in Huntsville	—	30,641	30,641	—
National Aeronautics and Space Administration	43.UNK	21-0119	Jacobs Space Exploration Group	—	26,054	26,054	—
Total National Aeronautics and Space Administration				—	66,727	66,727	—
National Endowment for the Humanities:							
Promotion of the Humanities Federal / State Partnership	45.129	0321-2680MJ	Alabama Humanities Alliance	—	3,000	3,000	—
Promotion of the Humanities, Fellowships, and Stipends	45.160			59,710	—	59,710	—
Total National Endowment for the Humanities				59,710	3,000	62,710	—
U.S. Department of Education:							
Undergraduate International Studies and Foreign Language	84.016			25,943	—	25,943	—
TRIO Cluster:							
TRIO Talent Search	84.044			348,454	—	348,454	—
TRIO Upward Bound	84.047			337,252	—	337,252	—
Total TRIO Cluster				685,706	—	685,706	—
Improving Teacher Quality State Grants	84.367	U210502	Alabama State Department of Education	—	84,088	84,088	—
Improving Teacher Quality State Grants	84.367	U210520	Alabama State Department of Education	—	21,758	21,758	—
Total CFDA				—	105,846	105,846	—
Transition Programs for Students with Intellectual Disabilities into Higher Ed	84.407			726,376	—	726,376	—
COVID-19 – Higher Education Emergency Relief Fund – Student*	84.425E			21,908,200	—	21,908,200	—
COVID-19 – Higher Education Emergency Relief Fund – Institution*	84.425F			13,372,707	—	13,372,707	—
COVID-19 – Higher Education Emergency Relief Fund – Strengthening Institutions Program*	84.425M			1,260,984	105,846	1,260,984	—
Total Education Stabilization Fund				36,541,891	—	36,541,891	—
Total U.S. Department of Education				37,979,916	105,846	38,085,762	—
				—	—	—	—
				—	—	—	—

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2021

Federal sponsor/Program title	CFDA Number	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
U.S. Department of Health and Human Services:							
COVID-19 – Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153			\$ 816,618	—	816,618	—
Nursing Workforce Diversity	93.178			59,569	—	59,569	—
Advanced Education Nursing Workforce Grant Programs	93.247			992,674	—	992,674	—
Immunization Cooperative Agreements	93.268	C10114059 (GC-21-122)	State of Alabama Department of Public Health	—	9,924	9,924	—
Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	C10114152 (GC-21-262)	State of Alabama Department of Public Health	—	10,868	10,868	—
Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	C10114172 (GC-21-329)	State of Alabama Department of Public Health	—	9,834	9,834	—
Total CFDA				—	20,702	20,702	—
Research Infrastructure Programs	93.351			600,000	—	600,000	—
COVID-19 Provider Relief Fund*	93.498			6,838,040	—	6,838,040	—
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	18-0365	Vizient, Inc.	—	(38,119)	(38,119)	—
Foster Care Title IV-E	93.658	Various	University of Alabama	—	87,954	87,954	—
Medical Student Education	93.680			1,508,431	—	1,508,431	284,860
PPHF-2012 Mental and Behavioral Health Education and Training Grants	93.732			457,607	—	457,607	—
Organized Approaches to Increase Colorectal Cancer Screening	93.800	C90116208 (GC-19-322)	State of Alabama Dept of Public Health	—	14,414	14,414	—
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	C90116240 (GC 19-395)	State of Alabama Department of Public Health	—	(6)	(6)	—
Lung Diseases Research	93.838	000529541-SC002-ARR	University of Alabama at Birmingham	—	44,133	44,133	—
Grants for Primary Care Training and Enhancement	93.884			438,169	—	438,169	—
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	C00119185 (GC 20-363)	State of Alabama Department of Public Health	—	1,365,454	1,365,454	—
National Bioterrorism Hospital Preparedness Program	93.889	C00119195 (GC 20-376)	State of Alabama Department of Public Health	—	610,405	610,405	—
National Bioterrorism Hospital Preparedness Program	93.889	C00119228 (GC-20-424)	State of Alabama Department of Public Health	—	598,975	598,975	18,035
National Bioterrorism Hospital Preparedness Program	93.889	C10114230 (GC-21-406)	State of Alabama Department of Public Health	—	150,089	150,089	—
National Bioterrorism Hospital Preparedness Program	93.889	C10114248 (GC-21-426)	State of Alabama Department of Public Health	—	38,140	38,140	—
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	21-0336	Alabama Hospital Association	—	8,421	8,421	—
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	21-0071	Alabama Hospital Association	—	20,079	20,079	—
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	21.0072	Alabama Hospital Association	—	53,631	53,631	—
Total CFDA				—		2,845,194	18,035
HIV Care Formula Grants	93.917	RW-USAF-2021	United Way of Central Alabama	—	46,264	46,264	—
Maternal and Child Health Services Block Grant to the States	93.994	C10114041 (GC-21-081)	Health Resources Services Administration	—	4,436	4,436	—
COVID-19-Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured*	93.461			2,912,615	2,845,194	2,912,615	—
Total U.S. Department of Health and Human Services				14,623,723	3,034,896	17,658,619	302,885
Corporation for National and Community Service: AmeriCorp	94.006			10,012	—	10,012	—
Total other federal assistance				53,228,039	—	60,705,775	302,885
Total federal expenditures				\$ 211,200,721	11,963,773	223,164,494	3,062,619

\* Indicates major program

7,477,736

See accompanying notes to schedule of expenditures of federal awards.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Schedule of Expenditures of Federal Awards

September 30, 2021

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the University of South Alabama (the University) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Campus-Based Loan Programs**

Outstanding campus-based federal loans made by the University are included in notes receivable in the University's 2021 statement of net position and consist of the following loan programs:

	<u>CFDA #</u>	<u>Outstanding amounts at September 30, 2021</u>	<u>Amounts advanced in 2021</u>
Federal Perkins Loan Program	84.038	\$ 942,050	—
Nurse Faculty Loan Program	93.264	912,694	146,557
Nurse Faculty Loan Program ARRA	93.408	<u>4,032</u>	<u>—</u>
		<u>\$ 1,858,776</u>	<u>146,557</u>

For the Federal Perkins Loan Program (FPLP) the Schedule includes the beginning of the year balance of loans outstanding under the FPLP and current year FPLP loan advances to students totaling \$1,317,237 and \$0, respectively. No administrative cost allowance was claimed related to the FPLP during 2021.

**(3) Contingencies**

The University's federal programs are subject to financial and compliance audits by grantor agencies which may result in disallowed expenditures and affect the University's continued participation in specific programs.

**(4) Federal Direct Student Loans (CFDA #84.268)**

The University's Federal Direct Student Loan Program (Direct Loan) included in the Schedule represents loans advanced to students of the University during 2021, which were not originated by the University. Accordingly, Direct Loan amounts are not reflected in the University's basic financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of September 30, 2021.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Schedule of Expenditures of Federal Awards  
September 30, 2021

During the year ended September 30, 2021, the University advanced to students the following amounts of new loans under Direct Loan Programs:

		<u>Amounts advanced</u>
Stafford loans	\$	15,534,131
Unsubsidized Stafford loans		68,050,483
Parent Loans for Students		<u>34,998,711</u>
Total	\$	<u><u>118,583,325</u></u>

**(5) Matching**

Under the Federal Supplemental Education Opportunity Grant Program, the University matched \$210,258 in funds awarded to students for the year ended September 30, 2021 in addition to the Federal share of expenditures included in the Schedule.

**(6) Indirect Cost Rate**

For the year ended September 30, 2021, the University did not elect to use the 10% De Minimus Indirect Cost Rate permitted by Uniform Guidance, as a negotiated indirect cost rate existed on all grants where indirect costs are applicable.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
University of South Alabama:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business type activities and aggregate discretely presented component units of the University of South Alabama, a component unit of the State of Alabama, (the University), as of September 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2021. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of South Alabama Foundation.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi  
November 15, 2021



KPMG LLP  
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Jackson, MS 39201-2127

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
University of South Alabama:

**Report on Compliance for Each Major Federal Program**

We have audited the University of South Alabama (the University)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2021. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.



The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify certain any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the University and its aggregate discretely presented component units as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Jackson, Mississippi  
June 29, 2022

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2021

**(1) Summary of Auditors' Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **Yes findings 2021-001 and 2021-002**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major programs:
  - Student Financial Assistance Cluster – various CFDA numbers
  - COVID-19 – Coronavirus Relief Fund – CFDA #21.019
  - COVID-19 – Education Stabilization Fund – CFDA #84.425E, 84.425F, and 84.425M
  - COVID-19 – Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured – CFDA #93.461
  - COVID-19 – Provider Relief Fund – CFDA #93.498
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

**(2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs relating to Federal Awards**

**Finding No: 2021-001 Special Tests and Provisions – Disbursement Notification**

**Federal Agency:**

U.S. Department of Education

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2021

**CFDA Number:**

84.268

**Program:**

Federal Direct Student Loan Program

**Award Year:**

July 1, 2020 through June 30, 2021

**(a) Criteria or Requirement**

Under the Student Financial Aid Cluster, schools must notify students when federal funds are credited to the students' accounts in accordance with 34 CFR section 668.165. Following disbursement of Direct Loans, Federal Perkins Loans, and TEACH Grant program funds, schools must notify students or their parents, in writing, of the amount and type of funds that have been credited to the student's account. This notification must also state the student's ability to cancel all or a portion of these funds and the process to do so. Schools with an affirmative confirmation process must notify students within 30 days before 30 days after the funds are disbursed.

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**(b) Condition Found, Including Perspective**

During our test work over the Student Financial Aid Cluster, we selected a sample of 60 students who had received financial aid funding during the fiscal year. Within our sample, we noted one instance in which a student was not notified of a Direct Loan being credited to his or her account for the fall 2020 semester.

**(c) Possible Cause**

The University has an automated process to generate notifications to students who receive Direct Student Loans. In this instance, the student's account did not reflect the Direct Loan disbursement at the time the automated process generated the notifications. The Direct Loan was added to the student's account the same day but after the notifications were generated. Lack of a control monitoring that all students with Direct Loan disbursements were sent notification emails through this automated process resulted in this student not being properly notified in accordance with federal regulations.

**(d) Questioned Cost**

None identified.

**(e) Effect**

Noncompliance resulted in the student not being notified that funding was credited to their account. Additionally, the student did not receive the information on their right to cancel all or part of this funding.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2021

**(f) Statistical Validity**

The example was not intended to be, and was not, a statistically valid example.

**(g) Repeat Finding in the Prior Year**

Not a repeat finding.

**(h) Recommendation**

We recommend that the University implement a control to verify all students who received loan disbursements were actually sent the appropriate notification within the required timeframe. We also recommend that the existing automated control and process be strengthened to include all new disbursements made since the last time the system generated notification was run.

**(i) View of Responsible Officials**

Management concurs with the finding. The current process in place did exclude a notification email for one student that received loan disbursement and should have been notified.

The University, management and the Office of Financial Aid reviewed its controls over loan disbursement notification. The University added a management review control to ensure that timely notifications were sent to all students receiving loan disbursements. The University implemented a control whereby the documents this review on the disbursement listing.

**Finding No: 2021-002 Reporting**

**Federal Agency:**

U.S. Department of Education

**CFDA Number:**

84.063

**Program:**

Federal Pell Grant Program

**Award Year:**

July 1, 2020 through June 30, 2021

**(a) Criteria or Requirement**

Under the Student Financial Aid Cluster, institutions must submit origination records and disbursement records to the Common Origination and Disbursement (COD) System. These records include the student's enrollment date which should be verified and agreed to the institution's records.

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2021

**(b) Condition Found, Including Perspective**

During our test work over the Student Financial Aid cluster, we selected a sample of 40 students. Within our sample, we noted that the 30 students selected from the period July 1, 2020 through June 30, 2021 had the incorrect enrollment date on the COD report when compared to the institution's records.

**(c) Possible Cause**

The University failed to update the initial placeholder COD student enrollment date to the final student enrollment date noted in the University's records due to a change in staff during the year.

**(d) Questioned Cost**

None identified.

**(e) Effect**

Noncompliance did not result in improper funding or funding to the students being disbursed at the wrong time.

**(f) Statistical Validity**

The example was not intended to be, and was not, a statistically valid example.

**(g) Repeat Finding in the Prior Year**

Not a repeat finding.

**(h) Recommendation**

We recommend that the University implement controls to verify and ensure the student enrollment date reported to the COD is consistent with the University records.

**(i) View of Responsible Officials**

Management concurs with the finding. The current process did allow for reporting the incorrect enrollment date to the COD system.

The University, Management and the Office of Financial Aid reviewed its controls over enrollment date reporting to COD. The University added a two-person management review control to ensure that the term dates on the University academic calendar match the financial aid system dates that are utilized in entering this information to COD.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the  
Years Ended June 30, 2022 and 2021, and  
Independent Auditor's Report

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**TABLE OF CONTENTS**

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-20

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
University of South Alabama Foundation:

### Opinion

We have audited the consolidated financial statements of the University of South Alabama Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the 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.

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

### Auditor's 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 auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*Deloitte + Touche LLP*

August 16, 2022

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2022 AND 2021**  
(Dollars in thousands)

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	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 1,556	\$ 1,490
INVESTMENTS AT FAIR VALUE:		
Equity securities	196,016	238,006
Timber and mineral properties	176,680	171,385
Real estate	9,034	19,904
Other	5,809	5,809
OTHER ASSETS	<u>480</u>	<u>448</u>
TOTAL	<u>\$ 389,575</u>	<u>\$ 437,042</u>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 76	\$ 205
Other liabilities	<u>901</u>	<u>894</u>
Total liabilities	<u>977</u>	<u>1,099</u>
NET ASSETS:		
Without donor restrictions	62,676	62,043
With donor restrictions	<u>325,922</u>	<u>373,900</u>
Total net assets	<u>388,598</u>	<u>435,943</u>
TOTAL	<u>\$ 389,575</u>	<u>\$ 437,042</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:</b>			
Net realized and unrealized gains (losses)			
on investments	\$ 4,700	\$ (20,866)	\$(16,166)
Rents, royalties, and timber sales	2,633	173	2,806
Interest and dividends	1,617	848	2,465
Gifts	155	2,440	2,595
Required match of donor contributions	(213)	213	-
Interfund interest	(245)	245	-
Other income	2		2
Net assets released from program restrictions (Note 10)	<u>31,031</u>	<u>(31,031)</u>	<u>-</u>
Total revenues, gains, (losses), and other support	<u>39,680</u>	<u>(47,978)</u>	<u>(8,298)</u>
<b>EXPENDITURES:</b>			
Program services:			
Faculty support	3,236		3,236
Scholarships	1,167		1,167
Other academic programs	<u>28,268</u>		<u>28,268</u>
Total program services	32,671	-	32,671
Management and general	2,698		2,698
Other investment expense	1,255		1,255
Depletion expense	2,380		2,380
Depreciation expense	<u>43</u>		<u>43</u>
Total expenditures	<u>39,047</u>	<u>-</u>	<u>39,047</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	633	(47,978)	(47,345)
<b>NET ASSETS—Beginning of year</b>	<u>62,043</u>	<u>373,900</u>	<u>435,943</u>
<b>NET ASSETS—End of year</b>	<u>\$ 62,676</u>	<u>\$ 325,922</u>	<u>\$388,598</u>

See notes to consolidated financial statements.



UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 5,204	\$ 56,052	\$ 61,256
Rents, royalties, and timber sales	3,342	133	3,475
Interest and dividends	1,126	1,332	2,458
Gifts	1	511	512
Required match of donor contributions	(11)	11	-
Interfund interest	(165)	165	-
Other income	83		83
Allocation of Brookley	(16,773)	16,773	-
Net assets released from program restrictions (Note 10)	<u>8,365</u>	<u>(8,365)</u>	<u>-</u>
 Total revenues, gains, (losses), and other support	 <u>1,172</u>	 <u>66,612</u>	 <u>67,784</u>
EXPENDITURES:			
Program services:			
Faculty support	2,694		2,694
Scholarships	1,130		1,130
Other academic programs	<u>7,039</u>		<u>7,039</u>
 Total program services	 10,863	 -	 10,863
Management and general	2,276		2,276
Other investment expense	1,625		1,625
Depletion expense	4,157		4,157
Depreciation expense	<u>43</u>		<u>43</u>
 Total expenditures	 <u>18,964</u>	 <u>-</u>	 <u>18,964</u>
 (DECREASE) INCREASE IN NET ASSETS	 (17,792)	 66,612	 48,820
 NET ASSETS—Beginning of year	 <u>79,835</u>	 <u>307,288</u>	 <u>387,123</u>
 NET ASSETS—End of year	 <u>\$ 62,043</u>	 <u>\$ 373,900</u>	 <u>\$ 435,943</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**(Dollars in thousands)**

	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES:</b>		
(Decrease) increase in net assets	\$ (47,345)	\$ 48,820
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	16,166	(61,256)
Gift of equity securities	(358)	-
Gift of real estate	(1,142)	-
Contribution of Brookley Property	11,000	-
Depletion	2,380	4,157
Depreciation	43	43
Changes in operating assets and liabilities:		
Other assets	(26)	4
Accounts payable	(129)	50
Other liabilities	7	300
	<u>          7</u>	<u>      300</u>
Net cash used in operating activities	<u>(19,404)</u>	<u>(7,882)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of equity securities	(536)	(32,913)
Sale of equity securities	19,152	9,000
Reforestation of timber property	(461)	(295)
Proceeds from sale of real estate	1,330	30,959
Other	(15)	(12)
	<u>      (15)</u>	<u>      (12)</u>
Net cash provided by investing activities	<u>19,470</u>	<u>6,739</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>66</b>	<b>(1,143)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>1,490</u>	<u>2,633</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u><u>\$ 1,556</u></u>	<u><u>\$ 1,490</u></u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
(Dollars in thousands)**

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**1. ORGANIZATION**

The University of South Alabama Foundation (the “Foundation”) was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the “University”) in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**—The accompanying consolidated financial statements include the accounts of the Foundation’s wholly owned subsidiaries Knollwood Development, Inc.; Shubuta Timber Services, Inc.; and Brookley Bay Front Properties, LLC (hereinafter BBFP), an Alabama Limited Liability Company, having as its sole member the Foundation. All significant intercompany transactions have been eliminated in consolidation.

**Net Assets**—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained on the accrual basis in accordance with the principles of “fund accounting.” Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation presents its net assets and its revenues, expenses, gains, and losses, based on the existence or absence of donor-imposed restrictions in accordance with Accounting Standards Update (“ASU”) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, as described in this note and summarized as follows.

- Net assets with donor restrictions contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Foundation the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes. Net assets with donor restrictions also contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified or by the actions of the Foundation.
- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired.

The Foundation considers all of its assets to be endowment assets for the support of the University. It, therefore, classifies all of its assets as “endowment funds” for purpose of required disclosures for such funds. In the absence of directions imposed by donors to utilize such funds for specific programs or purposes at the University, the Foundation classifies the net assets of such funds as “without donor restrictions.”

**Support and Expenses**—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. The Foundation reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires; i.e., when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from program restrictions.

The Foundation sometimes receives restricted contributions that are conditional on the Foundation matching the contribution. Upon approval of the Board of Directors, such matches are reported as a reclassification of net assets without donor restrictions to net assets with donor restrictions.

**Cash and Cash Equivalents**—The Foundation considers temporary cash investments with an original maturity date of three months or less when purchased to be cash equivalents. The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximate their fair value.

**Investments in Securities**—Investments in marketable equity securities with readily determinable fair market values are maintained and administered in a common pool and are recorded at fair value based on quoted market prices of each security in the accompanying consolidated statements of financial position. Separate accounts are maintained for each fund, as applicable.

**Investments in Commonfund**—The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility.

The Foundation’s units in the Multi-Strategy Equity Fund are valued at their net asset value (“NAV”) as a practical expedient as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month, with the request or notification required by the 20th day of the month. Further information about Commonfund’s valuation procedures is as follows:

In the Multi-Strategy Equity Fund, as managed by the Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as “crossfund investments”) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest NAV made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager,

with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements, and the differences could be material.

**Timber**—Timber and timberlands, including logging roads, are stated at fair value, based on an independent appraisal, derived from the application of the cost approach, the sales comparison approach, and the income capitalization approach, less the accumulated depletion for timber when harvested. The Foundation capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, seedling purchases, planting, herbicide application, and thinning of tree stands to improve growth. Timber costs, such as real estate taxes, forest management personnel salaries and fringe benefits, and other costs related to the timberlands are expensed as incurred.

Timber sale revenues for clear-cut or lump-sum sales are recognized when legal ownership of the timber transfers to the purchaser. Timber deeds set forth the legal rights and responsibilities of the buyer, and at closing, the full amount of the sale is due and payable and recognized at that time. Revenues from thinning of tree stands to improve growth are recognized as revenue as the buyer harvests the timber that is to be thinned. Timberland depletion is calculated on a unit cost basis and recognized when the related revenue is recognized.

**Mineral Properties**—Mineral properties are stated at estimated fair market value as determined by independent appraisals. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production.

**Real Estate**—Real estate held for investment is stated at its estimated fair value based on independent appraisals.

**Common Investment Pool**—On June 5, 2006, the Board of Directors of the Foundation approved the establishment of a new investment pool, which consists of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in land and timber, consisting of approximately 55,600 acres of timberland, known as the Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the Disproportionate Share Hospital Funds (the "DSH Funds") to the Foundation's Equitable Timber Fund.

**Investment Income**—Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law, in which case, it is classified as donor restricted. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

**Income Tax Status**—The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

**Estimates**—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation's investments include marketable equity securities, valued by reference to quoted market prices; investments in Commonfund portfolios valued at unit values based on the fair values of the underlying investments; and timberland,

mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the Foundation's consolidated financial statements.

**Market Volatility**—During fiscal year 2022, the Foundation's equity securities were impacted by market volatility caused in part by geopolitical pressures and global inflation. The impact of the current market volatility on the Foundation's financial condition will depend on future developments relating to those pressures and the actions taken by governments and the business community and market response. Given the ongoing and dynamic nature of the circumstances, it is not possible to predict how long the market volatility will last or how significant it will ultimately impact economic and market conditions.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximates their fair value.
- **Equity Securities:** Includes investments in marketable equity securities and investments in Commonfund.

*Marketable Equity Securities:* Fair values are based on quoted market prices of each security that is actively traded in a public market. The Foundation's investment in such marketable equity securities was \$114,806 and \$134,997 at June 30, 2022 and 2021, respectively.

*Investments in Commonfund:* Fair values are based on NAV, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets. The Foundation's investment in Commonfund portfolios was \$81,210 and \$103,009 at June 30, 2022 and 2021, respectively.

- **Timber, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- **Other:** Other consists primarily of the Foundation's interest in the Stallworth Land Company (the "Management Company"), a timberland management company (see Note 4).

### 4. INVESTMENTS

Investment (loss) income includes not only realized gains, but also unrealized (losses) gains in securities, timberland investments, and real estate.

Investment (loss) income for the years ended June 30, 2022 and 2021, consisted of the following:

	<b>2022</b>	<b>2021</b>
Unrealized (losses) gains	\$ (22,085)	\$ 54,502
Realized gains	<u>5,919</u>	<u>6,754</u>
Net realized and unrealized (losses) gains on investments	<u>(16,166)</u>	<u>61,256</u>
Timber sales	1,951	2,660
Rents	751	753
Royalties	<u>104</u>	<u>62</u>
Rents, royalties, and timber sales	<u>2,806</u>	<u>3,475</u>
Interest and dividends	<u>2,465</u>	<u>2,458</u>
Total investment (loss) income	<u>\$ (10,895)</u>	<u>\$ 67,189</u>

Investments consisted of participation in the Foundation's pooled investment funds. Investment-related expenses of \$477 and \$437 are included in the Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2022 and 2021, respectively.

On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consisted of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the Equitable tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable in principal and interest owed by the Equitable Timber Fund to the DSH Funds at June 30, 2006. All pooled investment activity subsequent to June 30, 2006 is allocated between DSH Funds and other Foundation funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

On September 28, 2010, the Foundation entered into an agreement with the University providing for the purchase from the University by the Foundation, acting through its wholly owned subsidiary BBFP, the Brookley Complex, for a purchase price of \$20,000. The Foundation funded the purchase with proceeds realized by it upon the sale of equity investments from the Commonfund Multi-Equity Strategy Fund, within the New Investment Pool.

On June 4, 2015, the Board of the Foundation determined that the current value of the investment in the Brookley Complex would be recorded as an asset of the Foundation held as a part of the New Investment Pool. Further, the Board determined that proceeds from a future sale would be used to restore to the holdings of the Foundation in the Commonfund Multi-Strategy Equity Fund the aggregate value of the investments in such fund that were sold by the Foundation to provide the funds paid to the University to acquire the Brookley Complex, and the aggregate cumulative investment return produced by the investment in the Commonfund Multi-Strategy Equity Fund over the period from the date of the sale transactions until the date on which the proceeds are returned to the fund, all as reflected in the resolution adopted on June 4, 2015.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and entered into a five-year option (ending December 1, 2025) to purchase the remaining 50 acres for \$9,000. On October 20, 2021, the Foundation Board approved a gift to the University of South Alabama of \$30,000 to facilitate the construction of a state-of-the-art center for medical and scientific education for future physicians and research. As a part of that gift, the Foundation Board provided the remaining real property at the Brookley Complex, valued at \$11,000, through assignment to the University of the contract between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of the 45-acre tract and the 50-acre tract.

Real estate as of June 30, 2022 and 2021 consisted of the following property held:

	2022	2021
Land and land improvements—held for investment	\$ 7,989	\$ 18,826
Building and building improvements—held for investment	<u>1,045</u>	<u>1,078</u>
Total	<u>\$ 9,034</u>	<u>\$ 19,904</u>

**Other**—Investments at June 30, 2022 and 2021 include an equity interest in a timberland management company. The Management Company’s primary asset consists of timberland. The Foundation’s proportionate share of the fair value of the Management Company is based upon the valuation of the trustee responsible for the management of the Company and the timber valuation. The equity interest resulted from a bequest known as the Stallworth Gift, which was received through bequest and devise under the Will of N. Jack Stallworth.

The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as either observable or unobservable inputs. Observable inputs are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The Foundation’s observable inputs consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable inputs are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The Foundation’s unobservable inputs consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

In accordance with U.S. GAAP, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the NAV per share (or its equivalent) as a practical expedient. For purposes of the reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position, the fair value amounts of the investment in Commonfund are presented as a reconciling item in the tables as “Investment in Commonfund.”



The Foundation's investment assets as of June 30, 2022 and 2021 are summarized as follows:

<b>Fair Value Measurements at June 30, 2022</b>				
<b>Description</b>	<b>Observable Inputs Based on Quoted Prices</b>	<b>Other Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>Total</b>
Marketable equity securities	\$ 114,806	\$ -	\$ -	\$ 114,806
Timber and mineral properties			176,680	176,680
Real estate			9,034	9,034
Other investments			5,809	5,809
<b>Total</b>	<b>\$ 114,806</b>	<b>\$ -</b>	<b>\$ 191,523</b>	<b>306,329</b>
Investment in Commonfund, measured at NAV				81,210
<b>Total investment assets at fair value</b>				<b>\$ 387,539</b>

<b>Fair Value Measurements at June 30, 2021</b>				
<b>Description</b>	<b>Observable Inputs Based on Quoted Prices</b>	<b>Other Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>Total</b>
Marketable equity securities	\$ 134,997	\$ -	\$ -	\$ 134,997
Timber and mineral properties			171,385	171,385
Real estate			19,904	19,904
Other investments			5,809	5,809
<b>Total</b>	<b>\$ 134,997</b>	<b>\$ -</b>	<b>\$ 197,098</b>	<b>332,095</b>
Investment in Commonfund, measured at NAV				103,009
<b>Total investment assets at fair value</b>				<b>\$ 435,104</b>

For the year ended June 30, 2022, activity in investments valued at fair value based on unobservable inputs is as follows:

	<b>Timber and Mineral Properties</b>	<b>Real Estate</b>	<b>Other Investments</b>	<b>Total</b>
Beginning balance	\$ 171,385	\$ 19,904	\$ 5,809	\$ 197,098
Net realized and unrealized gains	7,214	352		7,566
Reforestation	461			461
Gift of real estate		1,142		1,142
Sale of real estate		(1,330)		(1,330)
Contribution of Brookley Property		(11,000)		(11,000)
Depreciation/depletion	<u>(2,380)</u>	<u>(34)</u>		<u>(2,414)</u>
Ending balance	<u>\$ 176,680</u>	<u>\$ 9,034</u>	<u>\$ 5,809</u>	<u>\$ 191,523</u>

For the year ended June 30, 2021, activity in investments valued at fair value based on unobservable inputs is as follows:

	<b>Timber and Mineral Properties</b>	<b>Real Estate</b>	<b>Other Investments</b>	<b>Total</b>
Beginning balance	\$ 168,063	\$ 53,455	\$ 5,811	\$ 227,329
Net realized and unrealized gains (losses)	7,184	(2,571)	(2)	4,611
Reforestation	295			295
Purchase of building improvements		14		14
Sale of real estate		(30,959)		(30,959)
Depreciation/depletion	<u>(4,157)</u>	<u>(35)</u>		<u>(4,192)</u>
Ending balance	<u>\$ 171,385</u>	<u>\$ 19,904</u>	<u>\$ 5,809</u>	<u>\$ 197,098</u>

**Endowment**—The Foundation’s endowment funds consist of individual funds established for a variety of purposes. Endowment funds include both donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of the Law**—The Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter, unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds. The Foundation, accordingly, classifies (for legal purposes) each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions

imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

Endowment net asset composition as of June 30, 2022, by type of fund is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ 46,293	\$ 325,922	\$ 372,215
Board-Designated Endowment Funds	<u>16,383</u>	<u>          </u>	<u>16,383</u>
Total	<u>\$ 62,676</u>	<u>\$ 325,922</u>	<u>\$ 388,598</u>

Endowment net asset composition as of June 30, 2021, by type of fund is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ 43,990	\$ 373,900	\$ 417,890
Board-Designated Endowment Funds	<u>18,053</u>	<u>          </u>	<u>18,053</u>
Total	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>\$ 435,943</u>

Changes in endowment net assets during the year ended June 30, 2022, are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning balance	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>435,943</u>
Investment return:			
Investment income	4,250	1,021	5,271
Net realized and unrealized gains (losses)	4,700	(20,866)	(16,166)
Other income	2		2
Interfund interest	<u>(245)</u>	<u>245</u>	<u>-</u>
Total investment return	<u>8,707</u>	<u>(19,600)</u>	<u>(10,893)</u>
Gifts	155	2,440	2,595
Required match	(213)	213	-
Net assets released from restrictions	31,031	(31,031)	-
Expenditures	<u>(39,047)</u>	<u>          </u>	<u>(39,047)</u>
Net change	<u>633</u>	<u>(47,978)</u>	<u>(47,345)</u>
Ending balance	<u>\$ 62,676</u>	<u>\$ 325,922</u>	<u>\$ 388,598</u>

Changes in endowment net assets during the year ended June 30, 2021, are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning balance	<u>\$ 79,835</u>	<u>\$ 307,288</u>	<u>\$ 387,123</u>
Investment return:			
Investment income	4,468	1,465	5,933
Net realized and unrealized gains	5,204	56,052	61,256
Other income	83		83
Interfund interest	(165)	165	-
Allocation of Brookley	<u>(16,773)</u>	<u>16,773</u>	<u>-</u>
Total investment return	<u>(7,183)</u>	<u>74,455</u>	<u>67,272</u>
Gifts	1	511	512
Required match	(11)	11	-
Net assets released from restrictions	8,365	(8,365)	-
Expenditures	<u>(18,964)</u>	<u>-</u>	<u>(18,964)</u>
Net change	<u>(17,792)</u>	<u>66,612</u>	<u>48,820</u>
Ending balance	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>\$ 435,943</u>

## 5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022 were as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,556
Other assets	18
Equity securities appropriated for spending in the following year	<u>12,000</u>
Total financial assets available within one year	<u>\$ 13,574</u>

As part of the Foundation's liquidity management, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash withdrawals from the Foundation's managed investments coincide with the Foundation's spending obligations, but may be adjusted higher or lower based on the timing of when investment income is received and expenditures become due. In addition to financial assets available within one year, the Foundation receives investment income from timber sales, rents and royalties, and interest and dividends that are used to meet the Foundation's general expenditures within one year as set forth in Note 4. The Foundation believes it has sufficient assets to meet its obligations.

## 6. FUNCTIONAL EXPENSES

The tables below present expenses of the Foundation by both their nature and function for fiscal years ended June 30, 2022 and 2021.

	June 30, 2022			
	Program Services	Management and General	Fundraising	Total
Grants to supporting organization	\$ 32,671	\$ -	\$ -	\$ 32,671
Depletion	2,380			2,380
Salaries and benefits	1,387	304	21	1,712
Professional services	406	104		510
Other expenses	380	96		476
Investment management expense	477			477
Property taxes	258	7		265
Insurance	227	52		279
Forestry	234			234
Depreciation	36	7		43
	<u>\$ 38,456</u>	<u>\$ 570</u>	<u>\$ 21</u>	<u>\$ 39,047</u>

	June 30, 2021			
	Program Services	Management and General	Fundraising	Total
Grants to supporting organization	\$ 10,863	\$ -	\$ -	\$ 10,863
Depletion	4,157			4,157
Salaries and benefits	1,340	293	20	1,653
Professional services	512	85		597
Other expenses	290	53		343
Investment management expense	437			437
Property taxes	257	7		264
Insurance	212	44		256
Forestry	351			351
Depreciation	36	7		43
	<u>\$ 18,455</u>	<u>\$ 489</u>	<u>\$ 20</u>	<u>\$ 18,964</u>

The majority of expenses are directly attributable to the various program services of the Foundation. Certain expenses are attributable to several activities including program services, management and general, and fundraising. Costs not directly attributable to a function are salaries and benefits, professional services, other expenses, and insurance. Such expenses are allocated on a reasonable basis that is consistently applied and based on the Foundation's historical understanding of time and effort associated with each function.

## 7. BROOKLEY COMPLEX

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010 resolution revoked

the May 22, 2008 resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP purchased the Brookley Complex from the University for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest-bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was fully paid on November 10, 2014.

The intention and expectation of the Board of the Foundation, as reflected in the resolutions adopted on May 27, 2010 and September 9, 2010, was that upon BBFP's payment to the University of the purchase price, the Foundation would begin funding, consistent with the resolutions, a target distribution of not less than three percent (3%) of the average net assets of the DSH Funds. In making such distributions, the Foundation, acting in response to requests, proposals or recommendations submitted to it by the University, would seek to distribute to the University that benefit such hospitals and clinics, funding for programs, activities or such other expenditures as shall be designated by the Foundation, in its sole discretion, subject to certain financial and other conditions as defined in the resolutions.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund. The net proceeds from the sale were allocated to pool participants. This allocation resulted in a change in designation from Net Assets "Without Donor Restrictions" to Net Assets "With Donor Restrictions" in the amount of \$16,773 based on the designation of the funds participating in the Pool.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

On October 20, 2021, the Foundation Board approved a gift to the University of South Alabama of \$30,000 to facilitate the construction of a state-of-the-art center for medical and scientific education for future physicians and research. As a part of that gift, the Foundation Board provided the remaining real property at the Brookley Complex, valued at \$11,000, through assignment to the University of the contract between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of the 45-acre tract and the 50-acre tract. The contribution is fully described in Note 8, Funding for Medical Education and Research.

## **8. FUNDING FOR MEDICAL EDUCATION AND RESEARCH**

In the Fall of 2021, the University requested that the Foundation provide funding in the amount of \$30,000 to facilitate the construction of a state-of-the-art center for medical and scientific education for future physicians and research. On October 20, 2021, the Foundation approved by resolution a \$30,000 gift, determining that the request for funding of the medical school facility would be for the benefit of the University's hospitals and clinics and the programs of the University that benefit such hospitals and clinics and in accordance with the September 9, 2010 resolution pertaining to DSH Funds. The contribution by the Foundation to be distributed from DSH Funds was approved as follows: \$10,151 to be provided within 45 days of the adoption of the resolution; \$11,000 through assignment to the University of the purchase and sale agreement between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of property owned by BBFP, along with the transfer of the property to the University, as described in Note 7; and \$1,769.8 in each of the fiscal years 2023 through 2027, all in accordance with the resolution.

In addition to funding provided to facilitate construction of a state-of-the-art center for medical and scientific education and research, during the fiscal year ended June 30, 2022, in accordance with the intent of the Board of the Foundation and with the applicable resolutions, the Board of the Foundation approved a total distribution of DSH Funds of \$5,859 that included \$3,900 for equipment for the Mitchell Cancer Institute, \$1,237 for the Clinical Support Fund, and \$722 for the Hospital Equipment Fund. Therefore, total distributions from the DSH Funds were \$27,010 for the fiscal year 2022.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions were for the following purposes:

	<b>2022</b>	<b>2021</b>
Hospital, clinics, and related programs	\$ 192,714	\$ 231,370
Instruction	70,000	77,359
College of medicine—other than instruction	26,454	28,410
Student aid	27,071	25,644
Other	<u>9,683</u>	<u>11,117</u>
Total	<u>\$ 325,922</u>	<u>\$ 373,900</u>

Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. The amount of temporarily and permanently restricted net assets were \$142,501 and \$183,421 at June 30, 2022, and \$192,966 and \$180,934 at June 30, 2021, respectively.

At June 30, 2022 and 2021, net assets with board designated restrictions were for the following purposes:

	<b>2022</b>	<b>2021</b>
College of medicine—other than instruction	\$ 10,523	\$ 11,428
Instruction	4,208	4,803
Student aid	936	1,023
Other	<u>716</u>	<u>799</u>
Total	<u>\$ 16,383</u>	<u>\$ 18,053</u>

**10. NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS**

Expenses were incurred that met temporary purpose-related restrictions on the use of certain net assets, resulting in a reclassification of net assets with donor restrictions to net assets without donor restrictions during the years ended June 30, 2022 and 2021, as follows:

	<b>2022</b>	<b>2021</b>
Instruction	\$ 30,720	\$ 8,067
Student aid	300	289
Other	<u>11</u>	<u>9</u>
Total	<u>\$ 31,031</u>	<u>\$ 8,365</u>

**11. OTHER RELATED-PARTY TRANSACTIONS**

At June 30, 2022 and 2021, net assets held by the Foundation, irrevocably for the benefit, as determined by the Foundation, of the University's hospitals, clinics, and related programs (DSH Funds) were \$192,714 and \$231,370, respectively.

**12. RETIREMENT PLANS**

The Foundation sponsors a contributory defined-contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately \$184 and \$176 for the years ended June 30, 2022 and 2021, respectively.

**13. SUBSEQUENT EVENTS**

The Foundation evaluated subsequent events through August 16, 2022, which represents the date the consolidated financial statements were available to be issued, and made the determination that no events occurred subsequent to June 30, 2022 that would require disclosure in or would be required to be recognized in the consolidated financial statements.

\* \* \* \* \*



# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Disproportionate Share Hospital Funds  
Combined Financial Statements as of and  
for the Years Ended June 30, 2022 and 2021, and  
Independent Auditor's Report

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
TABLE OF CONTENTS**

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 and 2021:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to Combined Financial Statements	7-15

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
University of South Alabama Foundation:

### Opinion

We have audited the combined financial statements of the Disproportionate Share Hospital Funds (the "DSH Funds") of the University of South Alabama Foundation, which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DSH Funds as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the 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.

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

### Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with 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 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 the DSH Funds' 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DSH Funds' ability to continue as a going concern for a reasonable period of time.

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

*Deloitte + Touche LLP*

August 16, 2022

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 AS OF JUNE 30, 2022 AND 2021  
 (Dollars in thousands)**

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	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
INVESTMENTS:		
New Investment Pool—interest in	\$ 188,534	\$ 227,199
Real estate	3,700	3,700
RECEIVABLE FROM AFFILIATES	<u>480</u>	<u>471</u>
TOTAL	<u>\$ 192,714</u>	<u>\$ 231,370</u>
<b>NET ASSETS</b>		
NET ASSETS:		
Without donor restrictions	\$ -	\$ -
With donor restrictions	<u>192,714</u>	<u>231,370</u>
Total net assets	<u>192,714</u>	<u>231,370</u>
TOTAL	<u>\$ 192,714</u>	<u>\$ 231,370</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2022  
 (Dollars in thousands)**

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	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:			
Net realized and unrealized gains (losses) on investments	\$ 18	\$ (12,290)	\$ (12,272)
Interest and dividends		495	495
Interfund interest		149	149
Net assets released from program restrictions	<u>27,010</u>	<u>(27,010)</u>	<u>-</u>
Total revenues, gains, (losses), and other support	<u>27,028</u>	<u>(38,656)</u>	<u>(11,628)</u>
EXPENDITURES:			
Program Services—other academic programs	27,010		27,010
Other investment expense	<u>18</u>		<u>18</u>
Total expenditures	<u>27,028</u>	<u>-</u>	<u>27,028</u>
DECREASE IN NET ASSETS	-	(38,656)	(38,656)
NET ASSETS AT BEGINNING OF YEAR		<u>231,370</u>	<u>231,370</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 192,714</u>	<u>\$ 192,714</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 18	\$ 33,803	\$ 33,821
Interest and dividends		799	799
Interfund interest		102	102
Allocation of Brookley		10,151	10,151
Net assets released from program restrictions	<u>5,600</u>	<u>(5,600)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,618</u>	<u>39,255</u>	<u>44,873</u>
EXPENDITURES:			
Program Services—other academic programs	5,600		5,600
Other investment expense	<u>18</u>		<u>18</u>
Total expenditures	<u>5,618</u>	<u>-</u>	<u>5,618</u>
INCREASE IN NET ASSETS	-	39,255	39,255
NET ASSETS AT BEGINNING OF YEAR		<u>192,115</u>	<u>192,115</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 231,370</u>	<u>\$ 231,370</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
 COMBINED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021  
 (Dollars in thousands)**

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	<b>2022</b>	<b>2021</b>
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (38,656)	\$ 39,255
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	12,272	(33,821)
Contribution of Brookley Property	11,000	-
Changes in operating assets and liabilities:		
Receivable from affiliate	<u>(9)</u>	<u>(5)</u>
Net cash (used in) provided by operating activities	<u>(15,393)</u>	<u>5,429</u>
INVESTING ACTIVITIES:		
Purchases of securities	(704)	(11,090)
Sale of securities	<u>16,097</u>	<u>5,661</u>
Net cash provided by (used in) investing activities	<u>15,393</u>	<u>(5,429)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year	<u>          </u>	<u>          </u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to combined financial statements.



# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## DISPROPORTIONATE SHARE HOSPITAL FUNDS NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (Dollars in thousands)

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### 1. ORGANIZATION

The University of South Alabama Foundation (the “Foundation”) was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the “University”) in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income and contributions.

The Disproportionate Share Hospital Funds (the “DSH Funds”) were matching funds disbursed by the Health Care Financing Administration of the U.S. Department of Health and Human Services to the states through their Medicaid agencies for the purpose of compensating hospitals, such as those operated by the University, that provided medical care and treatment to a disproportionate share of indigent patients in their respective areas.

Access to the DSH Funds for Alabama was made possible by the University of South Alabama Foundation Board, beginning in October 1989, when the Board of the Foundation approved the entry into the matching program. Over a one-year period, the Foundation made a monthly revolving contribution of \$2 million, which yielded approximately \$24 million in federal grant monies. The Board of Trustees of the University adopted a resolution in March 1990 authorizing the transfer of the DSH Funds to the Foundation to be held by it to preserve and ensure the continued viability of the University of South Alabama Hospitals (“University Hospitals”) and their overall mission.

Litigation relating to the transfer of the DSH Funds was settled in November 1993, when an agreement was reached among the Department of Examiners of Public Accounts of the State of Alabama, the Board of Trustees of the University, and the Board of Directors of the Foundation, which required that all Medicaid DSH Funds received through September 30, 1994 be transferred to the Foundation and held irrevocably for the benefit, as determined by the Foundation, of the University Hospitals and clinics and the other programs of the University that benefit such hospitals and clinics which amount was \$131,586. Further, the agreement recognized the Foundation as the lawful holder and owner of the DSH Funds and that the investment and management of the DSH Funds were solely within the authority of the Foundation’s Board.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying combined financial statements include the DSH Funds and Knollwood Development, Inc., a wholly owned subsidiary of the Foundation and an affiliate originally funded by DSH Funds. All significant interfund transactions have been eliminated in combination.

**Net Assets**—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the DSH Funds, the accounts of the DSH Funds are maintained on the accrual basis in accordance with the principles of “fund accounting”. Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation

presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions in accordance with Accounting Standards Update (“ASU”) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, as described in this note and summarized as follows.

- Net assets with donor restrictions contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes. Net assets with donor restrictions also contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified or by the actions of the Foundation.
- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired.

**Support**—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. Gifts of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from program restrictions.

**Investments in Securities**—Investments in equity securities are maintained and administered in a common pool by the Foundation. Amounts presented in these combined financial statements represent the DSH Funds’ proportionate share of the Foundation’s investments.

**Investments in Commonfund**—The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates investment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility.

The Foundation’s units in the Multi-Strategy Equity Fund are valued at their net asset value (“NAV”) as a practical expedient as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month with the request or notification required by the 20th day of the month. Further information about Commonfund’s valuation procedures is as follows:

In the Multi-Strategy Equity Fund, as managed by Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as “crossfund investments”) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest NAV made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the combined financial statements, and the differences could be material.

**Investment Income**—Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying combined statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law, in which case it is classified as donor restricted. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund’s net assets.

**Income Allocation**—The DSH Funds participate in the New Investment Pool (the “Pool”) as described in Note 4. Funds that participate in the Pool, including DSH Funds, receive a monthly allocation of income and loss experienced by the Pool. Allocations made by the Pool to its participants are based on the relative participation levels of investment in the Pool by each participating fund.

**Income Tax Status**—The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

**Estimates**—The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The DSH Funds participate in the Foundation’s New Investment Pool (see Note 4). The New Investment Pool consists of the Foundation’s investment in marketable equity securities, valued by reference to quoted market prices; investments in Commonfund portfolios valued at unit values based on the fair values of the underlying investments; and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the DSH Funds’ combined financial statements.

**Market Volatility**—During fiscal year 2022, the DSH Funds’ equity securities were impacted by market volatility caused in part by geopolitical pressures and global inflation. The impact of the current market volatility on the Foundation’s financial condition will depend on future developments relating to those pressures and the actions taken by governments and the business community and market response. Given the ongoing and dynamic nature of the circumstances, it is not possible to predict how long the market volatility will last or how significant it will ultimately impact economic and market conditions.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying combined statements of financial position for cash and cash equivalents approximates their fair value.
- **Equity Securities:** Includes investments in marketable equity securities and investments in Commonfund:

*Marketable Equity Securities:* Fair values are based on quoted market prices of each security with readily determinable fair values.

*Investments in Commonfund:* Fair values are based on NAV, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets.

- **Timberland, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.

### 4. INVESTMENTS

Investment (loss) income for the years ended June 30, 2022 and 2021, consisted of the following:

	<b>2022</b>	<b>2021</b>
Unrealized (losses) gains	\$ (14,535)	\$ 31,944
Realized gains	2,263	1,877
Interest and dividends	495	799
Interfund interest	149	102
Allocation of Brookley	<u>          </u>	<u>10,151</u>
Total investment (loss) income	<u>\$ (11,628)</u>	<u>\$ 44,873</u>

Investments consisted of participation in the Foundation's pooled investment funds.

On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consisted of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the Equitable tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable in principal and interest owed by the Equitable Timber Fund to the DSH Funds at June 30, 2006. All pooled investment activity subsequent to June 30, 2006 is allocated between DSH Funds and other Foundation funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

On September 28, 2010, the Foundation entered into an agreement with the University providing for the purchase from the University by the Foundation, acting through its wholly owned subsidiary Brookley Bay Front Properties, LLC (“BBFP”), of the Brookley Complex, for a purchase price of \$20,000. The Foundation funded the purchase with proceeds realized by it upon the sale of equity investments from the Commonfund Multi-Strategy Equity Fund, within the New Investment Pool.

On June 4, 2015, the Board of the Foundation determined that the current value of the investment in the Brookley Complex would be recorded as an asset of the Foundation held as a part of the New Investment Pool. Further, the Board determined that proceeds from a future sale would be used to restore to the holdings of the Foundation in the Commonfund Multi-Strategy Equity Fund the aggregate value of the investments in such fund that were sold by the Foundation to provide the funds paid to the University to acquire the Brookley Complex, and the aggregate cumulative investment return produced by the investment in the Commonfund Multi-Strategy Equity Fund over the period from the date of the sale transactions until the date on which the proceeds are returned to the fund, all as reflected in the resolution adopted on June 4, 2015.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

On October 20, 2021, the Foundation Board approved a gift to the University of South Alabama of \$30,000 to facilitate the construction of a state-of-the-art center for medical and scientific education for future physicians and research. As a part of that gift, the Foundation Board provided the remaining real property at the Brookley Complex, valued at \$11,000, through assignment to the University of the contract between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of the 45-acre tract and the 50-acre tract.

The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as either observable or unobservable inputs. Observable inputs are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The New Investment Pool’s observable inputs consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable inputs are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The DSH Funds’ unobservable inputs consist of its interest in the New Investment Pool’s timberland and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The New Investment Pool also includes an investment in Commonfund which is found in the fair value table as “Investment in Commonfund.”

In accordance with U.S. GAAP, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the NAV per share (or its equivalent) as a practical expedient. For purposes of the reconciliation of the fair value hierarchy to the amounts

presented in the combined statements of financial position, the fair value amounts of the investment in Commonfund are presented as a reconciling item in the tables as “Investment in Commonfund.”

The Foundation’s Investment Pool assets as of June 30, 2022 and 2021 are summarized as follows:

<b>Fair Value Measurements at June 30, 2022</b>				
<b>Description</b>	<b>Observable Inputs Based on Quoted Prices</b>	<b>Other Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>Total</b>
New Investment Pool interest in marketable equity securities	\$ 114,806	\$ -	\$ -	\$ 114,806
New Investment Pool interest in timber			125,000	125,000
New Investment Pool interest in real estate				-
Real estate			<u>3,700</u>	<u>3,700</u>
<b>Total</b>	<u>\$ 114,806</u>	<u>\$ -</u>	<u>\$ 128,700</u>	243,506
Investment in Commonfund, measured at NAV				<u>81,210</u>
<b>Total assets at fair value</b>				<u>\$ 324,716</u>

<b>Fair Value Measurements at June 30, 2021</b>				
<b>Description</b>	<b>Observable Inputs Based on Quoted Prices</b>	<b>Other Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>Total</b>
New Investment Pool interest in marketable equity securities	\$ 134,997	\$ -	\$ -	\$ 134,997
New Investment Pool interest in timber			123,300	123,300
New Investment Pool interest in real estate			11,000	11,000
Real estate			<u>3,700</u>	<u>3,700</u>
<b>Total</b>	<u>\$ 134,997</u>	<u>\$ -</u>	<u>\$ 138,000</u>	272,997
Investment in Commonfund, measured at NAV				<u>103,009</u>
<b>Total assets at fair value</b>				<u>\$ 376,006</u>

For the year ended June 30, 2022, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable inputs is as follows:

	<b>Investment Pool Interest in Timber</b>	<b>Investment Pool Interest in Real Estate</b>	<b>Real Estate</b>	<b>Total</b>
Beginning balance	\$ 123,300	\$ 11,000	\$ 3,700	138,000
Net realized and unrealized gains	2,811			2,811
Reforestation	343			343
Contribution of Brookley Property		(11,000)		(11,000)
Depletion	<u>(1,454)</u>	<u>          </u>	<u>          </u>	<u>(1,454)</u>
Ending balance	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 3,700</u>	<u>\$ 128,700</u>

For the year ended June 30, 2021, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable inputs is as follows:

	<b>Investment Pool Interest in Timber</b>	<b>Investment Pool Interest in Real Estate</b>	<b>Real Estate</b>	<b>Total</b>
Beginning balance	\$ 120,400	\$ 23,000	\$ 3,700	147,100
Net realized and unrealized gains	5,164			5,164
Reforestation	214			214
Adjustment for Brookley transaction		(12,000)		(12,000)
Depletion	<u>(2,478)</u>	<u>          </u>	<u>          </u>	<u>(2,478)</u>
Ending balance	<u>\$ 123,300</u>	<u>\$ 11,000</u>	<u>\$ 3,700</u>	<u>\$ 138,000</u>

The DSH Funds hold a proportionate interest in the value of the Foundation's Investment Pool. On June 30, 2022, the value of DSH Funds units in the Pool was \$188,534 and on June 30, 2021, the value of DSH Funds units in the Pool was \$227,199.

## **5. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The DSH Funds are restricted for support of hospitals, clinics, and health related programs of the University as stated in Note 8. The DSH Funds provide the University a target distribution of no less than three percent of the average net assets over the previous three year period.

## **6. FUNCTIONAL EXPENSES**

All expenses are program services for the benefit of University hospitals, clinics, and health related programs.

## 7. RELATED-PARTY TRANSACTIONS

At June 30, 2022 and 2021, receivables from affiliated entities totaled \$480 and \$471 respectively. These amounts are due to the DSH Funds from other entities owned by the Foundation. These receivables earn interest at a standard market rate, based on the applicable federal rates (rates used for federal tax purposes). Interest income was \$149 and \$102 for the years ended June 30, 2022 and 2021, respectively. As described in Note 4, effective June 30, 2006, the DSH Funds participate in the Pool of the Foundation and the DSH Funds earn a proportionate share of investment income of the Pool.

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010 resolution revoked the May 22, 2008 resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP, an Alabama limited liability company, having as its sole member the Foundation, purchased the Brookley Complex from the University for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest-bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was fully paid on November 10, 2014.

The intention and expectation of the Board of the Foundation, as reflected in the resolutions adopted on May 27, 2010 and September 9, 2010, was that upon BBFP's payment to the University of the purchase price, the Foundation would begin funding, consistent with the resolutions, a target distribution of no less than three percent (3%) of the average net assets of the DSH Funds. In making such distributions, the Foundation, acting in response to requests, proposals or recommendations submitted to it by the University, would seek to distribute to the University that benefit such hospitals and clinics, funding for programs, activities or such other expenditures as shall be designated by the Foundation, in its sole discretion, subject to certain financial and other conditions as defined in the resolutions.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund. The net proceeds from the sale were allocated to pool participants, resulting in an allocation of \$10,151 to the DSH Funds based on its respective participation interest in the Pool.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

On October 20, 2021, the Foundation Board approved a gift to the University of South Alabama of \$30,000 to facilitate the construction of a state-of-the-art center for medical and scientific education for future physicians and research. As a part of that gift, the Foundation Board provided the remaining real property at the Brookley Complex, valued at \$11,000, through assignment to the University of the contract between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of the 45-acre tract and the 50-acre tract.

In approving the \$30 Million gift to the University, the Foundation Board determined that the request for funding of the medical school facility would be for the benefit of the University's hospitals and clinics



and the programs of the University that benefit such hospitals and clinics and in accordance with the September 9, 2010, resolution pertaining to DSH Funds. In addition to the distribution of \$11,000 through assignment to the University of the purchase and sale contract and option to purchase between BBFP and the City of Mobile, dated December 1, 2020, providing for the purchase of property owned by BBFP, along with the transfer of the property to the University, the contribution was to be distributed from DSH Funds as follows: \$10,151 to be provided within 45 days of the adoption of the resolution and \$1,769.8 in each of the fiscal years 2023 through 2027, all in accordance with the resolution.

In addition to funding provided to facilitate construction of a state-of-art center for medical and scientific education and research, during the fiscal year ended June 30, 2022, in accordance with the intent of the Board of the Foundation, as expressed in the resolutions, the Board of the Foundation approved a total distribution of DSH Funds of \$5,859 that included \$3,900 for equipment for the Mitchell Cancer Institute, \$1,237 for the Clinical Support Fund, and \$722 for the Hospital Equipment Fund. Therefore, total distributions from the DSH Funds were \$27,010 for the fiscal year 2022.

## **8. NATURE AND AMOUNT NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2022 and 2021, net assets with donor restrictions were \$192,714 and \$231,370 from which may be used for the support of hospitals, clinics, and related programs of the University in accordance with board action as described in Note 7, herein.

## **9. ENDOWMENT**

**Interpretation of the Law**—The University of South Alabama Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds.

The Foundation, accordingly, classifies (for legal purposes) each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

## **10. SUBSEQUENT EVENTS**

The DSH Funds evaluated subsequent events through August 16, 2022, which represents the date the combined financial statements were available to be issued, and made the determination that no events occurred subsequent to June 30, 2022 that would require disclosure in or would be required to be recognized in the combined financial statements.

\* \* \* \* \*



## UNIVERSITY OF SOUTH ALABAMA

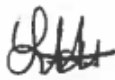
### MEMORANDUM

Office of Internal Audit

DATE: September 12, 2022

TO: Audit Committee of the Board of Trustees

CC: Ms. Arlene Mitchell, Chair pro tempore, Board of Trustees  
Mr. Jo Bonner, President

FROM: Laura Anne Schratt, Executive Director of Internal Audit & CFCO 

SUBJECT: Fiscal Year 2023 Internal Audit Plan

The Institute of Internal Auditors' (IIA) Professional Practices Framework provides standards by which the Office of Internal Audit (OIA) is to conform. As it relates to audit planning, the IIA standards require the Internal Audit Director to develop a risk-based audit plan, communicate that plan to the governing board and obtain approval for it.

The audit plan is based on a risk assessment, which, in turn, is based on the identified audit universe (a list of all auditable entities or functions that could be subject to audit), for both USA Health and the academic side of the University of South Alabama (University).

A risk assessment for both USA Health and the University was completed during the summer of 2022 in order to establish an audit plan for Fiscal Year 2023. This assessment was completed via interviews with senior leadership, a survey sent to operational management, review of emerging industry specific risks in Healthcare as well as Higher Education, as identified by external organizations, a review of the EthicsPoint reports for the year, a survey sent to the Board of Trustees members, as well as observations by OIA staff.

As in the past, OIA continues to assist the external auditors in the year-end audit as well as NCAA required procedures. Exclusive of non-work time (vacation, holiday, sick) and time devoted to annual responsibilities (7% of time), investigations & consultations (7.5% of time) and administration (4.5% of time), approximately 8700 total hours are budgeted for assurance and follow-up audits for USA Health (50.5% of time) and the University (30.5% of time) and are reflected in the attached detailed audit plan.

Please let me know if you have any comments or questions.



2022

**Office of Internal Audit Quarterly Report**  
**Key Performance Indicators as of FY22Q2**  
**As of 06/30/2022**

*Prepared for the:*

University of South Alabama Board of  
Trustees Audit Committee

*Issued: 9/2022*

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	2
KEY PERFORMANCE INDICATORS .....	2
OUTSTANDING ISSUED RECOMMENDATIONS.....	6

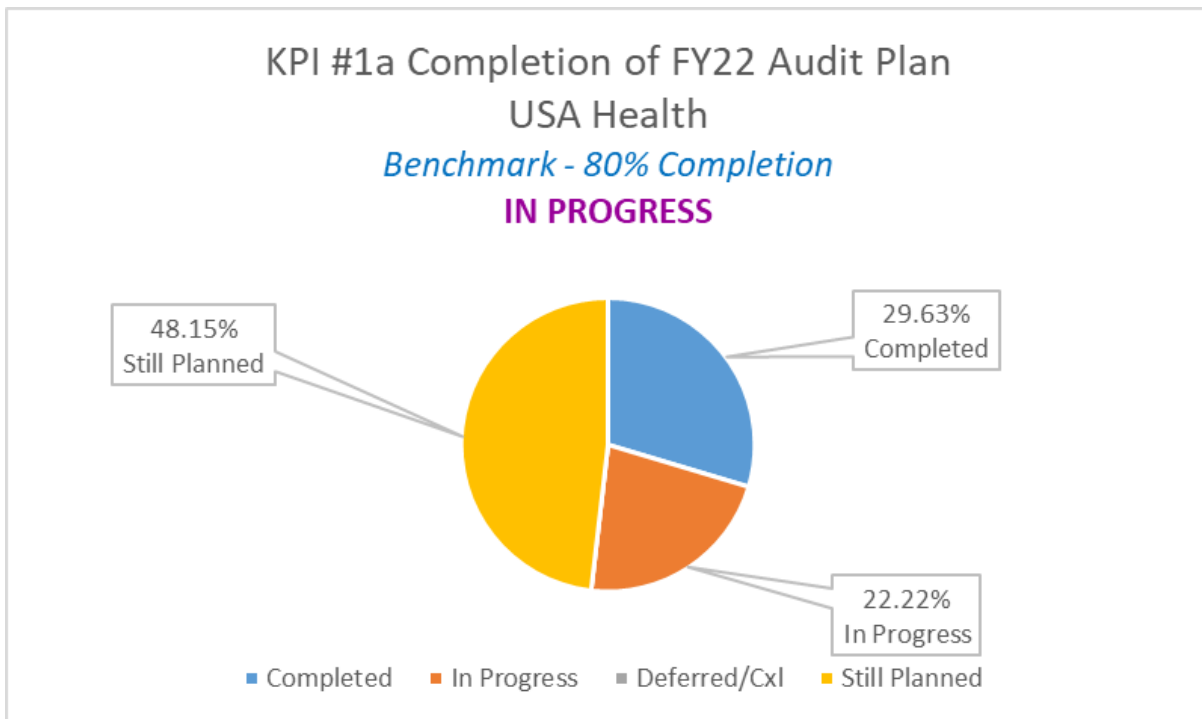
## EXECUTIVE SUMMARY

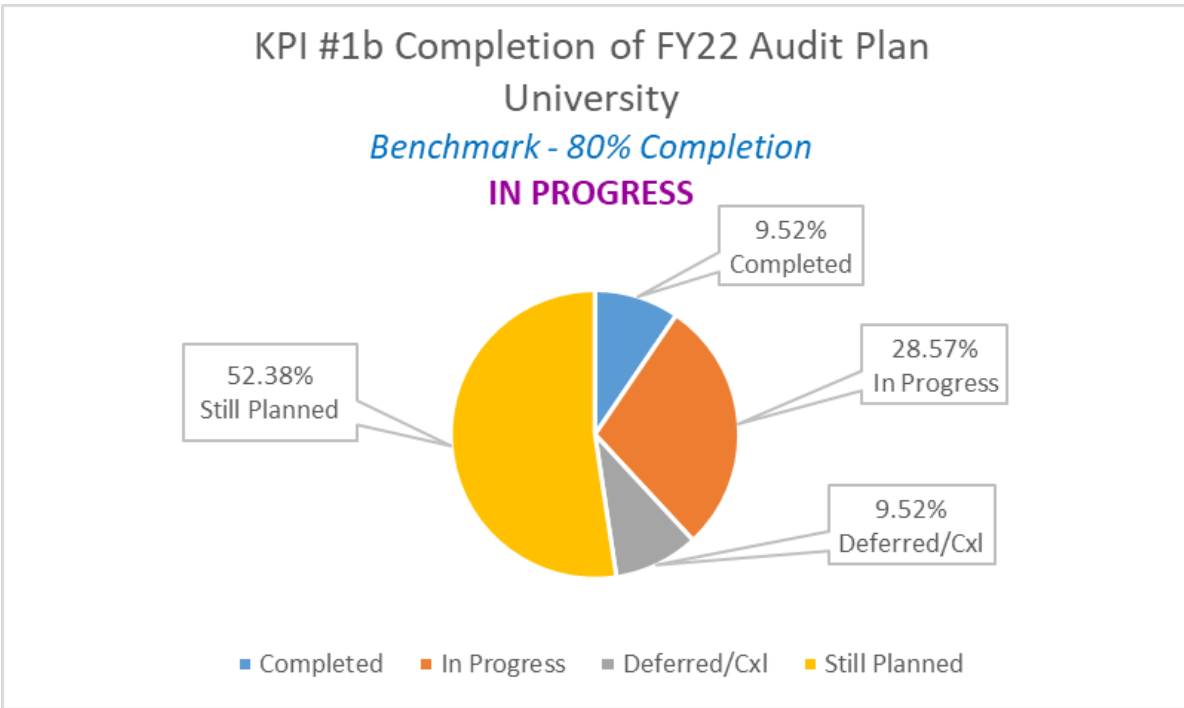
The Fiscal 2022, Quarter 3 (FY22Q3) Office of Internal Audit (OIA) Quarterly KPI Report provides quantitative and qualitative data for benchmarking key departmental operational factors in addition to an update on outstanding OIA issued recommendations. All data is as of 06/30/2022.

## KEY PERFORMANCE INDICATORS

In accordance with the Institute of Internal Auditors (IIA) Standards included as part of the *International Professional Practices Framework (IPPF)*, OIA developed performance measurements designed to evaluate the effectiveness and efficiency of the internal audit function. Five Key Performance Indicator (KPI) areas are being utilized (some with numerous components); Completion of the Audit Plan, Client Satisfaction, Staff Qualifications, Stakeholder Communication and Implementation of 2019 Warren Averett QAR recommendations. A chart or table indicating performance to the established benchmark is included for each of these KPI as well as an indication of **ACHIEVED** or **IN PROGRESS**.

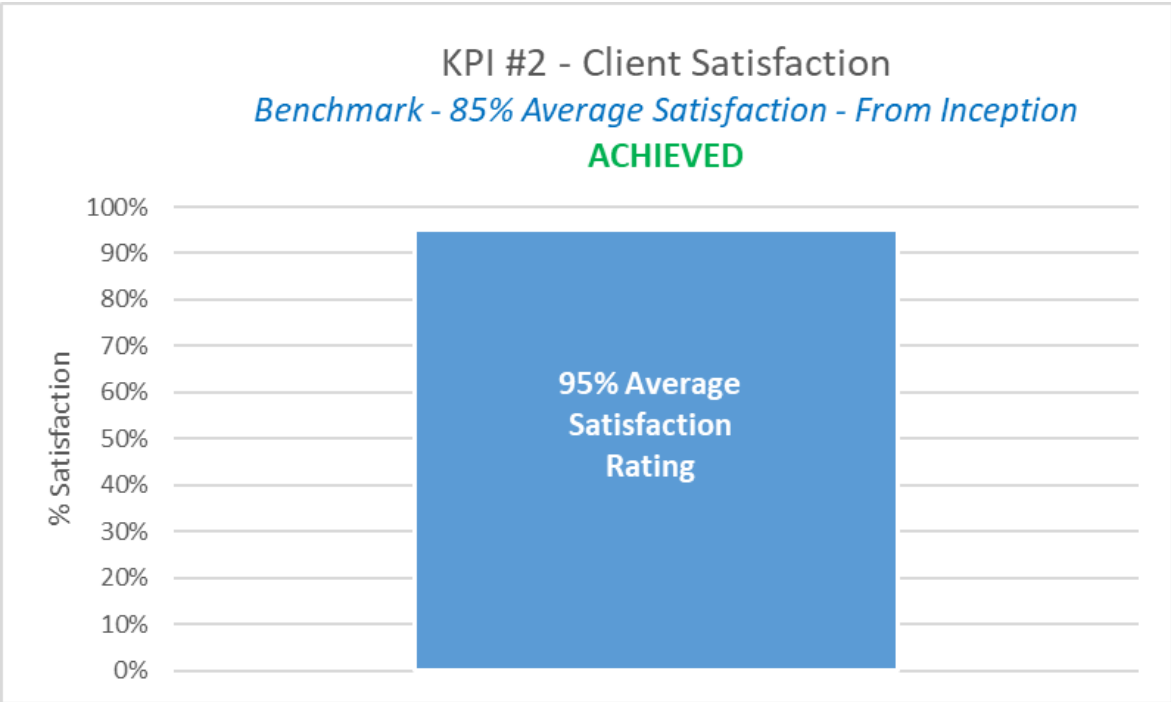
### KPI #I – Completion of the Audit Plan



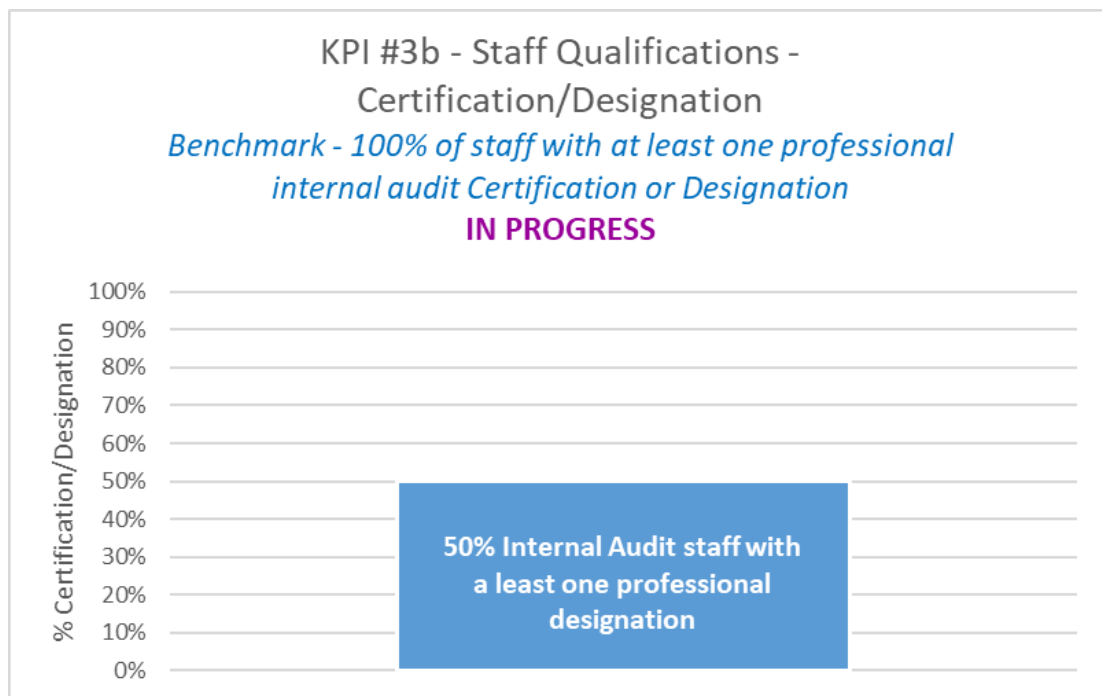
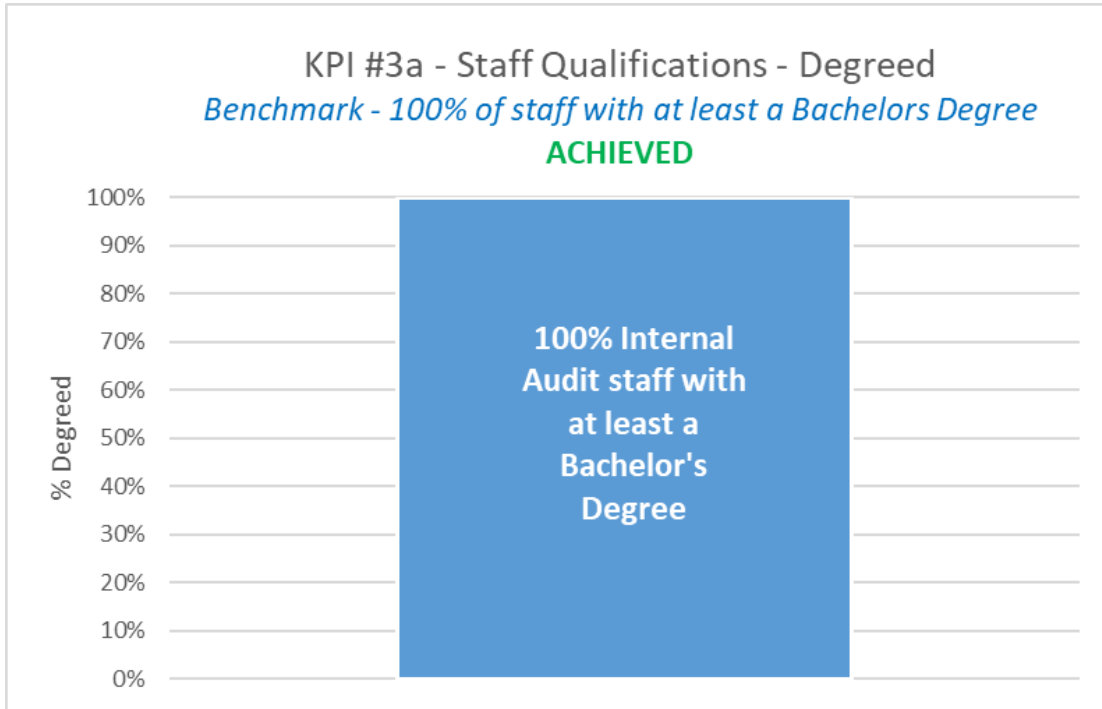


*\*Note: One NCAA related audit, included on the FY22 audit plan, has been cancelled (Cxl) due to a COVID-19 related waiver. This represents the 9.52% Deferred/Cxl on the chart above.*

## KPI # 2 – Client Satisfaction



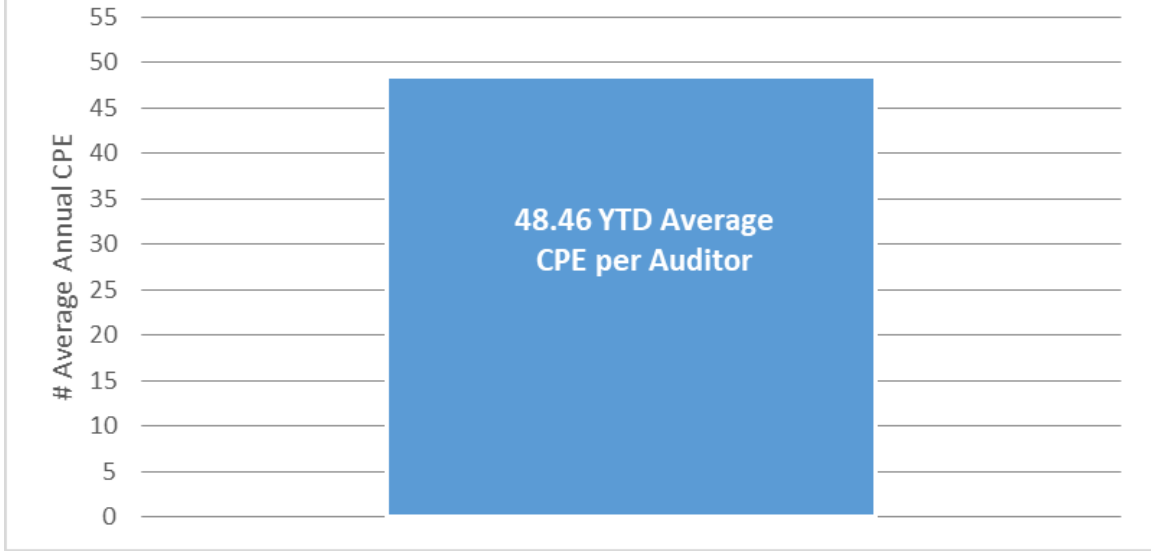
# KPI #3 – Staff Qualifications



### KPI #3c Continuing Professional Education

*Benchmark - 40 CPE Annual Average*

**ACHIEVED**



## KPI #4 – Stakeholder Communication

### KPI #4 Audit Committee Communication

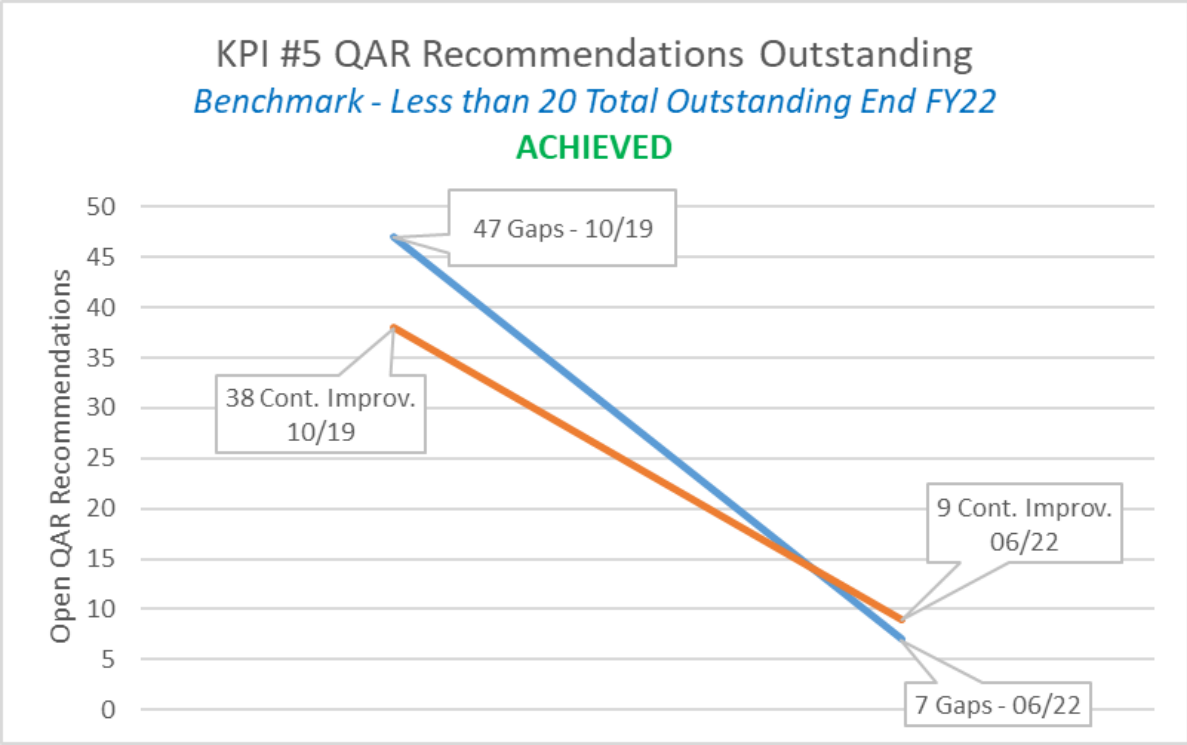
*Benchmark - At least 10 communications per year*

**IN PROGRESS**





# KPI #5 – Implementation of 2019 Warren Averett Quality Assessment Review Recommendations



## OUTSTANDING ISSUED RECOMMENDATIONS

OIA is required to determine if management has taken appropriate action regarding observations noted in audit reports. OIA created a recommendation tracking process which began in FY21. This process requests quarterly updates from management as to the implementation status of stated management action plans. The below table provides detail on recommendation actions during FY22Q3.

Description	Period	# of Recommendations
Outstanding Recommendations	Beginning FY22Q3	18
LESS: Management Noted as Implemented	During FY22Q3	0
LESS: IA Closed (due to follow-up/other)	During FY22Q3	(6)
LESS: Management Accepted Risk	During FY22Q3	0
ADD: Newly Issued OIA Recommendations	During FY22Q3	6
Outstanding Recommendations	End FY22Q3	18

*For further information regarding this report, please contact:*

Laura Anne Schratt, MBA, CIA, CRMA - Executive Director of Internal Audit & CFCO

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251-460-6147

[lauraschratt@southalabama.edu](mailto:lauraschratt@southalabama.edu)

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**DEVELOPMENT, ENDOWMENT  
AND INVESTMENTS COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Development, Endowment and Investments Committee**

**June 2, 2022  
1:37 p.m.**

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair, on Thursday, June 2, 2022, at 1:37 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Arlene Mitchell, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance were present.

Member Absent: Scott Charlton.

Other Trustees: Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins and Jimmy Shumock.

Administration & Guests: Terry Albano, Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, Rob LeDoux (J.P. Morgan), John Marymont, Mike Mitchell, Diana Nichols, Norman Pitman, Laura Schrott, Jeb Schrenk, Polly Stokley and Margaret Sullivan.

The meeting came to order, and the attendance roll was called, **Item 5**. Mr. Yance called for a report on endowment and investment performance, **Item 7**. Mr. Albano, along with the University's investment consultant, Mr. Norman Pitman, reviewed endowment investment results for the second quarter of fiscal year 2022, as well as individual manager performance and asset allocation. It was noted that the investment returns for the quarter and since the inception of the endowment were .21 percent and 5.88 percent, respectively, with both outperforming their relative indices, and that investment earnings since inception totaled approximately \$136 million.

Mr. Albano introduced Mr. Rob LeDoux of J.P. Morgan, who discussed the University's portfolio comprised of private equity, private credit and emerging market investments. Mr. LeDoux also shared background on the management team's investment approach, as well as views on the future movement of the market.

Mr. Yance called on Ms. Sullivan, who presented **Item 8**, a resolution commending the USA Foundation for its commitment to provide funding support totaling \$30 million to the University to aid in the construction of a new College of Medicine instructional facility, and authorizing the naming the USA College of Medicine as the *Frederick P. Whiddon College of Medicine*. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 3, 2022.) Ms. Sullivan recognized Mr. Yance, Dr. Marymont and Mr. Lawkis

for their efforts that helped to secure the gift. On motion by Ms. Mitchell, seconded by Judge Windom, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Ms. Sullivan gave a report on the activities of the Division of Development and Alumni Relations, **Item 9**, sharing that close to \$39 million had been raised during the first 8 months of fiscal year 2022. She provided details on development events held recently and scheduled in the future, such as the Employee and Retiree Annual Giving Campaign held in Spring 2022 that raised approximately \$4.2 million; the fourth annual Day of Giving held on April 6, 2022, that raised more than \$61,000; the “Doc Rock” fundraiser that took place on March 31, 2022; and a donor and friend reception with President and First Lady Bonner slated for July 21, 2022 in Washington, D.C.

Mr. Yance called for consideration of the minutes of a Committee meeting held on March 10, 2022, **Item 6**. On motion by Judge Windom, seconded by Ms. Brown Stewart, the committee voted unanimously to adopt the minutes.

There being no further business, the meeting was adjourned at 2:03 p.m.

Respectfully submitted:

James A. Yance, Chair

# University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2022

## USA Endowment Fund Performance Fiscal Year to Date

October 1, 2021 to July 31, 2022

- USA Endowment Fund returned -5.10% versus its blended benchmark return of -6.11%. The USA Endowment Fund outperforms by 1.01% fiscal year to date.

## USA Endowment Manager Performance Fiscal Year to Date

October 1, 2021 to July 31, 2022

Individual Manager versus Benchmark performance:

- Commonfund returned -6.84% versus its benchmark return of -7.85%.
- Charles Schwab returned -3.74% versus its benchmark return of -7.05%.
- Douglas Lane returned -10.44% versus its benchmark return of -2.93%.
- Gerber Taylor returned -4.99% versus its benchmark return of 0.37%.
- Forester Diversified returned -14.05% versus its benchmark return of 0.37%.
- Gerber Taylor International returned -14.83% versus its benchmark return of -13.29%.
- Hancock Whitney returned -5.43% versus its benchmark return of -5.88%.
- JP Morgan returned -30.57% versus its benchmark return of -18.63%.
- USAFund (Student Investment Fund) returned -7.05% versus its benchmark return of -2.93%.

## USA Endowment Annualized Fund Performance Since Inception

As of July 31, 2022

- USA Endowment Fund has an annualized return of 5.52% since inception versus its blended benchmark return of 4.58%. The USA Endowment Fund outperforms by 0.94% since inception.

## USA Endowment Investment Earnings and Appreciation Since Inception

March 31, 2000 to July 31, 2022

- USA Endowment Fund Market Value at Inception (March 31, 2000): \$5,700,000
- USA Endowment Fund Net Invested Capital as of July 31, 2022: \$61,717,645
- USA Endowment Fund Market Value as July 31, 2022: \$192,391,042
- USA Endowment Fund Income and Appreciation since Inception: \$124,973,397

## RESOLUTION

### COMMENDATION OF JOHNSON HAYNES, JR., M.D.

**WHEREAS**, in 1980, the University of South Alabama Comprehensive Sickle Cell Health Care Program was founded with a mission to improve the lives of persons affected by this disease through clinical care, basic and clinical research, and through patient and professional education, and

**WHEREAS**, eight years later, the program had grown into the USA Comprehensive Sickle Cell Center and was awarded one of only ten prestigious, federally funded grants from the National Institutes of Health to sustain the program for the next 15 years, and

**WHEREAS**, Dr. Johnson Haynes, Jr., a 1980 graduate of the USA College of Medicine and former intern, resident, and fellow of USA Health, has led the Center since August 2001 as a professor of medicine in the USA Whiddon College of Medicine and the third Center director, and

**WHEREAS**, Dr. Haynes has cared for most of the adults with sickle cell disease in the southern half of Alabama, and, under his leadership, the Cecil L. Parker Sickle Cell Lectureship Endowment was funded, the Pediatric to Adult Care Transition Program was established, patients were enrolled in pharmaceutical-sponsored clinical trials, and one patent was issued, and

**WHEREAS**, Dr. Haynes has served on various local, regional and national committees dedicated to the treatment of sickle cell disease, and has served as principal investigator or collaborator on more than three dozen research grants, and authored or co-authored countless publications, book chapters, newsletters, abstracts and reports, and

**WHEREAS**, Dr. Haynes' dedication to this community extends beyond his commitment to sickle cell treatment and research, as demonstrated through his work with various organizations, such as 100 Black Men of Greater Mobile, Mobile United's Leadership Mobile, the United Way of Southwest Alabama, the Mobile Symphony Orchestra and other non-profit organizations, and

**WHEREAS**, Dr. Haynes' life's work has been recognized through numerous awards, such as the National Research Service Award, America's Top Doctor, the Edith Mitchell Health Initiative Academy of Achievers Perseverance Award, and Distinguished Alumni Awards from the USA National Alumni Association and Medical Alumni Association,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama commends Dr. Johnson Haynes, Jr., for his longstanding commitment to the treatment, research and education of sickle cell disease, and extends profound thanks to Dr. Haynes on behalf of the entire University community, and

**BE IT FURTHER RESOLVED**, the Board of Trustees authorizes the naming of the USA Comprehensive Sickle Cell Center as the *Johnson Haynes, Jr., M.D., Comprehensive Sickle Cell Center*.



UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Development and Alumni Relations

DATE: September 6, 2022

TO: Jo Bonner  
President

FROM: Margaret M. Sullivan  
Vice for Development and Alumni Relations

A handwritten signature in black ink that reads "Margaret M. Sullivan". The signature is written in a cursive style and is positioned above the printed name in the 'FROM' field.

SUBJECT: Commendation of Johnson Haynes, Jr., M.D. and  
Naming of the USA Comprehensive Sickle Cell Center

I recommend presentation of the attached resolution commending Dr. Johnson Haynes, Jr. for his dedication and leadership within USA Health and the USA Comprehensive Sickle Cell Center to the University of South Alabama Board of Trustees.

This resolution commends Dr. Johnson Haynes, Jr. for his long-standing commitment to the treatment, research, and education of sickle cell disease and approves the naming of the University of South Alabama Comprehensive Sickle Cell Center as the Johnson Haynes, Jr., M.D. Comprehensive Sickle Cell Center.

With your support, this commendation by the Board of Trustees will be an appropriate way to honor Dr. Johnson Haynes, Jr. and his support of USA Health, the Whiddon College of Medicine and the USA Comprehensive Sickle Cell Center.

Attachment: Proposed Resolution

c: Monica Ezell  
Dr. John Marymont

A handwritten signature in black ink that reads "Jo Bonner". The signature is written in a cursive style and is positioned in the bottom right corner of the page.



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**HEALTH AFFAIRS  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Health Affairs Committee**

**June 2, 2022  
2:03 p.m.**

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Vice Chair, on behalf of Dr. Scott Charlton, Chair, on Thursday, June 2, 2022, at 2:03 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Steve Furr, Arlene Mitchell, Steve Stokes and Jim Yance were present.

Member Absent: Scott Charlton.

Other Trustees: Alexis Atkins, Tom Corcoran, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Margie Tuckson and Mike Windom.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Mike Chang, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Danny Rickert, Rusty Ross, Jonathan Scammel, Laura Schrott, Jeb Schrenk, Polly Stokley, Margaret Sullivan and Alan Whaley.

The meeting came to order, and the attendance roll was called, **Item 10**. Dr. Furr called for consideration of the minutes of a meeting held on March 10, 2022, **Item 11**. On motion by Ms. Brown Stewart, seconded by Dr. Stokes, the Committee voted unanimously to adopt the minutes.

Dr. Furr introduced a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for February, March and April 2022, **Item 12**, sharing insight on the internal approval process. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 3, 2022.) On motion by Ms. Mitchell, seconded by Mr. Yance, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr called on Dr. Marymont for a report on the activities of USA Health and the College of Medicine (COM), **Item 13**. Dr. Marymont introduced Dr. Jonathan Scammel, Chair of the Department of Comparative Medicine, who gave an overview on the COM admissions process and LCME (Liaison Committee on Medical Education) regulations that must be followed. He and Dr. Marymont answered questions.

Dr. Marymont introduced Mr. Bailey for comments. Mr. Bailey credited Dr. Alan Whaley, USA Health Chief Operating Office; Dr. Michael Chang, USA Health Chief Medical Officer; Mr. Danny Rickert, USA Health Chief Policy Officer; and Mr. Benny Stover, USA Health Chief Financial Officer, for their efforts that had progressed the growth of the USA Health System at an unusually rapid pace.

Mr. Bailey introduced and shared background information on Dr. Rusty Ross, Director of Operations for USA Health's Department of Industrial Medicine. Dr. Ross presented a report on the industrial medicine program established in July 2021 at the Brookley complex near industry and manufacturing companies.

There being no further business, the meeting was adjourned at 2:36 p.m.

Respectfully submitted:

On behalf of:

Steven P. Furr, M.D., Vice Chair

Scott A. Charlton, M.D., Chair



UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

USA Health

DATE: August 22, 2022

TO: Jo Bonner  
President

FROM: Owen Bailey, Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Owen Bailey', positioned to the right of the 'FROM:' field.

SUBJECT: Board Meeting Documents

Attached for review and approval by the Health Affairs Committee and the Board of Trustees are:

Resolution – USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2022

- Medical Staff Appointments/Reappointments Board of Trustees Report

Resolution – USA Health Hospitals Medical Staff Bylaws/Associated Documents

- Proposed Bylaws/Associated Documents Revisions

OB/kh

Attachments

A handwritten signature in black ink, appearing to read 'Jo Bonner', positioned to the right of the 'OB/kh' text.

**RESOLUTION**

**USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND  
REAPPOINTMENTS FOR MAY, JUNE AND JULY 2022**

**WHEREAS**, the medical staff appointments and reappointments for May, June and July 2022 for the USA Health Hospitals are recommended for approval by the medical executive committees and the USA Health Credentialing Board,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby authorizes the appointments and reappointments as submitted.

**USA BOARD OF TRUSTEES REPORT  
USA HEALTH HOSPITALS MEDICAL STAFF  
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2022**

**The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and APP staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.**

<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>New Appointments:</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>
Beakley, Lindsey W., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	NA	NA	NA
Beasley, Kyle C., MD	NA	NA	NA	New Appt.	Active USA	Emergency Medicine	NA	NA	NA
Bell, Tatianne L., CRNP	NA	NA	NA	New Appt.	APP Non..	Family Medicine	NA	NA	NA
Bennett, Donna C., MD	New Appt.	Active HCA	OBGYN	New Appt.	Active HCA	OBGYN	New Appt.	Active HCA	OBGYN
Bolling, Nicholas K., PA	New Appt.	APP	Orthopaedics	NA	NA	NA	NA	NA	NA
Campbell, Anna H., CRNP	New Appt.	APP USA	Ped. Emerg. Med.	New Appt.	APP USA	Emergency Medicine	NA	NA	NA
Carlisle, Natalie B., MD	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Cary, Barrett P., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Cox, Chad, MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	NA	Radiology
Crosswhite, Kenneth S., CRNA	New Appt.	APP	Anesthesiology	New Appt.	APP	Anesthesiology	NA	NA	NA
Dabezies, Constance C., MD	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Davila-McCarthy, Maria F., MD	New Appt.	Active HCA	OBGYN	NA	NA	NA	New Appt.	Active HCA	OBGYN
FitzHarris, Susie N., MD	New Appt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Gaudet, Alyssa B., CRNA	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	NA	NA	NA
Hall, Matthew W., MD	NA	NA	NA	New Appt.	Active USA	Emergency Medicine	NA	NA	NA
Hall, Samuel C., DO	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Hollis, Maridith J., MD	New Appt.	Consulting	Psychiatry	New Appt.	Consulting	Psychiatry	NA	NA	NA
Jackson, Gregory D., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	NA	Radiology
Jones, Marnita S., CRNP	New Appt.	APP HCA	Internal Medicine	New Appt.	APP HCA	Internal Medicine	New Appt.	APP HCA	Internal Medicine
Krystosek, Luke A., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Matthews, Daniel E., MD	New Appt.	Active	Orthopaedics	New Appt.	Active	Orthopaedics	NA	NA	NA
McCoy, Mia Perry, CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	App USA	Pediatrics
McKay, Brianna D., PA	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
McNeil, Megan I., MD	NA	NA	NA	New Appt.	Contract/Locums	Emergency Medicine	NA	NA	NA
Mullen, Parker, MD	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery
Nelson, Jr., Hunter B., MD	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology
Nguyen, Joanne M., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	App USA	Pediatrics
Parrish, Dan W., MD	New Appt.	Contract/Locums	Surgery	NA	NA	NA	New Appt.	Contract/Locums	Surgery
Ruff, Michael B., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Russ, Chondra N., CRNP	New Appt.	APP USA	Ped. Emerg. Med.	New Appt.	APP USA	Emergency Medicine	NA	NA	NA
Sandy, Arthur D., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Siddiqui, Abdul H., MD	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Thornton, David D., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	NA	Radiology
Trail, Kristina M., CRNP	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine
VonCannon, Lindsey L., MD	New Appt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Walter, Jonathan W., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	NA	Radiology
Wang, Wenli, MD	NA	NA	NA	New Appt.	Contract/Locums	Emergency Medicine	NA	NA	NA
Weil, Ashley, MD	New Appt.	Community Staff	Family Medicine	New Appt.	Community Staff	Family Medicine	NA	NA	NA
Williams, Alexandria E., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics

**USA BOARD OF TRUSTEES REPORT  
USA HEALTH HOSPITALS MEDICAL STAFF  
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2022**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Ahmed, Hamdy M., MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court/Active USA	Internal Medicine
Al Jaber, Emad K., MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court./Active USA	Internal Medicine
Alkharabsheh, Omar A., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Baginski, Scott G., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Bailey, Gayle W., Scrub Tech	Reappt.	APP	Surgery	NA	NA	NA	NA	NA	NA
Baker, Susan L., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Baldy, Maureen T., DMD	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Bennett, Erin M., PCT	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Berg, Marion C., MD	NA	NA	NA	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Bishop, Breanne C., CRNP	NA	NA	NA	Reappt.	APP Non-Priv.	Internal Medicine	NA	NA	NA
Blewett, Christopher J., MD	Reappt.	Contract/Locums	Surgery	NA	NA	NA	Reappt.	Contract/Locums	Surgery
Bolton, III, Wilburn D., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Borcicky, David J., DPM	Reappt.	APP	Orthopaedics	Reappt.	APP	Orthopaedics	NA	NA	NA
Bowden, Stephen E., MD	NA	NA	NA	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Bowman, Ashleigh A., CRNP	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Brantley, Kaitlin O., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Brevard, Sidney B., MD	Reappt.	Community Staff USA	Surgery	Reappt.	Community Staff USA	Surgery	NA	NA	NA
Briggs, Blake M., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Brown, Candra S., PCT	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Bunner, Dianne L., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Burkett, Jared L., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	NA	NA	NA
Cameron, Daniel G., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Cole, Jennifer G., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Correa, Kristin E., DMD	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Cotton, Laura L., RN	Reappt.	APP	OBGYN	Reappt.	APP	OBGYN	NA	NA	NA
Cramer, Jr., Harry R., MD	Reappt.	Contract/Locum	Radiology	Reappt.	Contract/Locum	Radiology	Reappt.	Contract/Locum	Radiology
Cunningham, Jennifer A., MD	Reappt.	Active	OBGYN	NA	NA	NA	NA	NA	NA
Damrich, Michael E., MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Davis, Charles S., CRNP	Reappt.	APP Non-Priv.	Pediatrics	Reappt.	APP Non-Priv.	Pediatrics	NA	NA	NA
Dubuc, Tammy E., PharmD	Reappt.	APP Non-Priv.	Internal Medicine	Reappt.	APP Non-Priv.	Internal Medicine	NA	NA	NA
Dudley, William T., CRNP	Reappt.	APP	Psychiatry	Reappt.	APP	Psychiatry	NA	NA	NA
Edwards, Jamira N., CRNP	NA	NA	NA	Reappt.	APP USA	Emergency Medicine	NA	NA	NA
Falkos, Sheryl A., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Consult. USA	Pediatrics
Farquhar, Donald S., MD	Reappt.	Courtesy USA	Pediatrics	NA	NA	NA	Reappt.	Courtesy USA	Pediatrics
Fishel, Heather L., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Consult/Active USA	Internal Medicine
Folse, Tiffany M., CRNP	Reappt.	APP USA	Neurology	Reappt.	APP USA	Neurology	Reappt.	APP USA	Neurology
Fouty, Christine L., MD	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine
Frame, Kevin C., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Goslings, Sophia M., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Greer, Robert A., DO	Reappt.	Courtesy HCA	Internal Medicine	Reappt.	Consulting HCA	Internal Medicine	Reappt.	Court./Consult. HCA	Internal Medicine

**USA BOARD OF TRUSTEES REPORT  
USA HEALTH HOSPITALS MEDICAL STAFF  
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2022**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Grette, Katherine V., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Grevenitis, Sonia S., MD	Reappt.	Courtesy	Pediatrics	NA	NA	NA	NA	NA	NA
Gutstein, Laurie L., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Handwerger, Adam J., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Harless, Hilary A., CRNP	NA	NA	NA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Henderson, Phillip K., DO	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Henning, Paul R., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Herrera, Guillermo A., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Herring, Adam D., MD	NA	NA	NA	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine
Hespen, Haley A., CRNP	NA	NA	NA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Hewitt, Jocelyn E., MD	NA	NA	NA	Reappt.	Community Staff HCA	Internal Medicine	NA	NA	NA
Hill, Grayson B., CCC-SLP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Hinson, Robin R., RN	Reappt.	APP	OBGYN	Reappt.	APP	OBGYN	NA	NA	NA
Howard, John Harrison, MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Howell, Druhan L., MD	Reappt.	Active	Pediatrics	NA	NA	NA	NA	NA	NA
Hudson, Devin W., CRNP	NA	NA	NA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Huggins, Tiffany F., RN	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Hundley, Olivette T., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Hundley, Olivette T., MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Hunter, III, John D., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Active USA	Surgery
Hunter, Rachel L., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Idriss, Rajab, MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Consult/Active	Internal Medicine
Joiner, Jade M., DA	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Jones, Loren L., CRNP	NA	NA	NA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Jones, Susan V., CRNA	Reappt.	APP-USA	Anesthesiology	Reappt.	APP-USA	Anesthesiology	NA	NA	NA
Kobelja, Robert P., MD	Reappt.	Courtesy USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Court/Active USA	Neurology
Koulianos, George T., MD	Reappt.	Consulting	OBGYN	NA	NA	NA	NA	NA	NA
Lagasse, Grace A., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Lawrence, III, James M., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	NA	NA	NA
Lawrence, III, James M., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	NA	NA	NA
Lim, Whei Ying, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Active/Consult USA	Pediatrics
Lintner, Alicia C., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Litwiller, Kimberly J., CRNP	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Ludvik, Nicholas R., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Consult./Active USA	Internal Medicine
Mannion, Melissa L., MD	Reappt.	Consulting	Pediatrics	NA	NA	NA	NA	NA	NA
Martin, Brett S., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
McGhee, Althea C., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
McKee, Kelsey C., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court/Active USA	Surgery
McMahon, Daniel P., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
McRae, James W., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Millenbine, Courtney M., CRNP	Reappt.	APP Non-Priv.	Family Medicine	Reappt.	APP Non-Priv.	Family Medicine	NA	NA	NA



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USA HEALTH HOSPITALS MEDICAL STAFF  
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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
<b>Reappointments: (continued)</b>									
Naman, Michelle K., MD	Reappt.	Active	Pediatrics	NA	NA	NA	NA	NA	NA
Nicell, Donald T., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Ochoa, Juan G., MD	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology
Oh, Richard J., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Pacheco, Antonio L., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Paul, Ashton L., DA	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Peace, Ashley D., PA	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Persing, Brian E., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Petersen, Madison P., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Petrossian, Robert, MD	NA	NA	NA	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Petty, Melody L., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Pfleeger, Jenna M., MD	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine
Pittman, Kathryn P., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Plash, Walker B., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Rather, Lydia G., PharmD	Reappt.	Community Staff	Internal Medicine	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Reddy, Keerthi C., MD	Reappt.	Active HCA	Internal Medicine	Reappt.	Consulting HCA	Internal Medicine	Reappt.	Active/Cons. HCA	Internal Medicine
Reed, Claudia M., CRNP	Reappt.	APP USA	OBGYN	NA	NA	NA	Reappt.	APP USA	OBGYN
Rich, Jamie L., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Richerson, Jason M., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Medicine	NA	NA	NA
Rodriguez-Feo, John A., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Rosenthal, III, Harry B., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Scalici, Jennifer M., MD	Reappt.	Active USA	Gynecology	Reappt.	Active USA	Gynecology	Reappt.	Active USA	Gynecology
Scott, Byron C., DMD	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Self, John A., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Sheldt, Brian C., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Sheppard, Ryan S., DMD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Sivanandam, Hari K., MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Smith, Anna M., RN	Reappt.	APP Non-Priv.	Internal Medicine	Reappt.	APP Non-Priv.	Internal Medicine	NA	NA	NA
Smith, James M., DO	Reappt.	Community Staff	Family Medicine	Reappt.	Community Staff	Family Medicine	NA	NA	NA
Sonnier, William P., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Consult/Active USA	Internal Medicine
St. John, Jeffrey G., MD	NA	NA	NA	Reappt.	Consulting	Surgery	NA	NA	NA
Statkewicz, Payton L., MD	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine
Stover, Cheryl D., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Sugg, Rebecca L., MD	Reappt.	Consulting USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Consult/Active USA	Neurology
Teplick, Richard S., MD	Reappt.	Community Staff	Internal Medicine	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Thakur, Jai Deep D., MD	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery
Tillman, Lisa M., RN	NA	NA	NA	Reappt.	APP Non-Priv.	Internal Medicine	NA	NA	NA
Tomlinson, Michael P., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Turbat-Herrera, Elba A., MD	Reappt.	Active USA	Pathology	Reappt.	Consulting USA	Pathology	Reappt.	Active/Consult USA	Pathology
Vande Waa, John A., DO	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Vincent, Robert D., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
West, III, James L., MD	Reappt.	Consulting	Orthopaedics	Reappt.	Consulting	Orthopaedics	NA	NA	NA

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<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>Reappointments: (continued)</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>
Wiles, Brent L., CCC-SLP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Wilhite, Annelise M., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Williams, Amanda L., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Williams, Jennifer G., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Wojtala, Kathleen Q., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Wong, Waikong P., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Younger, Austin R., MD	Reappt.	Active HCA	Surgery	Reappt.	Active HCA	Surgery	Reappt.	Active HCA	Surgery
Yuliati, Asri, MD	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology
<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>Change Requests:</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>
Bartel, Tracy E., CRNP	Chg. Coll. Phy.	APP USA	Neurosurgery	Chg. Coll.	APP USA	Neurosurgery	Chg. Coll.	APP USA	Neurosurgery
Brevard, Sidney B., MD	Chg. Status	Community Staff	Surgery	Chg. Status	Community Staff	Surgery	NA	NA	NA
Dudley, William T., CRNP	Various Chgs.	APP	Psychiatry	Various Chgs.	APP	Psychiatry	NA	NA	NA
Hayes, Andrea P., PA	Chg. Coll. Phy.	APP USA	Neurosurgery	Chg. Coll. Phy.	APP USA	Neurosurgery	Chg. Coll. Phy.	APP USA	Neurosurgery
Huffmaster, Candace E., CRNP	NA	NA	NA	Chg. Collab.	APP USA	Surgery	Chg. Collab. Phy.	APP USA	Surgery
Irvin, Ralph, MD	Added Priv.	Active HCA	Anesthesiology	NA	NA	NA	Added Priv.	Active HCA	Anesthesiology
Lenz, Cara B., MD	Status/Priv.	Active USA	OBGYN	NA	NA	NA	Status/Priv.	Active USA	OBGYN
McCoy, Amy M., MD	Chg. Status	Active USA	OBGYN	NA	NA	NA	Chg. Status	Active USA	OBGYN
Parnell, Katelyn B., MD	Status/Priv.	Active USA	OBGYN	NA	NA	NA	Status/Priv.	Active USA	OBGYN
Rich, Jamie L., CRNP	Collab/Priv.	APP USA	Internal Medicine	Collab/Priv.	APP USA	Internal Medicine	Collab/Priv.	APP USA	Internal Medicine
Rivers, Terry N., MD	Deleted Priv.	Active USA	Emergency Medicine	Chg. Status	Community Staff	Emergency	NA	NA	NA
Saucier, Erin, MD	Status/Priv.	Active USA	OBGYN	NA	NA	NA	Status/Priv.	Active USA	OBGYN
<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>Resigned/Retired</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>
Booth, Daniel B., MD	Resigned	7/1/2022	Radiology	Resigned	7/1/2022	Radiology	Resigned	7/1/2022	Radiology
Bowie, Stephen H., MD	Resigned	7/1/2022	Radiology	Resigned	7/1/2022	Radiology	Resigned	7/1/2022	Radiology
Calin, Robert C., MD	Deceased	7/5/2022	Anesthesiology	Deceased	7/5/2022	Anesthesiology	NA	NA	NA
Catalanotto, Jennifer K., CRNP	Resigned	4/14/2022	OBGYN	NA	NA	NA	Resigned	4/14/2022	OBGYN
Clarke, Ronald W., MD	Termed	7/1/2022	OBGYN	NA	NA	NA	NA	NA	NA
Davenport, Linda K., MD	Resigned	6/21/2022	Family Medicine	Resigned	6/21/2022	Family Medicine	NA	NA	NA
Gonner, Jacqueline, CRNP	Resigned	5/20/2022	Pediatrics	NA	NA	NA	Resigned	5/20/2022	Pediatrics
Goode, Russell D., MD	Resigned	5/4/2022	Orthopaedics	Resigned	5/4/2022	Orthopaedics	NA	NA	NA
Jones, Brian J., MD	Resigned	5/3/2022	Surgery	Resigned	5/3/2022	Surgery	NA	NA	NA
Kaplan, Richard T., MD	Resigned	5/31/2022	Radiology	Resigned	5/31/2022	Radiology	NA	NA	NA
Longmire, Romarius, MD	Resigned	4/20/2022	Family Medicine	Resigned	4/20/2022	Family Medicine	Resigned	4/20/2022	Family Medicine
Mayer, David, MD	Retired	7/1/2022	Pediatrics	Retired	7/1/2022	Pediatrics	NA	NA	NA
Minto, Laura Elizabeth, MD	Resigned	7/1/2022	Neurology	Resigned	7/1/2022	Neurology	Resigned	7/1/2022	Neurology
Rahimi, Farnoosh, MD	Resigned	6/1/2022	Internal Medicine	Resigned	6/1/2022	Internal Medicine	Resigned	6/1/2022	Internal Medicine
Shi, Mingxia M., MD	Resigned	5/31/2022	Pathology	Resigned	5/31/2022	Pathology	Resigned	5/31/2022	Pathology

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	Reason	Date	Dept.	Reason	Date	Dept.	Reason	Date	Dept.
<b>Resigned/Retired: (continued)</b>									
Simpson, Regena A., CRNP	Resigned	4/23/2022	OBGYN	NA	NA	NA	Resigned	4/23/2022	OBGYN
Sinclair, Richard S., MD	Resigned	5/17/2022	Psychiatry	Resigned	5/17/2022	Psychiatry	NA	NA	NA
Sykora, Laura A., CRNP	Resigned	6/17/2022	Surgery	Resigned	6/17/2022	Surgery	Resigned	6/17/2022	Surgery
Taylor, Pamela L., CRNP	Resigned	4/25/2022	Family Medicine	Resigned	4/25/2022	Family Medicine	NA	NA	NA
Wilburn, Jesse D., DO	NA	NA	NA	Resigned	4/17/2022	Internal Medicine	NA	NA	NA
Wooten, Samantha, CRNP	Resigned	7/5/2022	Orthopaedics	Resigned	7/5/2022	Orthopaedics	NA	NA	NA

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**ACADEMIC AND STUDENT AFFAIRS  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Academic and Student Affairs Committee**

**June 2, 2022  
2:36 p.m.**

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Judge Mike Windom, Chair, on Thursday, June 2, 2022, at 2:36 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Steve Furr, Ron Graham, Lenus Perkins, Margie Tuckson and Mike Windom were present, and Ron Jenkins participated remotely.

Member Absent: Scott Charlton.

Other Trustees: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Arlene Mitchell, Jimmy Shumock, Steve Stokes and Jim Yance.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Chris Cleveland, Anji Davis, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Krista Harrell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Laura Schratt, Jeb Schrenk, Grant Skinner, Polly Stokley, Margaret Sullivan and Kathy Thompson.

The meeting came to order, and the attendance roll was called, **Item 14**. Judge Windom thanked Capt. Jenkins for presiding on his behalf at the Committee meeting held on March 10, 2022, and called for consideration of the minutes for that meeting, **Item 15**. On motion by Mr. Graham, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Judge Windom noted that Dr. Kent was recently appointed as Provost and Executive Vice President on a permanent basis. He asked Provost Kent and Dr. Marymont to present **Item 16**, a resolution awarding tenure and promotion to faculty of the Division of Academic Affairs and College of Medicine effective August 15, 2022, as set forth. (To view approved resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 3, 2022.) Provost Kent and Dr. Marymont provided assurance that the candidates recommended had been thoroughly evaluated through rigorous internal review processes. On motion by Mr. Perkins, seconded by Ms. Tuckson, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom called upon Provost Kent and Dr. Marymont to address **Item 17**, a resolution authorizing tuition, fees, and housing and dining rates for the 2022-2023 academic year, as set forth in the schedules appended. Provost Kent and Dr. Marymont, along with Dr. Chris Cleveland, Associate Vice President for Auxiliary Services, discussed the specifics of a recommendation to adjust tuition, fees, and room and board rates, each emphasizing that the proposed rates would still

be among the lowest in the state as compared to Alabama peer institutions, thus enabling USA to maintain a competitive position in the market. Judge Windom called for consideration of the tuition and fees portion of the resolution. On motion by Mr. Perkins, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the proposed tuition and fees by the Board of Trustees. Judge Windom called for consideration of the housing and dining rates portion of the resolution. On motion by Capt. Jenkins, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the proposed housing and dining rates by the Board of Trustees.

Judge Windom asked Provost Kent for a report on the activities of the Division of Academic Affairs, **Item 18**. Provost Kent advised of the appointment of Dr. Anji Davis as Director of USA's Simulation Program following a national search. She introduced and shared background information on Dr. Davis. Dr. Davis shared that she joined South 11 years earlier, had been serving in the role of Interim Director, and looked forward to helping the program grow.

Judge Windom called on Dr. Mike Mitchell, who discussed **Item 19**, the annual report to the Alabama Commission on Higher Education that, in compliance with Alabama law, documents infractions related to USA's Speech, Expressive Activities and Use of University Space, Facilities and Ground Policy, as well as the University's response. Dr. Mitchell presented a draft report for the period August 1, 2021, through July 31, 2022, pointing out that violations had not transpired thus far for the reporting period. He reminded the Committee that the Board had previously authorized him to submit the report and he invited feedback. The Committee did not suggest changes to the report.

Concerning **Item 20**, a report on the activities of the Division of Student Affairs, Dr. Mitchell introduced Dr. Krista Harrell, Assistant Vice President for Student Affairs, who shared information on the revamped Center for Educational Accessibility and Disability Resources (CEADR). Dr. Harrell advised of the appointment of Mr. Mario Sheets as CEADR Director; provided data on CEADR encounters with special needs students; and highlighted the experience of one student who, having received assistance from CEADR, had achieved great success over his academic career.

Dr. Mitchell provided an overview on the new Jaguar Senior Medallion (JSM) Program, a new initiative that distinguishes graduating seniors for having demonstrated a strong commitment to student engagement and leadership. He introduced Mr. Grant Skinner, a recent JSM recipient and Meteorology graduate, who discussed his time at South and the campus activities in which he was involved.

Judge Windom called on Ms. Chronister to present **Item 21**, a report on the activities of the Division of Research and Economic Development. Ms. Chronister advised that Dr. Kevin White, Professor in the Department of Civil, Coastal and Environmental Engineering, recently received a grant award totaling approximately \$2.8 million from the State of Alabama for his wastewater im-

provement project centered in Alabama's Black Belt region. She added that Dr. Kevin West, Professor of Chemical and Biomolecular Engineering, had also received a grant award totaling approximately \$4.8 million from the Office of Naval Research to test the effectiveness of ionic liquids in scrubbing submarines of carbon dioxide.

Ms. Chronister introduced and gave background information on Dr. Kathy Thompson. Dr. Thompson spoke about her work as part of the Frontier Set, a network of postsecondary institutions and liaison partners focused on impacting transformational change in degree attainment at historically black colleges and universities, and discussed the extramural funding she had been awarded over six years from the Bill and Melinda Gates Foundation and other agencies that totaled more than \$5.5 million.

There being no further business, the meeting was adjourned at 3:23 p.m.

Respectfully submitted:

Michael P. Windom, Chair

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**BUDGET AND FINANCE  
COMMITTEE**



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Budget and Finance Committee**

**June 2, 2022  
3:23 p.m.**

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Thursday, June 2, 2022, at 3:23 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Ron Graham, Lenus Perkins and Steve Stokes were present.

Other Trustees: Steve Furr, Ron Jenkins, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Laura Schratt, Jeb Schrenk, Polly Stokley and Margaret Sullivan.

The meeting came to order, and the attendance roll was called, **Item 22**. Mr. Corcoran called for consideration of the minutes of a meeting held on March 10, 2022, **Item 23**. On motion by Ms. Atkins, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Mr. Corcoran called on Ms. Stokley to discuss **Item 24**, the quarterly financial statements for the six months ended March 31, 2022. Ms. Stokley advised that the information presented in the financial statements had been reformatted to better parallel how the year-end financial information is presented. She reported an increase in the University's net position by approximately \$54.5 million for the end of the second quarter in fiscal year 2022, as well as an ending net position of close to \$393.4 million.

There being no further business, the meeting was adjourned at 3:26 p.m.

Respectfully submitted:

E. Thomas Corcoran, Chair

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Basic Financial Statements

Nine Months Ended June 30, 2022 and 2021

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Basic Financial Statements  
Nine Months Ended June 30, 2022 and 2021

**Table of Contents**

	<b>Page</b>
Management's Discussion and Analysis	1-9
Unaudited Quarterly Financial Statements:	
Statements of Net Position – University of South Alabama, June 30, 2022 and 2021	10
Consolidated Statements of Financial Position – University of South Alabama Foundation, March 31, 2022 and 2021	11
Statements of Net Position – USA Research and Technology Corporation, June 30, 2022 and 2021	12
Statements of Net Position – University of South Alabama Health Care Authority, June 30, 2022 and 2021	13
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama, nine months ended June 30, 2022 and 2021	14
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, nine months ended March 31, 2022	15
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, nine months ended March 31, 2021	16
Statements of Revenues, Expenses, and Changes in Net Position – USA Research and Technology Corporation, nine months ended June 30, 2022 and 2021	17
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama Health Care Authority, nine months ended June 30, 2022 and 2021	18
Statements of Cash Flows – University of South Alabama, nine months ended June 30, 2022 and 2021	19-20
Notes to Basic Financial Statements	21-66

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

**Introduction**

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, as of June 30, 2022 and 2021. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

**Financial Highlights**

At June 30, 2022 and 2021, the University had total assets and deferred outflows of \$1,885,063,000 and \$1,853,538,000, respectively; total liabilities and deferred inflows of \$1,486,998,000 and \$1,534,666,000, respectively; and net position of \$398,065,000 and \$318,872,000, respectively. Net position increased \$55,380,000 for the nine months ended June 30, 2022 compared to an increase of \$102,218,000 for the nine months ended June 30, 2021. An overview of each statement is presented herein along with financial analysis of the transactions impacting each statement.

**Analysis of Financial Position and Results of Operations**

*Statements of Net Position*

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the end of the current reporting period. Net position is displayed in three parts: total investment in capital assets net of related debt, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or by external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statements of net position, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, accounts receivable and net patient receivables. Of these amounts, cash and cash equivalents, accounts receivable and net patient receivables comprise approximately 52%, 16% and 15%, respectively, of current assets at June 30, 2022. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

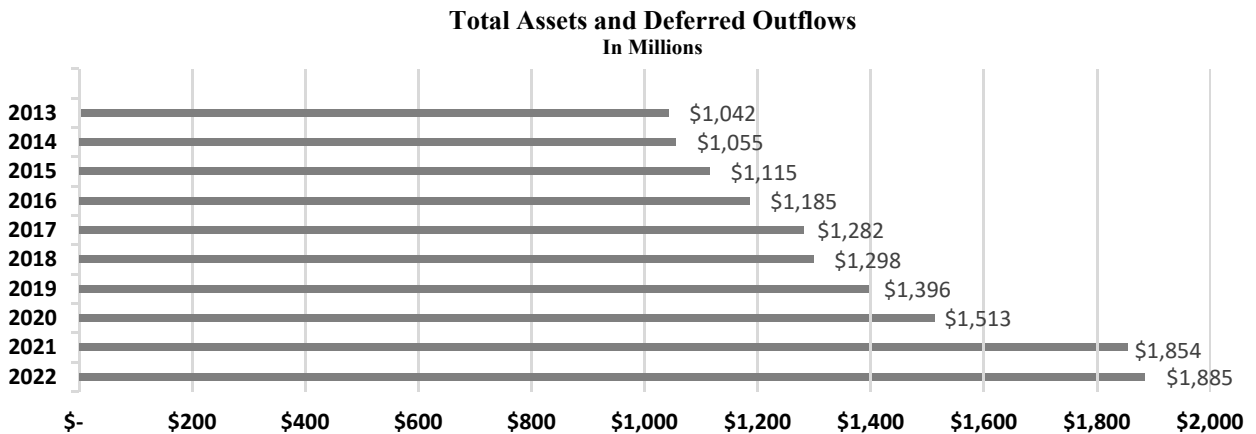
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

Condensed financial statements for the University at and for the nine months ended June 30, 2022 and 2021 follow (in thousands):

**Condensed Schedules of Net Position**

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current	\$ 389,252	\$ 380,116
Capital and other noncurrent assets	1,269,850	1,297,920
Deferred outflows	<u>225,961</u>	<u>175,502</u>
	<u>1,885,063</u>	<u>1,853,538</u>
<b>Liabilities:</b>		
Current	228,938	254,618
Noncurrent	962,838	1,142,506
Deferred inflows	<u>295,222</u>	<u>137,542</u>
	<u>1,486,998</u>	<u>1,534,666</u>
<b>Net position:</b>		
Net investment in capital assets	415,368	391,404
Restricted, nonexpendable	72,800	69,063
Restricted, expendable	97,027	105,247
Unrestricted	<u>(187,130)</u>	<u>(246,842)</u>
	<u>\$ 398,065</u>	<u>\$ 318,872</u>

Total assets and deferred outflows of the University as of June 30 is as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

Net position represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is classified into one of four categories:

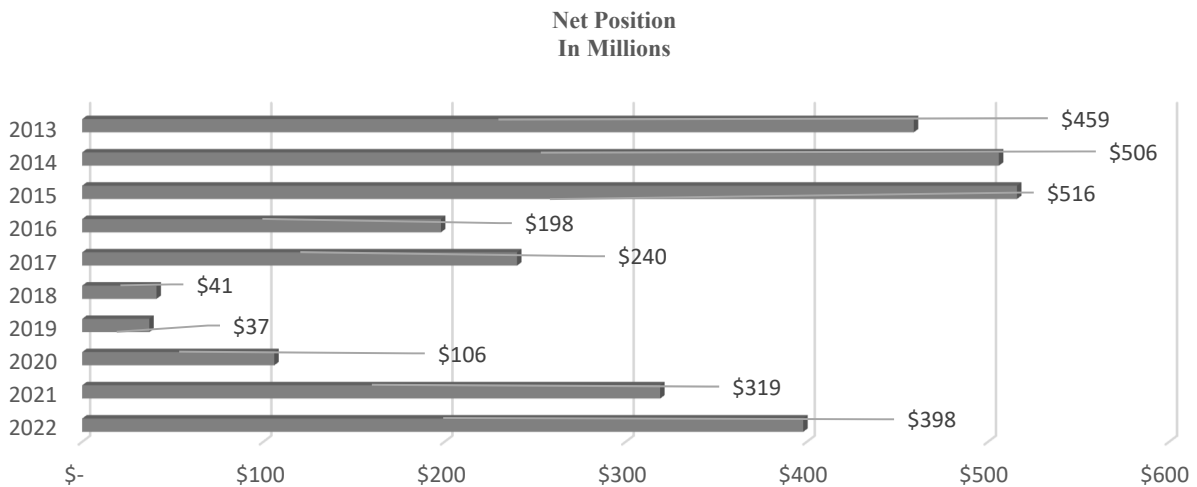
*Net investment in capital assets* represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted nonexpendable* net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

*Restricted expendable* net position is subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

*Unrestricted* net position represents amounts not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at June 30, 2022 and 2021 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

Net position of the University as of June 30 is as follows:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

All categories of restricted net position collectively decreased by approximately \$4,483,000 between June 30, 2022 and 2021, primarily due to market losses in endowment funds. Unrestricted net position increased from \$(246,842,000) to \$(187,130,000) between June 30, 2022 and 2021. A summary of unrestricted net position at June 30, 2022 and 2021 is summarized as follows (in thousands):

	<b>2022</b>	<b>2021</b>
Unrestricted net position related to net pension liability	\$ (271,729)	(287,984)
Unrestricted net position related to net OPEB liability	(229,496)	(235,072)
Unrestricted net position related to other activity	314,095	276,214
Unrestricted net position	\$ (187,130)	(246,842)

*Statements of Revenues, Expenses, and Changes in Net Position*

Changes in total University net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the changes in net position resulting from operating and nonoperating revenues earned by the University, and operating and nonoperating expenses incurred by the University, as well as any other revenues, expenses, gains, and losses earned or incurred by the University.

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. These include patient service revenues (net of provision for bad debts), tuition and fees (net of scholarship allowances), most noncapital grants and contracts, revenues from auxiliary activities and sales and services of educational activities (primarily athletic activities). Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

Nonoperating revenues have the characteristics of nonexchange transactions because generally no goods or services are provided. Such transactions include investment income, state appropriations, gifts and other contributions. State appropriations are required by GASB to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operation and administration of the University, but not directly incurred to acquire or produce the goods and services provided in return for operating revenues. Such nonoperating expenses include interest on the University's indebtedness, losses related to the disposition of capital assets, transfers to affiliates to fund operations and transfers to intergovernmental agencies related to medical expenditures.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

The condensed schedules of revenues, expenses, and changes in net position for the nine months ended June 30, 2022 and 2021 follow (in thousands):

	<b>2022</b>	<b>2021</b>
Operating revenues:		
Tuition and fees, net	\$ 107,902	\$ 108,412
Patient service revenues, net	516,887	457,553
Federal, state and private grants and contracts	31,183	27,743
Other	51,006	46,502
	706,978	640,210
Operating expenses:		
Salaries and benefits	427,501	426,571
Supplies and other services	290,777	245,499
Other	62,774	56,710
	781,052	728,780
Operating loss	(74,074)	(88,570)
Nonoperating revenues (expenses):		
State appropriations	108,460	96,091
Net investment income (loss)	(22,649)	48,316
Other, net	21,373	33,991
Net nonoperating revenues	107,184	178,398
Income (loss) before capital contributions and grants and additions to endowment	33,110	89,828
Capital contributions and grants and additions to endowment	22,270	12,390
Increase in net position	55,380	102,218
Beginning net position	342,685	216,654
Ending net position	\$ 398,065	\$ 318,872

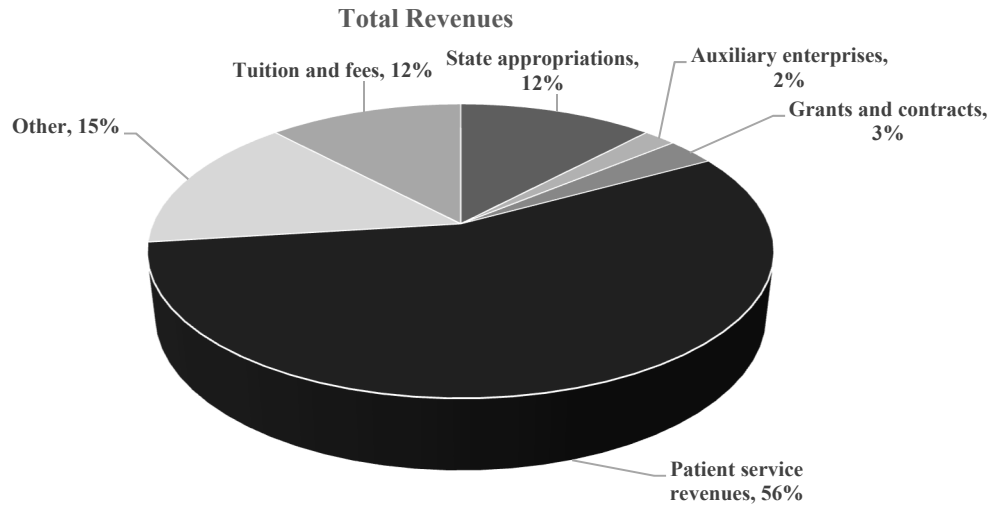


**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

**Condensed Schedules of Revenues, Expenses,  
and Changes in Net Position**

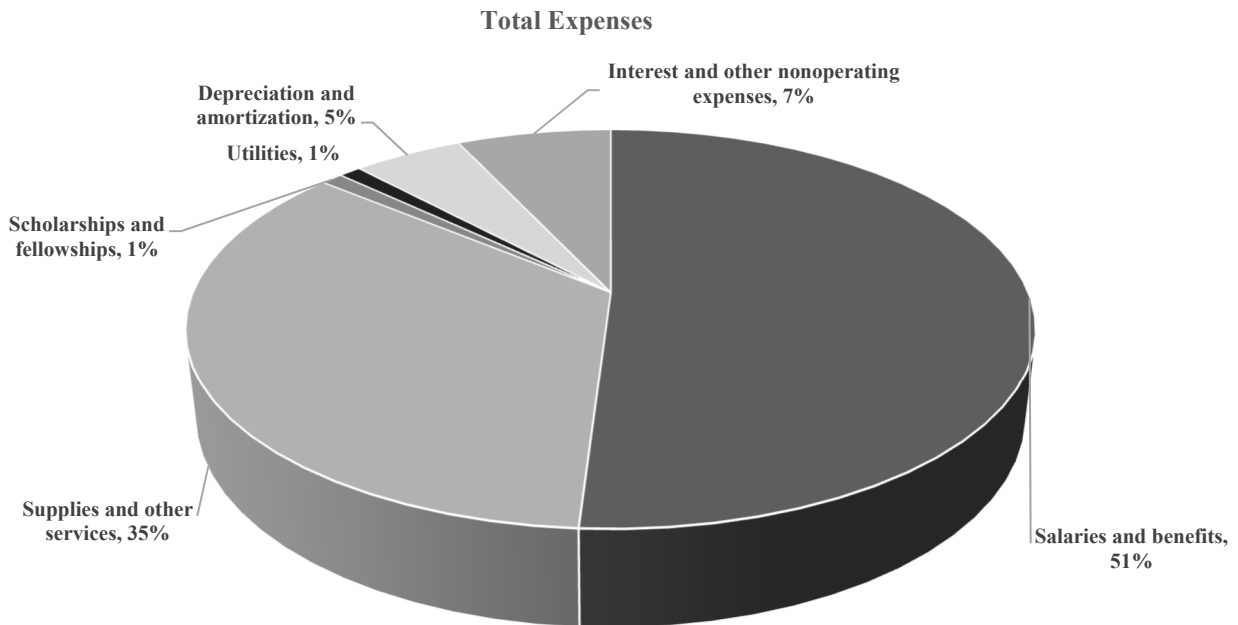
	<b>2022</b>	<b>2021</b>
Capital contributions and grants and additions to endowment	22,270	12,390
Increase (decrease) in net position	55,380	102,218
Beginning net position	342,685	216,654
Ending net position	\$ 398,065	318,872

Approximately 56% of total revenues of the University are patient service revenues. The remainder consists primarily of tuition and fees, state appropriations, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of total University revenues (operating, nonoperating and other) for the current period:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

University expenses are presented using natural expense classifications. Salaries and benefits and supplies and other services represent the majority of the University's total expenses. The following illustration presents the University's total expenses, using natural classifications for the current period:



Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant and scholarships. Expenses related to auxiliary enterprise activities, USA Health and depreciation and amortization are presented separately.

As of June 30 2022, and 2021, respectively, approximately 51% and 59% of the University's total operating expenses were salaries and benefits.

For the periods ended June 30, 2022 and 2021, the University reported operating losses of approximately \$74,074,000 and \$88,570,000, respectively. Operating losses are offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, the total change in net position was approximately \$55,380,000 and \$102,218,000 for the periods ended June 30, 2022 and 2021, respectively.

**Capital Assets and Debt Administration**

During the current period, significant construction projects that remain in progress at June 30, 2022 include the Student Disability Services renovation, Campus Storm Shelter, Pediatric Emergency Department, Physicians Office Building and major upgrades of infrastructure on the University's main campus.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

In March 2021, the University issued a new University Facilities Revenue Bond, Series 2021, with a face value of \$40,555,000. The proceeds, along with internal contributions from the University, are financing USA Health facilities and transportation infrastructure. In July 2021, the University refinanced the Series 2012-A Bond with the University Facilities Revenue Bond, Series 2021-B with a face value of \$15,387,000. The terms for Bonds 2016-B, 2016-C, and 2016-D were revised in September 2021 to address the removal of the LIBOR rate to be replaced by the ISDA-based replacement index after year ended September 30, 2021. The dates by which the Lender may cause all of the outstanding principal on such bonds to mature and become due and payable by the University were extended 5 years for each bond.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during the quarter ended June 30, 2022. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2020 and 2021 Bond issuances.

**Economic Outlook**

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 2% from Fall 2019 to Fall 2020 and an additional decline of 2% between Fall 2020 and Fall 2021, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of returning students.

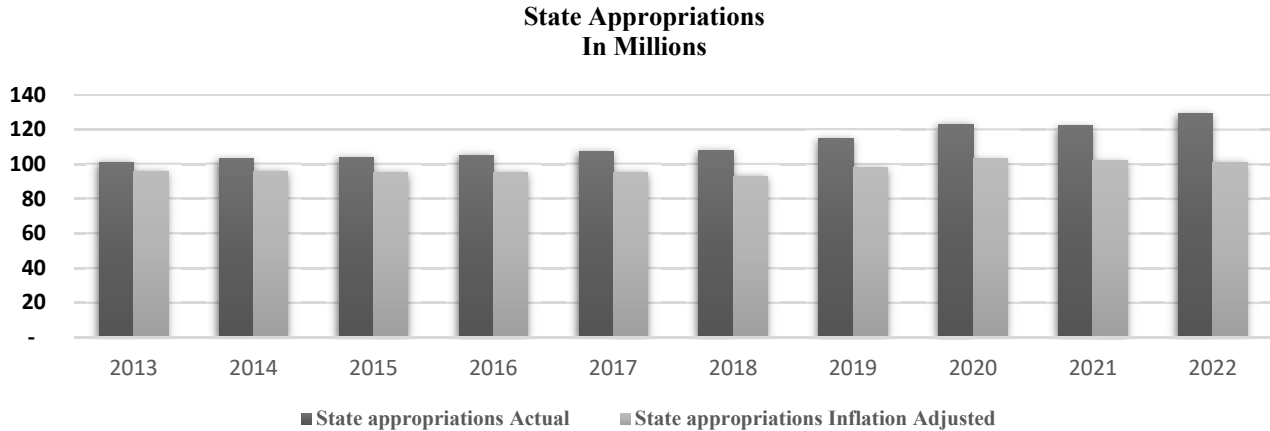
During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 30%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period.

A state appropriation in the amount of approximately \$121,564,000 and \$118,299,000 was authorized and received for the years ended September 30, 2021 and 2020, respectively. Additional appropriations of approximately \$4,017,000 and \$900,000 were received during fiscal year 2021 for advancement and technology, and certain healthcare initiatives.

A state appropriation in the amount of \$129,098,000, representing an increase of approximately 6.2%, was authorized for the year ending September 30, 2022. An additional appropriation of approximately \$4,111,000 was authorized for fiscal year 2022 for advancement and technology. While no announcement has been made, the University is aware that reductions in the 2022 appropriation are possible.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

The ten-year trend of state appropriations (actual and inflation-adjusted) for the University is as follows:



In addition to state appropriations, the University is subject to declines in general economic and political conditions in the United States and, specifically, the State of Alabama. Weakening of the economy, as well as changes in federal and state funding policies, could potentially have a negative impact on the University's enrollment, external funding, endowment performance and health care operations.

During the second fiscal quarter of 2020, the United States was thrust into the midst of a pandemic health crisis related to the spread of COVID-19 (the "Crisis"). The University returned to normal operations for the Fall 2021 semester and USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

The University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of September 30, 2021, the University (including USA Health) has been awarded \$93,064,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$68,749,000 was awarded in the year-ended September 30, 2021 and \$24,315,000 was awarded in the year-ended September 30, 2020. Of the total amounts awarded \$58,249,000 and \$11,350,000 have been recognized as nonoperating revenue in the statements of revenues, expenses and changes in net position for the years ended September 30, 2021 and 2020, respectively. As of June 30, 2022 and 2021, \$16,942,000 and \$27,576,000 have been recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2022 or beyond.

**UNIVERSITY OF SOUTH ALABAMA**  
**Statements of Net Position**  
**June 30, 2022 and 2021**  
(In thousands)

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 202,919	\$ 193,343
Investments	45,958	38,479
Net patient receivables	56,490	51,161
Accounts receivable	60,968	76,029
Notes receivable, net	6,783	7,286
Prepaid expenses, inventories and other	16,134	13,818
Total current assets	<u>389,252</u>	<u>380,116</u>
Noncurrent assets		
Restricted cash and cash equivalents	46,751	87,832
Restricted investments	289,485	299,509
Investments	40,766	66,093
Accounts receivable	21,476	8,877
Notes receivable, net	398	421
Other noncurrent assets	22,526	5,527
Capital assets, net	848,448	829,661
Total noncurrent assets	<u>1,269,850</u>	<u>1,297,920</u>
<b>Deferred outflows</b>		
Total assets and deferred outflows	<u>1,885,063</u>	<u>1,853,538</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	82,122	81,551
Unrecognized revenues	110,021	134,791
Deposits	4,140	3,851
Current portion of other long-term liabilities	4,750	5,103
Current portion of long-term debt	27,905	29,322
Total current liabilities	<u>228,938</u>	<u>254,618</u>
Noncurrent liabilities		
Long-term debt, less current portion	449,152	472,825
Net pension liability	237,578	315,591
Net OPEB liability	205,378	260,647
Other long-term liabilities, less current portion	70,730	93,443
Total noncurrent liabilities	<u>962,838</u>	<u>1,142,506</u>
<b>Deferred inflows</b>		
Total liabilities and deferred inflows	<u>1,486,998</u>	<u>1,534,666</u>
<b>Net position</b>		
Net investment in capital assets	415,368	391,404
Restricted, nonexpendable		
Scholarships	40,609	37,270
Other	32,191	31,793
Restricted, expendable		
Scholarships	33,713	38,839
Other	63,314	66,408
Unrestricted	(187,130)	(246,842)
Total net position	<u>\$ 398,065</u>	<u>\$ 318,872</u>

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statements of Financial Position

March 31, 2022 and 2021

(In thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 3,300	543
Investments:		
Equity securities	232,943	224,003
Timber and mineral properties	174,886	170,561
Real estate	9,031	23,118
Other	5,809	5,811
Other assets	528	529
Total assets	\$ 426,497	424,565
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Other liabilities	496	453
Total liabilities	496	453
Net assets:		
Without donor restrictions	63,831	81,316
With donor restrictions	362,170	342,796
Total net assets	426,001	424,112
Total liabilities and net assets	\$ 426,497	424,565

See accompanying notes to basic financial statements.

**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(A Component Unit of the University of South Alabama)

Statements of Net Position

June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,806,057	1,888,834
Rent receivable	144,135	197,984
Prepaid expenses and other current assets	15,879	521,178
Total current assets	1,966,071	2,607,996
Noncurrent assets:		
Intangible assets, net	166,545	181,172
Capital assets, net	19,125,807	19,265,023
Total noncurrent assets	19,292,352	19,446,195
<b>Deferred outflows</b>	800,924	963,206
Total assets and deferred outflows	22,059,347	23,017,397
<b>Liabilities</b>		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses	205,375	308,829
Unrecognized rent revenue	507,544	387,397
Current portion of notes payable	1,378,111	1,330,414
Total current liabilities	2,091,030	2,026,640
Noncurrent liabilities:		
Notes payable, excluding current portion	18,341,157	19,719,268
Total noncurrent liabilities	18,341,157	19,719,268
Total liabilities	20,432,187	21,745,908
<b>Net position</b>		
Net investment in capital assets	399,989	(614,935)
Unrestricted	1,227,171	1,886,424
Total net position	\$ 1,627,160	1,271,489

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY**  
(A Component Unit of the University of South Alabama)

Statements of Net Position

June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 923,506	\$ 3,226,585
Investments	15,000	
Patient receivables (net of allowance for doubtful accounts of approximately \$2,874,000 and \$1,095,000)	2,309,127	1,651,342
Inventories	79,889	66,739
Other current assets	1,030,151	1,467,777
Total current assets	4,357,673	6,412,443
Noncurrent assets:		
Capital assets, net	16,147,400	3,784,309
Total assets	20,505,073	10,196,752
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	3,521,133	2,024,678
Accrued salaries and wages	2,210,842	2,420,779
Unrecognized revenue	—	1,032,375
Current portion of capital lease obligations	13,470	14,244
Total current liabilities	5,745,445	5,492,076
Noncurrent liabilities:		
Capital lease obligations, less current portion	—	13,470
Total liabilities	5,745,445	5,505,546
<b>Net Position</b>		
Net position:		
Net investment in capital assets	15,371,405	3,674,162
Unrestricted (deficit)	(611,777)	1,017,044
Total net position	\$ 14,759,628	\$ 4,691,206

See accompanying notes to basic financial statements.



**UNIVERSITY OF SOUTH ALABAMA**  
Statements of Revenues, Expenses and Changes in Net Position  
Nine Months Ended June 30, 2022 and 2021  
(In thousands)

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 107,902	\$ 108,412
Patient service revenues (net of provision for bad debts)	516,887	457,553
Federal grants and contracts	15,280	15,865
State grants and contracts	7,264	4,942
Private grants and contracts	8,639	6,936
Auxiliary enterprises (net of scholarship allowances)	17,054	14,346
Other operating revenues	33,952	32,156
Total operating revenues	706,978	640,210
<b>Expenses</b>		
Operating expenses		
Salaries and benefits	427,501	426,571
Supplies and other services	290,777	245,499
Scholarships and fellowships	7,451	7,408
Utilities	11,964	10,309
Depreciation and amortization	43,359	38,993
Total operating expenses	781,052	728,780
Operating loss	(74,074)	(88,570)
<b>Nonoperating revenues (expenses)</b>		
State appropriations	108,460	96,091
Net investment income (expense)	(22,649)	48,316
Interest on indebtedness	(11,528)	(8,600)
Other nonoperating revenues	57,714	62,233
Other nonoperating expenses	(24,813)	(19,642)
Net nonoperating revenues	107,184	178,398
Income (loss) before capital contributions and additions to endowment	33,110	89,828
Capital contributions and grants	16,352	5,157
Additions to endowment	5,918	7,233
Increase in net position	55,380	102,218
<b>Net position</b>		
Beginning of period	342,685	216,654
End of period	\$ 398,065	\$ 318,872

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Nine months ended March 31, 2022

(In thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains, losses and other support:			
Net realized and unrealized gains on investments	\$ 4,452	10,861	15,313
Rents, royalties and timber sales	2,003	146	2,149
Interest and dividends	1,297	471	1,768
Gifts	154	2,438	2,592
Other income	2	—	2
Required match of donor contributions	(209)	209	—
Interfund interest	(146)	146	—
Net assets released from program restrictions	26,001	(26,001)	—
Total revenues, gains, losses and other support	33,554	(11,730)	21,824
Expenditures:			
Program services:			
Faculty support	1,626	—	1,626
Scholarships	670	—	670
Other	24,861	—	24,861
Total program service expenditures	27,157	—	27,157
Management and general	2,068	—	2,068
Other investment expense	970	—	970
Depreciation and depletion expense	1,571	—	1,571
Total expenditures	31,766	—	31,766
Change in net assets	1,788	(11,730)	(9,942)
Net assets – beginning of year	62,043	373,900	435,943
Net assets – end of year	\$ 63,831	362,170	426,001

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Nine months ended March 31, 2021

(In thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, gains, losses and other support:			
Net realized and unrealized gains on investments	\$ 5,461	38,578	44,039
Rents, royalties and timber sales	2,430	116	2,546
Interest and dividends	838	926	1,764
Gifts	1	7	8
Other income	76	—	76
Required match of donor contributions	(7)	7	—
Interfund interest	(124)	124	—
Net assets released from program restrictions	4,250	(4,250)	—
Total revenues, gains, losses and other support	12,925	35,508	48,433
Expenditures:			
Program services:			
Faculty support	1,346	—	1,346
Scholarships	641	—	641
Other	3,624	—	3,624
Total program service expenditures	5,611	—	5,611
Management and general	1,681	—	1,681
Other investment expense	1,283	—	1,283
Depreciation and depletion expense	2,869	—	2,869
Total expenditures	11,444	—	11,444
Change in net assets	1,481	35,508	36,989
Net assets – beginning of year	79,835	307,288	387,123
Net assets – end of year	\$ 81,316	342,796	424,112

See accompanying notes to basic financial statements.

**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Nine months ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Operating revenues	\$ 3,151,065	2,845,330
Operating expenses:		
Building management and operating expenses	904,183	707,930
Depreciation and amortization	960,380	871,473
Legal and administrative fees	253,178	244,845
Insurance	25,418	25,784
Total operating expenses	2,143,159	1,850,032
Operating income	1,007,906	995,298
Nonoperating revenues (expenses):		
Interest expense	(699,099)	(756,973)
Other	4,881	2,474
Net nonoperating expenses	(694,218)	(754,499)
Change in net position	313,688	240,799
Net position:		
Beginning of year	1,313,472	1,030,690
End of year	\$ 1,627,160	1,271,489

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY**  
(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Nine months ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Operating revenues:		
Patient service revenues (net of provision for bad debts of \$721,099 and \$1,009,562)	\$ 28,019,840	\$ 18,680,739
Federal grants and contracts	—	439,990
State grants and contracts	—	30,000
Other operating revenues	4,417,261	1,601,761
Total operating revenues	32,437,101	20,752,490
Operating expenses:		
Salaries and benefits	29,962,640	23,792,027
Building and equipment expenses	5,675,757	2,662,192
Medical and surgical supplies	3,282,439	1,849,936
Other expenses	9,126,742	6,069,615
Depreciation and amortization	479,609	284,202
Total operating expenses	48,527,187	34,657,972
Operating loss	(16,090,086)	(13,905,482)
Nonoperating revenues (expenses):		
Investment income	1,658	1,854
Support from University of South Alabama	24,038,768	18,365,000
Interest expense	(474)	(1,260)
Other nonoperating revenues	—	545
Total nonoperating revenues, net	24,039,952	18,366,139
Increase in net position	7,949,866	4,460,657
Net position at beginning of period	6,809,764	230,549
Net position at end of period	\$ 14,759,630	\$ 4,691,206

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA**

Statements of Cash Flows

Nine Months Ended June 30, 2022 and 2021

(In thousands)

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Receipts related to tuition and fees	\$ 79,962	\$ 84,251
Receipts from and on behalf of patients and third-party payers	556,424	484,002
Receipts from grants and contracts	45,354	23,993
Receipts related to auxiliary enterprises	11,117	13,792
Payments to suppliers and vendors	(315,572)	(252,208)
Payments to employees and related benefits	(466,056)	(377,602)
Payments for scholarships and fellowships	(7,451)	(13,150)
Other operating receipts	33,754	33,958
	<u>(62,468)</u>	<u>(2,964)</u>
Net cash provided by operating activities		
<b>Cash flows from noncapital financing activities:</b>		
State appropriations	108,460	96,091
Endowment gifts	5,918	7,233
Agency funds received	1,891	821
Agency funds disbursed	(595)	(341)
Student loan program receipts	72,704	76,298
Student loan program disbursements	(72,715)	(76,249)
Other nonoperating revenues	51,816	(25,495)
Other nonoperating expenses	(78,427)	(12,283)
	<u>89,052</u>	<u>66,075</u>
Net cash provided by noncapital financing activities		
<b>Cash flows from capital and related financing activities:</b>		
Capital gifts and grants	16,352	5,157
Purchases of capital assets	(55,555)	(50,746)
Proceeds from sale of capital assets	105	30
Proceeds from issuance of capital debt	-	50,535
Principal payments on capital debt	(22,806)	(20,958)
Interest payments on capital debt	(19,154)	(17,905)
	<u>(81,058)</u>	<u>(33,887)</u>
Net cash used in capital and related financing activities		
<b>Cash flows from investing activities:</b>		
Interest and dividends and realized gains (losses) on investments	2,648	16,228
Purchases of investments	(53,015)	(103,580)
Proceeds from sales of investments	65,187	50,549
	<u>14,820</u>	<u>(36,803)</u>
Net cash provided by (used in) investing activities		
	(39,654)	(7,579)
<b>Cash and cash equivalents (unrestricted and restricted):</b>		
Beginning of period	<u>289,324</u>	<u>288,378</u>
End of period	<u><u>249,670</u></u>	<u><u>280,799</u></u>

**UNIVERSITY OF SOUTH ALABAMA**  
**Statements of Cash Flows**  
**Nine Months Ended June 30, 2022 and 2021**  
(In thousands)

	<b>2022</b>	<b>2021</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
<b>Operating loss</b>	\$ (74,074)	\$ (88,570)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	43,359	38,993
Changes in operating assets and liabilities, net:		
Student receivables	(50,331)	(53,068)
Net patient service receivables	(2,662)	(5,365)
Grants and contracts receivables	8,933	(3,112)
Other receivables	(8,107)	(5,049)
Prepaid expenses, inventories and other	(2,096)	(1,798)
Accounts payable and accrued liabilities	(9,747)	81,445
Unrecognized revenue	32,257	33,560
	<u>32,257</u>	<u>33,560</u>
Net cash provided by operating activities	\$ (62,468)	\$ (2,964)

*See accompanying notes to basic financial statements.*

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

On May 3, 1963, the Governor of Alabama signed enabling legislation creating the University of South Alabama (the University). The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama. The financial statements of the University present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization is included as a component unit. Accordingly, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2021 and 2020, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39, 61 and 80. However, these entities are not presented in the accompanying financial statements as the University does not consider them significant enough to warrant inclusion in the University's reporting entity.

GASB requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements. Based on these requirements, the University reports the Professional Liability Trust



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM), Jaguar Realty, LLC, USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC, USA Health MCI Business Services, LLC, USA Health Children's and Women's Provider Based Clinics, LLC, USA Health Reference Lab Billing Services, LLC and USA Health West Mobile Imaging Center, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

**(b) Professional Liability and General Liability Trust Funds**

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University is responsible. The PLTF and GLTF are separate legal entities, which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units at fiscal year end.

**(c) USA HealthCare Management, LLC**

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM. HCM commenced operations in October 2010, and is reported as a blended component unit at fiscal year end.

**(d) USA Health Billing Limited Liability Companies**

In fiscal year 2019, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as non-profit limited liability companies, whereby the University is the sole member. In fiscal year 2021, the University formed USA Health MCI Business Services, LLC and USA Health Children's and Women's Provider Based Clinics, LLC as not for profit limited liability companies, whereby the University is the sole member. In fiscal year 2022, the University formed USA West Mobile Imaging Center LLC as a non-profit limited liability company, whereby the University is the sole member. These companies were created to assist with the complex patient and insurance billing of USA Health, a division of the University that includes two hospitals and a cancer treatment center.

**(e) University of South Alabama Health Care Authority**

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority (HCA). HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. HCA presents its financial statements in accordance with GASB.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

During fiscal year 2020, HCA formed USA Health IPA, LLC to operate as an independent physician association. HCA is the sole member of this limited liability company and reports it as a blended component unit.

During fiscal year 2021, HCA formed a majority owned limited liability company, USA BC ASC Holdco, LLC, which is anticipated to be an equity method investment. USA BC ASC Holdco, LLC also 100% owns USA Baldwin County ASC, LLC, which will operate an ambulatory surgery center.

In March 2022, HCA formed USA Health Mobile County ASC, LLC as a limited liability company, whereby HCA is the sole member. There was no financial activity for this entity during the nine months ended June 30, 2022.

In March 2022, HCA purchased a 15% interest in USA Fairhope Physician Investors, LLC, a limited liability company that will develop and own real property to be used in the operation of the Baldwin County ambulatory surgery center.

Since inception, HCA's operations have been partially funded by the University, with total support amounting to \$25,765,000 during the year ended September 30, 2021 and \$10,478,000 during the year ended September 30, 2020. As of June 30, 2022, the University has funded HCA in the amount of \$24,039,000. This support is reported in nonoperating expenses on the University's statements of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, HCA is considered a component unit of the University.

Over the last few years, HCA has formed several limited liability companies, whereby the HCA is the sole member. These companies include Mobile Heart USA, LLC, USA HCA OBGYN Services, LLC, USA HCA PBC, LLC, USA Health Industrial Medicine, LLC, and USA Health Daphne Family Practice, LLC. These companies were created to assist with the complex patient and insurance billing of HCA and are reported as blended component units.

**(f) University of South Alabama Foundation**

The University of South Alabama Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. Total distributions received or accrued by the University for the years ended September 30, 2021 and 2020 were \$10,698,000 and \$10,280,000, respectively, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end.

**(g) USA Research and Technology Corporation**

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB.

**(h) Measurement Focus and Basis of Accounting**

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**(i) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months at the time of purchase and include repurchase agreements and money market accounts.

**(k) Investments and Investment Income**

The University reports the fair value of investments using the three-level hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of alternative investments (low-volatility multi-strategy funds of funds) and certain private equity partnerships do not have readily ascertainable market values and the University values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income.

**(l) Derivatives**

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At June 30, 2022, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows of resources and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows of resources on the statements of net position since the interest rate swaps were deemed effective.

**(m) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consist of employer contributions to the Teacher's Retirement System of Alabama and the Public Education Employees Health Insurance Plan subsequent to the plans' measurement dates, changes in proportion and differences between employer contributions and proportionate share of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan and the loss on the defeasement of certain bond amounts.

Deferred inflows of resources consist of the proportionate share of the differences between expected and actual experience related to the pension plan, net difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions in OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension plan, fair values of interest rate swaps and gain on the refunding of certain bond amounts.

**(n) Bond Premiums, Discounts and Debt Extinguishment Costs**

Bond premiums, discounts and debt extinguishment costs associated with the issuance of certain bond series are capitalized and amortized over the life of the respective bond series on a straight-line basis in accordance with generally accepted accounting principles.

**(o) Accounts Receivable**

Patient receivables primarily result from hospital and ambulatory patient service revenues. Accounts receivable - other includes amounts due from students, the federal government, state and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts and patient receivables are recorded net of estimated uncollectible amounts.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(p) Inventories**

The University's inventories primarily consist of medical supplies and pharmaceuticals. Medical supplies and pharmaceuticals are stated at the lower of cost (first-in, first-out method) or market.

**(q) Capital Assets**

Capital assets are recorded at cost, if purchased, or, if donated, at acquisition value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets using the straight-line method. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

All capital assets other than land are depreciated using the following asset lives:

Buildings, infrastructure and certain building components	40 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	4 to 15 years

Certain buildings are componentized for depreciation purposes.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2021 and 2020, no impairments were recorded.

**(r) Unrecognized Revenues**

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenues and then recognized over the applicable portion of each school term. Additionally, USA Health received Advanced Medicare funding which is reported as unrecognized revenue and then recognized as earned.

**(s) Cost Sharing Multiple-Employer Pension Plan**

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the Teachers' Retirement System of Alabama (TRS). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**(t) Postemployment Benefits Other Than Pensions (OPEB)**

Employees of the University are covered by a cost sharing multiple-employer other post-employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**(u) Classification of Net Position**

The University's net position is classified as follows:

*Net investment in capital assets* reflects the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of net investment in capital assets.

*Restricted, nonexpendable* net position consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted, expendable* net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted* net position represents resources derived from student tuition and fees, state appropriations, patient service revenues, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for any purpose. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(v) Scholarship Allowances and Student Financial Aid**

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

**(w) Donor Restricted Endowments**

The University is subject to the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, of the endowment assets. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 4.5% of the five-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net position.

**(x) Classification of Revenues**

The University has classified its revenues as either operating or nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; patient service revenues, net of provision for bad debts; most federal, state and local grants and contracts; and sales and services of auxiliary enterprises, net of scholarship allowances.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, investment income and gifts and contributions.

**(y) Gifts and Pledges**

Pledges of financial support from organizations and individuals representing a conditional promise to give are recognized in the basic financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(z) Grants and Contracts**

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

**(aa) Patient Service Revenues and Electronic Health Records Incentive Program**

Patient service revenues are reported at estimated net realizable amounts due from patients, third-party payers and others for healthcare services rendered, including estimated retroactive revenue adjustments due to future 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 and such amounts are adjusted in future periods, as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

**(bb) Compensated Absences**

The University accrues annual leave for employees as incurred at rates based upon length of service and job classification.

**(cc) Recently Adopted Accounting Pronouncements**

In 2021, the University adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which addresses the criteria for identifying fiduciary of all state and local governments. The University also adopted provisions of GASB Statement, No. 90, *Majority Equity Interests*, in 2021. This Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment. There was no significant impact to the University in 2021 related to this statement.

**(2) Income Taxes**

The University is classified as both a governmental entity under the laws of the State of Alabama and as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Consistent with these designations, no provision for income taxes has been made in the accompanying basic financial statements.

**(3) Cash and Cash Equivalents**

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2021 and 2020, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$16.5 billion and \$14.2 billion, respectively. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of \$240,556,000 and \$259,859,000 at June 30, 2022 and 2021, respectively.

At June 30, 2022, restricted cash and cash equivalents consist of \$37,588,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$14,000 related to endowment funds, \$0 related to collateral requirements of the interest rate swaps and \$3,910,000 related to contributions restricted for the construction of Hancock Whitney Stadium.

At June 30, 2021, restricted cash and cash equivalents consist of \$64,852,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$3,222,000 related to endowment funds, \$7,987,000 related to collateral requirements of the interest rate swaps and \$9,116,000 related to contributions restricted for the construction of the football stadium.

**(4) Investments**

**(a) *University of South Alabama***

The investments of the University are invested pursuant to the University of South Alabama “Non-endowment Cash Pool Investment Policies,” the “Endowment Fund Investment Policy,” and the “Derivatives Policy” (collectively referred to as the University Investment Policies) as adopted by the Board of Trustees. The purpose of the non-endowment cash pool investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the “prudent person” standard in the context of managing its investment portfolio.

Certain investments, primarily related to the University’s endowment assets, are pooled. The University uses this pool to manage its investments and distribute investment income to individual endowment funds.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

Investments of the University, by type, at fair value, are as follows at June 30, 2022 and 2021 (in thousands):

	<b>2022</b>	<b>2021</b>
U.S. Treasury securities	\$ 11,293	\$ 13,358
U.S. federal agency notes	71,204	103,705
Commingled equity funds	109,125	118,454
Commingled fixed income funds	53,730	44,994
Marketable equity securities	57,697	48,759
Marketable debt securities	10,280	13,647
Private equity	25,826	19,916
Managed income alternative investments (low-volatility multi-strategy funds of funds)	37,054	41,248
	\$ 376,209	\$ 404,081

At June 30, 2022, restricted investments consist of \$37,648,000 related to collateral requirements of the interest rate swaps and \$197,647,000 related to endowment funds, \$26,000 related to a restricted gift fund and \$1,472,000 related to contributions restricted for the construction of Hancock Whitney Stadium.

At June 30, 2021, restricted investments consist of \$34,927,000 related to collateral requirements of the interest rate swaps and \$205,699,000 related to endowment funds.

At June 30, 2022 and 2021, \$35,182,000 and \$40,085,000, respectively, of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statements of net position.

*(i) Credit Risk and Concentration of Credit Risk*

**Non-Endowment Cash Pool Investment Policy**

The University Investment Policies limit investment in corporate bonds to securities with a minimum “A” rating, at the time of purchase, by both Moody’s and Standard and Poor’s. Investments in corporate paper are limited to issuers with a minimum quality rating of P-1 by Moody’s, A-1 by Standard and Poor’s or F-1 by Fitch.

Additionally, the University Investment Policies require that not more than 10% of the cash, cash equivalents and investments of the University be invested in the obligations of a single private corporation and not more than 35% of the cash, cash equivalents and investments of the University be invested in the obligations of a single government agency.

**Endowment Fund Investment Policy**

The University Investment Policies limit investment in fixed income securities to securities with a minimum “BAA” rating, at the time of purchase, by both Moody’s and Standard and Poor’s. Money Market

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated "BAA" or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

Additionally, the University Investment Policies require that not more than 5% of the Endowment Fund assets of the University be allocated to an individual investment manager and no more than 25% of the Endowment Fund assets be allocated to a "Fund of Funds" or multi-manager fund.

The University's exposure to credit risk and concentration of credit risk at June 30, 2022 and 2021 is as follows:

	<b>2022</b>	
	<b>Credit rating</b>	<b>Percentage of total investments</b>
Federal National Mortgage Association	AAA	1.0 %
Federal Home Loan Mortgage Corporation	AAA	4.1
Federal Home Loan Banks	AAA	8.8
Federal Farm Credit Banks Funding Corporation	AAA	5.0
Common Fund Bond Fund	A+	5.1
PIMCO Pooled Bond Fund	BAA+/AA/A	8.4
MSIFT Ultra Fixed Income Funds	AAAf	0.5
Blackrock Credit Strategies Income Fund	Not rated	0.2
US Treasury securities	AAA	3.0
Marketable debt securities	Various	2.7
	<b>2021</b>	
	<b>Credit rating</b>	<b>Percentage of total investments</b>
Federal National Mortgage Association	AAA	1.5 %
Federal Home Loan Mortgage Corporation	AAA	0.7
Federal Home Loan Banks	AAA	14.8
Federal Farm Credit Banks Funding Corporation	AAA	8.6
Common Fund Bond Fund	A+	5.2
PIMCO Pooled Bond Fund	BAA+/AA/A	5.9
US Treasury securities	AAA	3.3
Marketable debt securities	Various	3.4

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

*(ii) Interest Rate Risk*

At June 30, 2022 and 2021, the maturity dates of the University's fixed income investments are as follows (in thousands):

		<b>2022</b>				
		<b>Years to maturity</b>				
	<b>Fair value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>	
U.S. Treasury securities	\$ 11,293	2,994	4,277	4,022	—	
U.S. federal agency notes	71,204	1,049	65,390	223	4,542	
Marketable debt securities	10,280	3,906	3,914	2,460	—	
Commingled fixed income funds	53,730	1,996	28,029	4,401	19,304	
	<b>\$ 146,507</b>	<b>9,945</b>	<b>101,610</b>	<b>11,106</b>	<b>23,846</b>	

		<b>2021</b>				
		<b>Years to maturity</b>				
	<b>Fair value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>	
U.S. Treasury securities	\$ 13,358	1,053	7,393	4,912	—	
U.S. federal agency notes	103,705	394	95,310	—	8,001	
Marketable debt securities	13,647	3,166	5,745	4,502	234	
Commingled fixed income funds	44,994	1,482	18,907	3,585	21,020	
	<b>\$ 175,704</b>	<b>6,095</b>	<b>127,355</b>	<b>12,999</b>	<b>29,255</b>	

Commingled fixed income funds are classified based on the weighted average maturity of the individual investment instruments within each fund.

The University's Investment Policies do not specifically address the length to maturity on investments which the University must follow; however, they do require that the maturity range of investments be consistent with the liquidity requirements of the University.

*(iii) Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, an organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held by third party institutions in the name of the University. The University's Investment Policies do not specifically address custodial credit risk.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

*(iv) Mortgage-Backed Securities*

The University, from time to time, invests in mortgage-backed securities such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and other government sponsored enterprises of the United States government. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

*(v) Fair Value Measurement*

Fair value measurements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72. These guidelines prioritize the inputs of valuation techniques used to measure fair value, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs

The level in the fair value hierarchy that determines the classification of an asset or liability depends on the lowest level input that is significant to the fair value measurement. Observable inputs are derived from quoted market prices for assets or liabilities traded on an active market where there is sufficient activity to determine a readily determinable market price. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable inputs. The University's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third-party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value as of June 30, 2022 and 2021 (in thousands):

Description	Asset fair value measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ 11,293	—	—	11,293
U.S. federal agency notes	—	71,204	—	71,204
Commingled equity funds	79,704	29,420	—	109,124
Commingled fixed income funds	34,426	19,304	—	53,730
Marketable equity securities	57,697	—	—	57,697
Marketable debt securities	10,280	—	—	10,280
Private equity	—	—	23,571	23,571
Total investments at fair value	\$ 193,400	119,928	23,571	336,899
Investments measured at NAV:				
Private equity				2,255
Managed income alternative investments (low volatility multi-strategy funds of funds)				37,055
Total investments			\$	376,209

Description	Liability fair value measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	\$ —	22,833	—	22,833

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

<u>Description</u>	<u>Asset fair value measurements at June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ 13,358	—	—	13,358
U.S. federal agency notes	—	103,705	—	103,705
Commingled equity funds	69,864	48,589	—	118,453
Commingled fixed income funds	23,974	21,020	—	44,994
Marketable equity securities	48,759	—	—	48,759
Marketable debt securities	13,647	—	—	13,647
Private equity	—	—	18,213	18,213
Total investments at fair value	<u>\$ 169,602</u>	<u>173,314</u>	<u>18,213</u>	361,129
Investments measured at NAV:				
Private equity				1,703
Managed income alternative investments (low volatility multi-strategy funds of funds)				<u>41,249</u>
Total investments			<u>\$ 18,213</u>	<u>\$ 404,081</u>

<u>Description</u>	<u>Liability fair value measurements at June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate exchange agreements	\$ —	39,332	—	39,332

A rollforward schedule of amounts for Level 3 financial instruments for the fiscal years ended June 30, 2022 and 2021 is as follows (in thousands):

<u>Description</u>	<u>Private equity and real estate</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 19,510	13,472
Purchases	5,570	1,090
Net realized/unrealized gains (losses)	(440)	4,244
Sales	<u>(1,070)</u>	<u>(594)</u>
Ending balance	<u>\$ 23,570</u>	<u>18,212</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(5) Noncurrent Liabilities**

A summary of the University's noncurrent liability activity for the period ended June 30, 2022 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 482,244	\$ —	\$ (18,608)	\$ 463,636	\$ 23,948	\$ 439,688
Notes payable	1,336	—	(536)	800	732	68
Capital lease obligations	11,936	5,831	(5,146)	12,621	3,225	9,396
Total long-term debt	<u>495,516</u>	<u>5,831</u>	<u>(24,290)</u>	<u>477,057</u>	<u>27,905</u>	<u>449,152</u>
Other noncurrent liabilities:						
Net pension liability	315,591	—	(78,013)	237,578	—	237,578
Net OPEB liability	260,646	—	(55,268)	205,378	—	205,378
Other long-term liabilities	103,641	—	(28,161)	75,480	4,750	70,730
Total other noncurrent liabilities	<u>679,878</u>	<u>—</u>	<u>(161,442)</u>	<u>518,436</u>	<u>4,750</u>	<u>513,686</u>
Total noncurrent liabilities	<u>\$ 1,175,394</u>	<u>\$ 5,831</u>	<u>\$ (185,732)</u>	<u>\$ 995,493</u>	<u>\$ 32,655</u>	<u>\$ 962,838</u>



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

A summary of the University's noncurrent liability activity for the period ended June 30, 2021 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 452,651	\$ 50,535	\$ (16,416)	\$ 486,770	\$ 22,300	\$ 464,470
Notes payable	5,431	—	(763)	4,668	938	3,730
Capital lease obligations	13,272	2,544	(5,107)	10,709	6,084	4,625
Total long-term debt	<u>471,354</u>	<u>53,079</u>	<u>(22,286)</u>	<u>502,147</u>	<u>29,322</u>	<u>472,825</u>
Other noncurrent liabilities:						
Net pension liability	294,615	20,976	—	315,591	—	315,591
Net OPEB liability	103,288	157,359	—	260,647	—	260,647
Other long-term liabilities	91,537	16,015	(9,006)	98,546	5,103	93,443
Total other noncurrent liabilities	<u>489,440</u>	<u>194,350</u>	<u>(9,006)</u>	<u>674,784</u>	<u>5,103</u>	<u>669,681</u>
Total noncurrent liabilities	<u>\$ 960,794</u>	<u>\$ 247,429</u>	<u>\$ (31,292)</u>	<u>\$ 1,176,931</u>	<u>\$ 34,425</u>	<u>\$ 1,142,506</u>

Other long-term liabilities primarily consist of liabilities related to compensated absences and the fair value of derivatives. Amounts due within one year are included in current portion of other long-term liabilities and accounts payable and accrued liabilities.

In July 2018, the University converted a 2015 line of credit into a term loan for a period of five years, with monthly payments of \$63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at June 30, 2022 and 2021 is \$800,000 and \$1,511,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

**(a) USA Research and Technology Corporation**

*(i) Notes Payable*

Notes payable from direct borrowings consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
PNC Bank promissory note, 4.38%, payable through 2028	\$ 11,368,263	11,848,434
University of South Alabama, 3.00%, payable through 2023	505,831	897,074
Hancock Whitney promissory note, 3.08%, payable through 2031	7,845,174	8,304,174
	<u>\$ 19,719,268</u>	<u>21,049,682</u>

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In fiscal year 2021, the Corporation refinanced a second promissory note payable to PNC Bank by entering into an agreement with Hancock Whitney Bank for a promissory note payable with a 10-year term. Amortization of this note is based on a 10-year term and is secured by an interest in rental leases and an interest in income received from rental of Building I. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with the PNC note and the Hancock Whitney note, the University entered into an agreement with the lenders providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2021, the Corporation's debt service coverage ratio was 1.55 to 1.

The Corporation's outstanding notes from direct borrowings with PNC Bank and Hancock Whitney Bank contain a provision that, in the event of default, PNC Bank or Hancock Whitney Bank may take any or all of the following actions: (a) declare the loan due and payable, (b) declare the note in default, and (c) exercise any other remedies or rights which it has under any instrument executed in connection with the loan. Prior to any of these actions, however, PNC Bank and Hancock Whitney Bank will give the Corporation 30 days to cure the default. The Corporation's outstanding note from a direct borrowing with the University contains a provision that, in the event principal payments are not made when due, allows the University to declare the loan due and payable.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

*(ii) Debt Service on Long-Term Obligations*

At June 30, 2022, total future debt service by fiscal year is as follows:

	<b>Debt service on notes payable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	339,988	187,686	527,674
2023	1,390,310	720,389	2,110,699
2024	1,021,700	676,194	1,697,894
2025	1,060,743	637,151	1,697,894
2026	1,101,324	596,570	1,697,894
2027-2031	14,805,203	1,264,105	16,069,308
Total	\$ 19,719,268	4,082,095	23,801,363

*(iii) Derivative Transaction*

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a “receive-variable, pay-fixed” interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was \$1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At June 30, 2022 and 2021, the unamortized balance in deferred outflows was \$800,924 and \$963,206, respectively.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

**(6) Bonds Payable**

Bonds payable consisted of the following at June 30, 2022 and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92%, payable through August 2032	—	16,523
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83%, payable through August 2033	21,290	22,764
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83%, payable through August 2033	5,323	5,691
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78%, payable through August 2028	5,179	5,841
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of one-month LIBOR plus 0.73%, 2.36% at June 30, 2018, payable through March 2024	16,505	24,160
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47%, payable through August 2030	3,375	3,750
University Facilities Revenue Refunding Bonds, Series 2016, 3.00% to 5.00%, payable through November 2037	74,455	77,455
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 2.35% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021	20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 2.40% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023	35,000	35,000

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

	<b>2022</b>	<b>2021</b>
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 2.46% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	\$ 45,000	\$ 45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	32,320	33,690
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 1, 2049	47,750	47,750
Taxable University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 1, 2033	15,930	17,205
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	14,528	16,112
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	35,090	36,105
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041	39,380	40,555
University Facilities Revenue Bonds, Series 2021-B, 1.398%, payable through August 1, 2032	15,387	—
	426,512	447,601
Plus unamortized premium	38,558	40,711
Less unamortized debt extinguishment costs	(1,434)	(1,542)
	\$ 463,636	\$ 486,770

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes USA Health Children's and Women's Hospital revenues in an amount not exceeding \$10,000,000. The Series 2012-A Bonds began maturing in August 2013. In July 2021 the University issued 2021-B to refund the remaining Series 2012-A bonds. The Series 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A Bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and are redeemable beginning in June 2020. The Series 2016-A Bonds began maturing in November 2018 and are redeemable beginning in November 2026. The Series 2016-B, C and D Bonds will begin maturing in December 2024 and became redeemable as of December 2017. The Series 2017 Bonds began maturing in October 2017 and are redeemable beginning in October 2027. The Series 2019-A will begin maturing in April 2033. The Series 2019-B began maturing in April 2021. Both Series 2019-A and 2019-B are both redeemable beginning in April 2029. The Series 2019-C Bonds began maturing on April 1, 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds began maturing on April 1, 2021 and are redeemable beginning April 1, 2030. Series 2021 Bonds will begin maturing on April 1, 2022 and are redeemable beginning April 1, 2041. The Series 2021 B Bonds began maturing on August 1, 2022 and are not subject to redemption at the option of the University.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of \$85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the assets of the escrow trust account nor the defeased indebtedness were included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of \$7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C and D, with a face value totaling \$100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of \$4,539,000 was recorded as a deferred inflow of resources and is being amortized over the remaining life of the Series 2016-B, C & D Bonds.

In February 2020, the University issued its University Facilities Revenue Bonds, Series 2020, with a face value of \$37,005,000. The proceeds from the Series 2020 Bonds are financing a transportation hub, a warehouse building and improvements and new construction to certain USA Health facilities.

In March 2021, the University issued its University Facilities Revenue Bonds, Series 2021, with a face value of \$40,555,000. The proceeds from the Series 2021 Bonds are financing USA Health facilities and transportation infrastructure. In July 2021, the University issued its University Facilities Revenue Refunding Bonds, Series 2021-B, with a face value of \$15,387,000. The proceeds refunded the remaining Series 2012-A Bonds.

In September 2021, the terms for Bonds 2016-B, 2016-C and 2016-D were revised to address the removal of the LIBOR rate to be replaced by the ISDA-based replacement index after year ended September 30, 2021. The dates by which the Lender may cause all of the outstanding principal on such bonds to mature and become due and payable by the University were extended 5 years for each bond.

Approximately \$3,183,000 and \$14,865,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at June 30, 2022 and 2021 and is included in restricted cash and cash equivalents on the 2021 and 2020 statement of net position. Approximately \$34,404,000 and \$49,487,000 of proceeds from the issuance of the Series 2021 Bonds remained unspent at June 30, 2022 and 2021, respectively and are included in restricted cash and cash equivalents on the 2022 and 2021 statements of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At June 30, 2022 and 2021, no amounts were due or recorded in the financial statements.

The University is subject to restrictive covenants related to its bonds payable.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**Debt Service on Long-Term Obligations**

Total debt service (which includes bonds and notes payable) by fiscal period June 30, 2022 is as follows (in thousands):

<b>Debt service on notes and bonds</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 4,390	\$ 1,363	\$ 5,753
2023	22,942	14,106	37,048
2024	23,292	13,550	36,842
2025	21,289	12,962	34,251
2026	22,190	12,343	34,533
2027-2031	120,062	51,045	171,107
2032-2036	122,812	30,788	153,600
2037-2041	65,305	12,217	77,522
2042-2046	16,050	4,731	20,781
2047-2051	8,980	917	9,897
Subtotal	427,312	\$ 154,022	\$ 581,334
Plus (less):			
Unamortized bond premium	38,558		
Unamortized debt extinguishment costs	(1,434)		
Total	\$ 464,436		

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

**(7) Capital Lease Obligations**

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, transportation vehicles and other office equipment.

Future minimum capital lease payments at June 30, 2022, are as follows (in thousands):

2022	1,267
2023	3,267
2024	2,569
2025	1,913
2026	1,303
2027-2039	4,822
	15,141
Less amounts representing interest	(2,572)
Net minimum lease payments	\$ 12,569

These amounts are included in long-term debt (and current portion thereof) in the accompanying statements of net position.

**(8) Derivative Transactions – Interest Rate Swaps**

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. In December 2013, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2004 Bonds to enter into an interest rate swap agreement with the University with an effective date of March 15, 2014. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2004 Bonds, the University redeemed those bonds in April 2014 with proceeds from the Series 2014-A Bonds.

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the Series 2016-B, C & D Bonds.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 4.9753% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.73%.

The 2016 swap will terminate in December 2036, when the Series 2016-B, C & D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap,



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C & D Bonds bear a weighted average interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.79%.

*Fair value.* The 2014 interest rate swap had a negative fair value of approximately \$(9,138,000) at its inception. This borrowing arising from the 2014 interest rate swap, net of any amortization, is reported as other long-term liabilities on the statements of net position. The change in the fair value of the swap is reported as a deferred inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

The 2016 interest rate swap had a negative fair value of approximately \$(48,530,000) at its inception. This borrowing arising from the 2016 interest rate swap, net of any amortization, is reported as other long-term liabilities in the statements of net position. The change in the fair value of the swap is reported as a deferred inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

*Risks Associated with these Transactions*

*Interest rate risk.* As the LIBOR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payments on the Series 2014-A and Series 2016-B, C & D Bonds. The University's exposure is limited to 0.48% and 0.54% of the notional amounts, the difference in the payment from the counterparty and the interest payment on the Series 2014-A and Series 2016-B, C & D Bonds.

*Credit risk.* As of June 30, 2022 and 2021, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2021 and 2020.

*Termination risk.* The University may be required to terminate the swaps based on certain standard default and termination events, such as failure to make payments, breach of agreements and bankruptcy. As of the current date, no events of termination have occurred.

*Derivative payments and hedged debt.* As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of June 30, 2022 and calculating interest for

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year, are as follows (in thousands):

	<b>Variable rate note</b>		<b>Interest rate swap, net</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2022	\$ -	53	578	631
2023	8,050	213	885	9,148
2024	8,455	103	336	8,894
Total	\$ 16,505	369	1,799	18,673

Debt service requirements for the 2016 interest rate swap payments, by fiscal year, are as follows (in thousands):

	<b>Variable rate note</b>		<b>Interest rate swap, net</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2022	\$ —	235	(99)	136
2023	—	1,155	4,385	5,540
2024	—	1,404	4,137	5,541
2025	5,600	1,448	3,929	10,977
2026–2030	32,610	6,340	15,429	54,379
2031–2035	41,880	3,388	8,102	53,370
2036–2039	19,910	259	831	21,000
Total	\$ 100,000	14,229	36,714	150,943

**(9) Patient Service Revenues**

USA Health, a division of the University, which includes two hospitals, a freestanding emergency room, a cancer treatment center and a physicians group, has agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the USA Health's billings at established rates for services and amounts reimbursed by third-party payers.

A summary of the basis of reimbursement with major-third party payers follows:

**Medicare** – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both 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. USA Health is

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

USA Health University Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2019.

**Blue Cross** – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon MS-DRG groupings. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on BCBS EAPGs.

Revenues from the Blue Cross program accounted for approximately 28% and 29% of USA Health's net patient service revenues for the years ended September 30, 2021 and 2020, respectively

**Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule.

USA Health qualifies as a Medicaid essential provider and, therefore, also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. There can be no assurance that USA Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenues from the Medicaid program accounted for approximately 25% and 26% of USA Health's net patient service revenues for the years ended September 30, 2021 and 2020, respectively.

**Other** – USA Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to USA Health under these agreements include discounts from established charges and prospectively determined daily and case rates.

**(10) Defined Benefit Cost Sharing Pension Plan**

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the TRS.

**(a) Plan Description**

The TRS was established in September 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(b) Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after ten years of creditable service. Tier 1 TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five years of services (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the higher monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest three of the last ten 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 sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or 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 five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

**(c) Contributions**

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

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

Participating employers' contractually required contribution rates were 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$21,566,000 and \$21,413,000 for the years ended September 30, 2021 and 2020,

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

respectively. Contributions subsequent to measurement date will be recorded before fiscal year 2022 close. \*

**(d) Pension Liabilities, Pension Expenses, Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

At September 30, 2022 and 2021, the University reported a liability of \$237,578,000 and \$315,591,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2022, the collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2021, the University's proportion of contributions to the pension plan was 2.521971%, which was a decrease of 0.029359% from its proportion measured as of September 30, 2020 of 2.551330%.

For the years ended September 30, 2022 and 2021, the University recognized pension expense of approximately \$5,810,000 and \$18,845,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<b>2022</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ —	56,080
Changes of assumptions	24,938	—
Differences between expected and actual experience	11,000	13,842
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	21,733
Employer contributions subsequent to measurement date	*	—
	\$ *	91,655

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

	<b>2021</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 23,438	—
Changes of assumptions	3,282	—
Differences between expected and actual experience	15,619	5,473
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	30,825
Employer contributions subsequent to measurement date	21,566	—
	\$ 63,905	36,298

At September 30, 2021, approximately \$21,566,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date has been recognized as a reduction of the net pension liability for the year ending September 30, 2021. Contributions subsequent to measurement date for fiscal year 2022 will be available later this year. \* Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:	
2023	\$ (14,587)
2024	(10,976)
2025	(13,258)
2026	(16,896)
2027	—
	\$ (55,717)

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

**(e) Actuarial Assumptions**

The total pension liability as of September 30, 2022 and 2021 was determined by an actuarial valuation as of September 30, 2021 and 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Inflation	2.50 %	2.75 %
Investment rate of return*	7.45	7.70
Projected salary increases	3.25-5.00	3.25-5.00

\* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for females.

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

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

	2022	
	Target allocation	Long-term expected rate of return*
Fixed income	17.0 %	4.4 %
U.S. large stocks	32.0	8.0
U.S. mid stocks	9.0	10.0
U.S. small stocks	4.0	11.0
International developed market stocks	12.0	9.5
International emerging market stocks	3.0	11.0
Alternatives	10.0	10.1
Real estate	10.0	7.5
Cash equivalents	3.0	1.5
	100.0 %	

\* Includes assumed rate of inflation of 2.50%

**(f) Discount Rate**

The discount rate used to measure the total pension liability as of both September 30, 2022 and 2021 was 7.45% and 7.70%, respectively. 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, the pension plan's fiduciary net position was 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.

**(g) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate (in thousands):

	2022		
	1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	\$ 349,692	237,578	143,149



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(h) Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2020. The auditors' report dated February 2, 2021 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2020 along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**(11) Other Employee Benefits**

**(a) Other Pension Plans**

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed \$422,000 and \$462,000 in 2021 and 2020, respectively, representing 190 and 197 employees for 2021 and 2020, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed \$6,553,000 and \$5,544,000 in 2021 and 2020, respectively, representing 1,984 and 1,436 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

**(b) Compensated Absences**

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately \$12,644,000 and \$12,962,000 at September 30, 2021 and 2020, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Notes to Basic Financial Statements  
June 30, 2022

statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

**(12) Other Post-Employment Benefit Plans**

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

**(a) Plan Description**

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. Effective for the year ended September 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statements note disclosures.

**(b) Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

**(c) Contributions**

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were \$6,868,000 and \$7,947,000 for the years ended September 30, 2021 and 2020, respectively. Contributions for fiscal year 2022 will be updated when available. \*

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(d) OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2022 and 2021, the University reported a liability of \$205,378,000 and \$260,646,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2022, the net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2021, the University's proportion of contributions to the OPEB plan was 3.974950%, which was a decrease of 0.041260% from its proportion measured as of September 30, 2020 of 4.016210%.

For the years ended September 30, 2022 and 2021, the University recognized OPEB expense of approximately \$1,286,000 and \$7,208,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<b>2022</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	6,406
Differences between expected and actual experience	4,859	71,452
Changes of assumptions	73,143	79,606
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,991	29,515
Employer contributions subsequent to the measurement date	*	—
	\$ *	186,979

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

	<b>2021</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	11
Differences between expected and actual experience	6,610	93,709
Changes of assumptions	91,042	48,400
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,698	36,524
Employer contributions subsequent to the measurement date	6,868	—
	\$ 204,218	178,644

At September 30, 2021, approximately \$6,868,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022. Contributions subsequent to measurement date for fiscal year 2022 will be available later this year. \* Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ending September 30:	
2023	\$ (15,970)
2024	(16,131)
2025	(15,794)
2026	14,704
2027	8,516
Thereafter	(6,310)
	\$ (30,985)

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(e) Actuarial Assumptions**

The total OPEB liability as of September 30, 2022 and 2021 was determined by an actuarial valuation performed as of September 30, 2020 and 2019, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation	2.50 %	2.75 %
Projected salary increases*	3.25%-5.00%	3.25%-5.00%
Long-term investment rate of return**	7.00 %	7.25 %
Municipal bond index rate at the measurement date	2.29	2.25
Municipal bond index rate at the prior measurement date	2.25	3.00
Projected year for fiduciary net position to be depleted	2051	2040
Single equivalent interest rate at the measurement date	3.97 %	3.05 %
Single equivalent interest rate at the prior measurement date	3.05	5.50 %
Healthcare cost trend rate		
Pre-medicare eligible	6.50 %	6.75 %
Medicare eligible	***	***
Ultimate trend rate		
Pre-medicare eligible	4.50 %	4.75 %
Medicare eligible	4.50 %	4.75 %
Year of ultimate trend rate		
Pre-medicare eligible	2028	2027
Medicare eligible	2025	2024

\*\*\* Initial medicare claims are set based on scheduled increases through plan year 2022

Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2021 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019 valuation.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table:

	2021	
	Target allocation	Long-term expected real rate of return*
Fixed income	30 %	4.40 %
U.S. large stocks	38	8.00
U.S. mid stocks	8	10.00
U.S. small stocks	4	11.00
International developed market stocks	15	9.50
Cash	5	1.50
	100 %	

\* Geometric mean, includes 2.5% inflation

**(f) Discount Rate**

The discount rate used to measure the total OPEB liability at September 30, 2020 and 2019 was 3.05% and 5.50%, respectively. 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 employers must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019. 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation by the asset class and by the mean and variance of real returns. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

**(g) Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rates**

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 4.50%, as well as what the net OPEB liability would be if calculated

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

using 1-percentage point lower 3.50% or 1-percentage point higher 5.50% than the current rate (in thousands):

	<b>2022</b>		
	<b>1% Decrease (3.50)%</b>	<b>Current rate (4.50)%</b>	<b>1% Increase (5.50)%</b>
University's proportionate share of collective net OPEB liability	\$ 161,155	205,378	262,356

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 3.97%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 2.97% or 1-percentage point higher 4.97% than the current rate (in thousands):

	<b>2022</b>		
	<b>1% Decrease (2.97)%</b>	<b>Current rate (3.97)%</b>	<b>1% Increase (4.97)%</b>
University's proportionate share of collective net OPEB liability	\$ 252,624	205,378	167,482

**(h) OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2021 and 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021 and 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**(13) Risk Management**

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. An independent trustee administers both funds. These trust funds are revocable and use contributions by the University and HCA, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. Any risk related to the payment of claims is the responsibility of the PLTF and GLTF. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the financial statements of the University for the years ended September 30, 2021 and 2020. 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

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University, HCM and HCA each participate in a separate self-insured health plan administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately \$2,767,000 and \$2,560,000 in 2021 and 2020, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2021 and 2020 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ 39,995	39,400
Liabilities incurred and other additions	98,027	101,204
Claims, administrative fees paid and other reductions	(96,412)	(100,609)
Balance, end of year	\$ 41,610	39,995

These amounts are included in other long-term liabilities (and current portion thereof) and in accounts payable and accrued liabilities in the accompanying statements of net position.

**(14) Other Related Parties and Related-Party Transactions**

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2021, SAMSF had total assets of \$10,684,000, net assets of \$9,673,000, and total revenues of \$1,750,000 for the year then ended. At September 30, 2020, SAMSF had total assets of \$10,277,000, net assets of \$9,130,000, and total revenues of \$1,345,000 for the year then ended. SAMSF reimburses the University for certain administrative expenses and other related support services. No such amounts were received for such expenses in 2021 and 2020.

**(15) Commitments and Contingencies**

**(a) Grants and Contracts**

At September 30, 2021 and 2020, the University had been awarded approximately \$80,663,000 and \$53,257,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

**(b) Litigation**

Various claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion the resolution of these matters will not have a material effect on the financial position or the statements of revenues, expenses and changes in net position of the University.

**(c) Rent Supplement Agreements**

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 6). As of September 30, 2021 and 2020, no amounts were payable pursuant to these agreements.

**(d) USA Research and Technology Corporation Leases**

The Corporation leases space in Building I to five tenants under operating leases. One lease has a 5-year initial term expiring in October 2023 with two 5-year renewal options. The second lease has a 5-year term expiring in April 2024 with no renewal option. The third lease has a 5-year term expiring in July 2024 with no renewal option. The fourth lease has a 5-year initial term expiring in August 2024 with one 5-year renewal option. The fifth lease has a 90-month initial term expiring in June 2025 with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month-to-month to seven years.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (which generally is the first calendar year of the lease term). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 73,487 and 64,385 square feet at September 30, 2021 and 2020, respectively.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease had a 10-year initial term, expiring in March 2020, with three 5-year renewal options. The lease was renewed for an additional 5 years, expiring in March 2025, with three 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

The Corporation, as lessor, had three ground leases in place at September 30, 2021. One lease is for a 40-year initial term expiring in October 2046 with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term expiring in October 2036 with four 5-year renewal options. The third lease has a 38.5-year initial term expiring in September 2046 with 20-year and 15-year renewal options.

Minimum future rental revenues by fiscal year are as follows:

2022	\$ 3,508,946
2023	2,673,681
2024	2,007,227
2025	1,193,275
2026	789,248
2027–2049	<u>6,569,689</u>
Total	\$ <u>16,742,066</u>

**(16) Recently Issued Accounting Pronouncements**

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as allowed by Statement 95.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement, effective for periods ending after December 31, 2021, addresses financial reporting implications related to the replacement of LIBOR, which is expected to cease to exist in its current form at the end of 2021.

In May 2020, the GASB issued Statement No. 96 *Subscription Based Information Technology Arrangements* effective beginning with the fiscal year ending September 30, 2023 and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, effective beginning with the fiscal year ending September 30, 2022. Statement No. 96 requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to non-subscription payments, and requires note disclosures for SBITA. The objective of Statement No. 97 is to improve consistency and comparability of reporting for those entities who rely on the government to perform the duties of a governing board in its absence, mitigate the costs of reporting for defined contribution plans, and improve relevance, consistency, and comparability of accounting and financial reporting of Section 457 plans that meet the definition of a pension plan.

In October 2021, the GASB issued statement No. 98, *The Annual Comprehensive Financial Report and its acronym ACFR*. The statement, effective for periods after December 15, 2021, replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

In April 2022, the GASB issued statement No. 99, the *Omnibus 2022*. The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. The statement extends the use of LIBOR for accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to statements 53 and 63 effective upon issuance. The requirements related to leases, PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of statement 53 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued statement No. 100, *Accounting Changes and Error Corrections*, as an amendment of GASB statement No. 62. The statement, effective for periods after June 15, 2023, requires changes in accounting principles and error corrections be reported retroactively by restating prior periods,

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period and changes in accounting estimates be reported prospectively by recognizing the change in the current period.

In June 2022, the GASB issued statement No. 101, *Compensated Absences* is effective for fiscal years beginning after December 15, 2023. 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.

The effect of the implementation of GASB Statement Nos. 87, 89, 91, 92, 96, 97, 98, 99, 100 and 101 on the University has not yet been determined. Statements 93 and 94 will not impact the University.

**(17) COVID-19 Pandemic**

COVID-19, a respiratory disease caused by a novel strain of the coronavirus, has spread around the world, including the State of Alabama. The Centers for Disease Control confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020.

As a result of the pandemic, most higher education institutions, including the University, moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls. This had an adverse effect on the operations of the University due to the pro-rata refund of housing and dining fees and incremental costs incurred as a result of having to convert all instruction to an on-line format. All instruction for the May and summer terms was delivered online and residence calls remained largely closed. The University returned to a modified in-person delivery of education for the 2020 fall semester, although residence halls reopened at a lower occupancy level. For the 2021 fall semester, the University returned to normal operations and residence hall capacities returned to a near-normal level. Management is unable to predict the future impact of the pandemic on the University's operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to provide economic relief to Higher Education Institutions and other entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2021, the University (including USA Health) has been awarded \$93,064,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$68,749,000 was awarded during the year-ended September 30, 2021 and \$24,315,000 was awarded during the year ended September 30, 2020. Of the total amounts awarded \$58,249,000 and \$11,350,000 have been recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020, respectively.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAAPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Notes to Basic Financial Statements

June 30, 2022

also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. Beginning in April 2021, CMS began recouping the advanced payments by reducing the amount due to USA Health for Medicare and Medicaid services provided. CMS will reduce the remittances by 25% for the first 11 months and increase this percentage for the next six months if there is still a balance in advanced funds. The balance of the advanced payments are \$27,682,000 and \$35,156,000 as of September 30, 2021 and 2020, respectively and are reflected as unrecognized revenues in the accompanying 2021 and 2020 statements of net position.

Management believes the extent of the COVID-19 pandemic's adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the University's control and ability to forecast. The potential for a negative impact on University enrollment is also uncertain. Increased infection rates in our city and region certainly have the ability to increase the impact of these factors. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on the University.

The University (including USA Health) has not received additional CARES Act funding subsequent to September 30, 2021.




UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Finance and Administration

DATE: September 8, 2022

TO: President Jo Bonner

FROM: Polly Stokley 

SUBJECT: Resolution for University Budget for 2022-2023

On September 8, 2022, the Budget Council voted to submit the Total University Budget for 2022-2023 for your consideration.

Attached is the Resolution for the FY23 budget. With your approval, we will place this item on the agenda for the September 22, 2022, Board of Trustees meeting.

Attachment

A handwritten signature in black ink that reads "Jo Bonner". The signature is written in a cursive, slightly slanted style.

**RESOLUTION**

**UNIVERSITY TOTAL BUDGET FOR 2022-2023**

**BE IT RESOLVED**, the University of South Alabama Board of Trustees approves the 2022-2023 University of South Alabama Total Budget, and

**BE IT FURTHER RESOLVED**, that the University of South Alabama Board of Trustees approves the 2022-2023 Total Budget as a continuation for 2023-2024 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2023-2024 fiscal year.



**UNIVERSITY OF SOUTH ALABAMA  
BUDGET  
2022-2023**



**INDEX**

	<u><b>PAGE</b></u>
<b>TOTAL CURRENT FUNDS BUDGET SUMMARY</b>	<b>1</b>
<b>UNRESTRICTED CURRENT FUNDS BUDGET SUMMARY</b>	<b>2</b>
<b>RESTRICTED CURRENT FUNDS BUDGET SUMMARY</b>	<b>3</b>
<b>UNRESTRICTED CURRENT FUNDS BY OPERATING DIVISION:</b>	
<b>OPERATIONS AND MAINTENANCE</b>	<b>4</b>
<b>COLLEGE OF MEDICINE</b>	<b>5</b>
<b>USA HEALTH</b>	<b>6</b>
<b>AUXILIARY SERVICES</b>	<b>7</b>
<b>SCHEDULE OF STATE APPROPRIATIONS</b>	<b>8</b>

**UNIVERSITY OF SOUTH ALABAMA  
2022-2023 BUDGET SUMMARY  
TOTAL CURRENT FUNDS**

	<b>2022-2023 BUDGET</b>			<b>2021-2022 BUDGET</b>
	<b>UNRESTRICTED</b>	<b>RESTRICTED</b>	<b>TOTAL</b>	
<b>REVENUES:</b>				
TUITION AND FEES	\$ 157,142,487	\$	\$ 157,142,487	\$ 160,080,362
STATE APPROPRIATIONS	140,713,869		140,713,869	129,097,530
FEDERAL GRANTS AND CONTRACTS	5,445,768	49,000,000	54,445,768	81,395,768
STATE AND LOCAL GRANTS AND CONTRACTS	816,209	9,200,000	10,016,209	9,088,055
PRIVATE GIFTS, GRANTS AND CONTRACTS	5,601,552	8,100,000	13,701,552	13,881,552
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	9,064,000		9,064,000	8,458,000
USA HEALTH	889,461,972		889,461,972	798,724,991
AUXILIARY SERVICES	21,869,999		21,869,999	22,385,035
OTHER SOURCES	11,150,777	7,300,000	18,450,777	17,271,507
<b>TOTAL REVENUES</b>	<u>1,241,266,633</u>	<u>73,600,000</u>	<u>1,314,866,633</u>	<u>1,240,382,800</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>				
<b>EDUCATIONAL AND GENERAL:</b>				
INSTRUCTION	111,850,672	9,900,000	121,750,672	121,025,142
RESEARCH	9,118,663	22,000,000	31,118,663	33,544,822
PUBLIC SERVICE	3,229,198	6,500,000	9,729,198	9,189,575
ACADEMIC SUPPORT	32,510,270		32,510,270	31,507,565
STUDENT SERVICES	35,562,204	900,000	36,462,204	35,788,889
INSTITUTIONAL SUPPORT	29,345,901	5,700,000	35,045,901	53,328,850
OPERATION AND MAINTENANCE OF PLANT	37,672,219		37,672,219	35,951,371
SCHOLARSHIPS	29,847,327	28,600,000	58,447,327	63,906,535
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>289,136,454</u>	<u>73,600,000</u>	<u>362,736,454</u>	<u>384,242,749</u>
<b>MANDATORY TRANSFERS FOR:</b>				
PRINCIPAL AND INTEREST	20,300,458		20,300,458	19,828,219
LOAN FUND MATCHING GRANTS	150,000		150,000	150,000
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<u>309,586,912</u>	<u>73,600,000</u>	<u>383,186,912</u>	<u>404,220,968</u>
<b>USA HEALTH:</b>				
EXPENDITURES	867,791,376		867,791,376	756,929,085
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	21,170,617		21,170,617	16,656,122
<b>TOTAL USA HEALTH</b>	<u>888,961,993</u>		<u>888,961,993</u>	<u>773,585,207</u>
<b>AUXILIARY SERVICES:</b>				
EXPENDITURES	15,073,085		15,073,085	15,647,201
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	5,442,017		5,442,017	5,442,017
<b>TOTAL AUXILIARY SERVICES</b>	<u>20,515,102</u>		<u>20,515,102</u>	<u>21,089,218</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>1,219,064,007</u>	<u>73,600,000</u>	<u>1,292,664,007</u>	<u>1,198,895,393</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>				
RENEWALS AND REPLACEMENTS	(5,910,995)		(5,910,995)	(4,052,874)
OTHER TRANSFERS	(16,291,631)		(16,291,631)	(37,434,533)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**UNIVERSITY OF SOUTH ALABAMA  
2022-2023 BUDGET SUMMARY  
RESTRICTED CURRENT FUNDS**

	<u>OPERATIONS AND MAINTENANCE</u>	<u>COLLEGE OF MEDICINE</u>	<u>USA HEALTH</u>	<u>2022-2023 BUDGET</u>	<u>2021-2022 BUDGET</u>
<b>REVENUES:</b>					
FEDERAL GRANTS AND CONTRACTS	\$ 35,500,000	\$ 11,000,000	\$ 2,500,000	\$ 49,000,000	\$ 76,000,000
STATE AND LOCAL GRANTS AND CONTRACTS	6,500,000	2,700,000		9,200,000	8,500,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	4,700,000	2,700,000	700,000	8,100,000	7,600,000
OTHER	4,800,000	2,500,000		7,300,000	6,700,000
<b>TOTAL REVENUES</b>	<u>51,500,000</u>	<u>18,900,000</u>	<u>3,200,000</u>	<u>73,600,000</u>	<u>98,800,000</u>
<b>EXPENDITURES:</b>					
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION	6,200,000	3,700,000		9,900,000	9,600,000
RESEARCH	10,500,000	10,800,000	700,000	22,000,000	24,100,000
PUBLIC SERVICE	4,400,000	2,100,000		6,500,000	6,100,000
STUDENT SERVICES	900,000			900,000	900,000
INSTITUTIONAL SUPPORT	3,200,000		2,500,000	5,700,000	25,400,000
SCHOLARSHIPS	26,300,000	2,300,000		28,600,000	34,500,000
<b>TOTAL EXPENDITURES</b>	<u>51,500,000</u>	<u>18,900,000</u>	<u>3,200,000</u>	<u>73,600,000</u>	<u>100,600,000</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>					
OTHER TRANSFERS					1,800,000
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA  
OPERATIONS AND MAINTENANCE  
2022-2023 BUDGET  
UNRESTRICTED CURRENT FUNDS**

	<u>2022-2023 BUDGET</u>	<u>2021-2022 BUDGET</u>
<b>REVENUES:</b>		
TUITION AND FEES	\$ 146,197,487	\$ 149,710,362
ALLOCATION OF STATE APPROPRIATIONS	86,666,876	79,266,753
FEDERAL GRANTS AND CONTRACTS	1,445,768	1,195,768
STATE GRANTS AND CONTRACTS	578,461	378,461
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,751,552	4,501,552
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	8,714,000	8,108,000
OTHER SOURCES	<u>9,100,777</u>	<u>8,571,507</u>
<b>TOTAL REVENUES</b>	<u>256,454,921</u>	<u>251,732,403</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	87,513,821	87,712,528
RESEARCH	3,363,663	3,277,822
PUBLIC SERVICE	2,167,692	2,105,296
ACADEMIC SUPPORT	25,741,779	25,401,261
STUDENT SERVICES	35,151,022	34,462,953
INSTITUTIONAL SUPPORT	24,621,222	23,390,267
OPERATION AND MAINTENANCE OF PLANT	30,197,365	28,844,589
SCHOLARSHIPS	<u>27,815,827</u>	<u>27,599,035</u>
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>236,572,391</u>	<u>232,793,751</u>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	20,300,458	19,828,219
LOAN FUND MATCHING GRANTS	<u>150,000</u>	<u>150,000</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>257,022,849</u>	<u>252,771,970</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
RENEWALS AND REPLACEMENTS	(730,000)	(730,000)
OTHER TRANSFERS	<u>1,297,928</u>	<u>1,769,567</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA  
COLLEGE OF MEDICINE  
2022-2023 BUDGET  
UNRESTRICTED CURRENT FUNDS**

	<u><b>2022-2023 BUDGET</b></u>	<u><b>2021-2022 BUDGET</b></u>
<b>REVENUES:</b>		
TUITION AND FEES	\$ 10,945,000	\$ 10,370,000
ALLOCATION OF STATE APPROPRIATIONS	37,131,315	33,939,404
FEDERAL GRANTS AND CONTRACTS	4,000,000	4,200,000
STATE GRANTS AND CONTRACTS	237,748	209,594
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,850,000	1,780,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	350,000	350,000
OTHER SOURCES	<u>2,050,000</u>	<u>2,000,000</u>
<b>TOTAL REVENUES</b>	<u><b>56,564,063</b></u>	<u><b>52,848,998</b></u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	24,336,851	23,712,614
RESEARCH	5,755,000	6,167,000
PUBLIC SERVICE	1,061,506	984,279
ACADEMIC SUPPORT	6,768,491	6,106,304
STUDENT SERVICES	411,182	425,936
INSTITUTIONAL SUPPORT	4,724,679	4,538,583
OPERATION AND MAINTENANCE OF PLANT	7,474,854	7,106,782
SCHOLARSHIPS	<u>2,031,500</u>	<u>1,807,500</u>
<b>TOTAL EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u><b>52,564,063</b></u>	<u><b>50,848,998</b></u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
RENEWALS AND REPLACEMENTS	<u>(4,000,000)</u>	<u>(2,000,000)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ -</b></u></u>

**UNIVERSITY OF SOUTH ALABAMA  
USA HEALTH  
2022-2023 BUDGET  
UNRESTRICTED CURRENT FUNDS**

	<b>2022-2023 BUDGET</b>	<b>2021-2022 BUDGET</b>
<b>REVENUES:</b>		
GROSS PATIENT REVENUES	\$ 2,018,493,012	\$ 1,668,981,372
CONTRACTUAL ADJUSTMENTS	1,147,251,607	882,273,364
OTHER ADJUSTMENTS	16,010,860	16,961,341
TOTAL DEDUCTIONS FROM REVENUES	<u>1,163,262,467</u>	<u>899,234,705</u>
NET PATIENT REVENUES	<u>855,230,545</u>	<u>769,746,667</u>
ALLOCATION OF STATE APPROPRIATIONS	16,915,678	15,891,373
MOBILE COUNTY HOSPITAL BOARD	18,925,481	17,920,537
MOBILE COUNTY INDIGENT CARE BOARD	464,108	350,000
MEDICAID DISPROPORTIONATE SHARE		2,493,739
OTHER REVENUES	<u>14,841,838</u>	<u>8,214,048</u>
<b>TOTAL REVENUES</b>	<u>906,377,650</u>	<u>814,616,364</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EXPENDITURES:</b>		
NURSING SERVICES	257,070,277	192,583,386
PROFESSIONAL SERVICES	176,483,734	149,582,284
GENERAL DIVISION	25,653,576	26,567,387
ADMINISTRATIVE DIVISION	107,362,477	94,687,442
MEDICAL EDUCATION	25,275,204	23,734,882
AMBULATORY CLINICS	170,300,714	157,722,252
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>105,645,394</u>	<u>112,051,452</u>
<b>TOTAL EXPENDITURES</b>	<u>867,791,376</u>	<u>756,929,085</u>
<b>MANDATORY TRANSFERS FOR:</b>		
PRINCIPAL AND INTEREST	<u>21,170,617</u>	<u>16,656,122</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>888,961,993</u>	<u>773,585,207</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	<u>(17,415,657)</u>	<u>(41,031,157)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA  
AUXILIARY SERVICES  
2022-2023 BUDGET  
UNRESTRICTED CURRENT FUNDS**

	<u>HOUSING</u>	<u>DINING SERVICES</u>	<u>BOOKSTORE</u>	<u>2022-2023 BUDGET</u>	<u>2021-2022 BUDGET</u>
<b>REVENUES:</b>					
RENTAL INCOME	\$ 11,980,174			\$ 11,980,174	\$ 11,681,042
SALES					1,146,400
COMMISSION INCOME		8,564,782	866,483	9,431,265	9,148,568
OTHER INCOME	326,560	130,000	2,000	458,560	409,025
<b>TOTAL REVENUES</b>	<u>12,306,734</u>	<u>8,694,782</u>	<u>868,483</u>	<u>21,869,999</u>	<u>22,385,035</u>
<b>EXPENDITURES:</b>					
SALARIES AND WAGES	2,093,644	160,207	18,900	2,272,751	2,116,577
EMPLOYEE BENEFITS	472,399	64,083	7,560	544,042	484,934
OTHER EXPENDITURES	4,155,020	7,721,202	380,070	12,256,292	13,045,690
<b>TOTAL EXPENDITURES</b>	<u>6,721,063</u>	<u>7,945,492</u>	<u>406,530</u>	<u>15,073,085</u>	<u>15,647,201</u>
<b>NET OPERATING INCOME</b>	<u>5,585,671</u>	<u>749,290</u>	<u>461,953</u>	<u>6,796,914</u>	<u>6,737,834</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):</b>					
<b>MANDATORY TRANSFERS:</b>					
PRINCIPAL AND INTEREST	(4,754,800)	(450,685)	(236,532)	(5,442,017)	(5,442,017)
<b>NON-MANDATORY TRANSFERS:</b>					
RENEWALS AND REPLACEMENTS	(830,871)	(262,605)	(87,519)	(1,180,995)	(1,322,874)
OTHER TRANSFERS	(36,000)	(36,000)	(137,902)	(173,902)	27,057
<b>TOTAL TRANSFERS</b>	<u>(5,585,671)</u>	<u>(749,290)</u>	<u>(461,953)</u>	<u>(6,796,914)</u>	<u>(6,737,834)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**UNIVERSITY OF SOUTH ALABAMA  
STATE APPROPRIATIONS  
EDUCATION TRUST FUND**

2022-2023  
\$ 140,713,869

2021-2022  
\$ 129,097,530

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**LONG-RANGE PLANNING  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Long-Range Planning Committee**

**June 2, 2022**

**3:26 p.m.**

A meeting of the Long-Range Planning Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Chandra Brown Stewart, Chair, on Thursday, March 10, 2022, at 3:26 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Lenus Perkins, Steve Stokes, Mike Windom and Jim Yance were present, and Ron Jenkins participated remotely.

Other Trustees: Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Jimmy Shumock and Margie Tuckson.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Laura Schratt, Jeb Schrenk, Polly Stokley and Margaret Sullivan.

The meeting came to order, and the attendance roll was called, **Item 25**. Ms. Brown Stewart called for consideration of the minutes of a meeting held on March 10, 2022, **Item 26**. On motion by Mr. Yance, seconded by Judge Windom, Committee voted unanimously to adopt the minutes.

Ms. Brown Stewart called on Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, to present **Item 27**, a report on the SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) decennial reaffirmation of accreditation process. Dr. Coleman discussed aspects related to preparing the University's report to SACSCOC, due in early September, and noted that the procedures for the differential reaffirmation process, for which the University had been approved, involved demonstrating compliance with 40 SACSCOC principles, such as those pertaining to Board self-evaluation and conflict of interest. She advised that SACSCOC representatives would visit campus in March 2023 and expressed confidence with the progress being made.

There being no further business, the meeting was adjourned at 3:31 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**COMMITTEE OF THE WHOLE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Committee of the Whole**

**June 2, 2022**

**3:31 p.m.**

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Thursday, June 2, 2022, at 3:31 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance were present, and Ron Jenkins participated remotely.

Members Absent: Scott Charlton and Kay Ivey.

Administration & Guests: Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Diana Nichols, Laura Schrott, Jeb Schrenk, Polly Stokley and Margaret Sullivan.

The meeting came to order, and the attendance roll was called, **Item 28**. Chairman Shumock called for consideration of the revised agenda, **Item 28.A**. On motion by Dr. Furr, seconded by Ms. Mitchell, the Committee voted unanimously to adopt the revised agenda. Chairman Shumock called for consideration of the minutes of a meeting held on March 10, 2022, **Item 29**. On motion by Ms. Atkins, seconded by Ms. Mitchell, the Committee voted unanimously to adopt the minutes.

Chairman Shumock presented **Item 30**, a resolution authorizing dates for quarterly Board meetings and the annual meeting for the 2022-2023 academic year, as set forth. On motion by Capt. Jenkins, seconded by Judge Windom, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees. Chairman Shumock thanked Capt. Jenkins for his suggestion to change the September meeting date to coincide with President Bonner's inauguration ceremony.

Chairman Shumock yielded to President Bonner, who introduced **Items 31, 32 and 32.A**, resolutions of commendation recognizing the Honorable Victor Gaston, the Honorable Harry Shiver, and the Honorable Joe Faust for their service to the State of Alabama; **Item 33**, a resolution of posthumous commendation recognizing the late Honorable Steve McMillan for his contributions to the State of Alabama; and **Items 34 and 35**, resolutions of commendation recognizing the Honorable Kay Ivey and the Honorable Richard Shelby for their efforts in securing for the University a \$50 million allocation from the State of Alabama and a \$60 million federal appropriation, respectively, to aid USA with the construction of a new instructional facility for the College of Medicine. Mr. Lawkis shared brief remarks in support of the resolutions. On motion by

Ms. Atkins, seconded by Mr. Corcoran, the Committee voted unanimously to recommend approval of the resolutions by the Board of Trustees.

In accordance with the provisions of the Alabama Open Meetings Act, Chairman Shumock made a motion to convene an executive session for an anticipated duration of 45 minutes for the purpose of discussing good name and character, as well as impending litigation, **Item 36**. He stated that Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. Dr. Stokes seconded and, at 3:37 p.m., the Committee of the Whole voted unanimously to convene an executive session, as recorded below. Chairman Shumock said a five-minute recess would take place before the executive session:

AYES:

- Ms. Atkins
- Ms. Brown Stewart
- Mr. Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Dr. Stokes
- Ms. Tuckson
- Judge Windom
- Mr. Yance

There being no further business, the meeting was adjourned at 4:20 p.m.

Respectfully submitted:

James H. Shumock, Chair *pro tempore*

# APPENDIX A

Executive Session

University of South Alabama Board of Trustees Committee of the Whole meeting on June 2, 2022.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character, and impending litigation.

This declaration is submitted pursuant to the requirements of the Alabama Open Meetings Act by Kristin Daniels Dukes, ASB number 6408o61k.

*Kristin Daniels Dukes*



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Executive Committee**

**June 24, 2022  
2:30 p.m.**

A meeting of the Executive Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Friday, June 24, 2022, at 2:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Arlene Mitchell and Jim Yance were present, and Tom Corcoran, Steve Furr, Lenus Perkins and Jimmy Shumock participated remotely.

Other Trustees: Chandra Brown Stewart, Ron Graham, Ron Jenkins and Mike Windom.

Administration & Guests: Owen Bailey, Jo Bonner, Kristin Dukes, Monica Ezell, Delwar Hossain (Faculty Senate), Andi Kent, John Marymont, Diana Nichols, Beth Shepard (Faculty Senate) and Polly Stokley.

Following brief introductory comments by Chair Mitchell, the meeting came to order and the attendance roll was called, **Item 1**. Chair Mitchell turned to President Bonner, who then yielded to Mr. Shumock for remarks. Mr. Shumock recognized Chair Mitchell for the historic significance of her election as the first female to serve as Chair *pro tempore* of the Board of Trustees, and congratulated her. Chair Mitchell said it was an honor to be elected for the position of Chair and she complimented Mr. Shumock for his proactive leadership as previous Board Chair.

Chair Mitchell called for consideration of the revised agenda, **Item 1.A**. On motion by Ms. Atkins, seconded by Mr. Yance, the Committee voted unanimously to adopt the revised agenda.

Chair Mitchell called on President Bonner to address **Item 2** as follows. President Bonner thanked Provost Kent and Ms. Stokley for their tireless efforts in developing a proposal for a cost-of-living adjustment and salary supplement for the faculty and staff of the general University sector, and he called on Ms. Stokley, who shared the particulars of the recommendation and answered questions. She and Mr. Bailey indicated that compensation for USA Health personnel would be addressed in the coming weeks. President Bonner thanked Dr. Hossain and Ms. Shephard for sharing their voice on behalf of the faculty and working with the Administration. On motion by Mr. Shumock, seconded by Ms. Atkins, the Executive Committee voted unanimously to approve the resolution. Chair Mitchell thanked President Bonner and the University leadership for addressing this need:

**RESOLUTION  
COST-OF-LIVING ADJUSTMENT AND SALARY SUPPLEMENT**

**WHEREAS**, the University of South Alabama is committed to delivering high-quality educational and student services programs, and

**WHEREAS**, the faculty, staff and administrators of the University play a critical role in delivering these programs, and

**WHEREAS**, the University administration is committed to compensating employees with competitive and fair wages and benefits, to the extent possible, and

**WHEREAS**, many employees of the University currently face financial challenges stemming from the significant increase in the cost of living due to rising inflation, and

**WHEREAS**, the retention and recruitment of high-quality employees is a challenge in the current environment, and

**WHEREAS**, changes to the compensation plan are typically made concurrent to the budget approval in September, and

**WHEREAS**, the University plans to include an ongoing cost-of-living adjustment in the fiscal year 2023 budget, and

**WHEREAS**, the University seeks to address the economic pressures facing employees as soon as possible through an ongoing cost-of-living adjustment effective with the payroll periods beginning on or after July 1, 2022, and

**WHEREAS**, the University seeks to further address the economic pressures facing employees through a one-time salary supplement payable in July 2022,

**THEREFORE, BE IT RESOLVED**, the Executive Committee of the University of South Alabama Board of Trustees hereby authorizes, for University General Division employees, an ongoing three-percent cost-of-living adjustment and an increase to the minimum hourly rate of pay to \$13 per hour, including related salary grade adjustments, effective with the payroll periods beginning on or after July 1, 2022, and

**THEREFORE, BE IT FURTHER RESOLVED**, the Executive Committee of the University of South Alabama Board of Trustees hereby authorizes a one-time two-percent salary supplement payable in July 2022 for regular University General Division employees hired on or before May 31, 2022.

In accordance with the provisions of the Alabama Open Meetings Act, Chair Mitchell made a motion to convene an executive session for an anticipated duration of 45 minutes for the purpose of discussing good name and character, impending litigation, and preliminary negotiations involving a matter of trade or commerce, **Item 3**. She said Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. Mr. Yance seconded and, at 2:48 p.m., the Executive Committee voted unanimously to convene an executive session, as recorded below:

AYES:

- Ms. Atkins
- Mr. Corcoran
- Dr. Furr
- Chair Mitchell

Executive Committee  
June 24, 2022  
Page 3

AYES Continued:

- Mr. Perkins
- Mr. Shumock
- Mr. Yance

There being no further business, the meeting was adjourned at 3:39 p.m.

Attest to:

Respectfully submitted:

Lenus M. Perkins, Secretary

Arlene Mitchell, Chair pro tempore

# APPENDIX A

Executive Session

University of South Alabama Board of Trustees Executive Committee meeting on June 24, 2022.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character, impending litigation, and preliminary negotiations involving a matter of trade or commerce which would have a detrimental effect upon the University's competitive position to the negotiations if publicly disclosed.

This declaration is submitted pursuant to the requirements of the Alabama Open Meetings Act by Kristin Daniels Dukes, ASB number 6408o61k.

*Kristin Daniels Dukes*

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Executive Committee**

**August 3, 2022  
2:30 p.m.**

A meeting of the Executive Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Wednesday, August 3, 2022, at 2:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Alexis Atkins, Arlene Mitchell and Jimmy Shumock were present, and Lenus Perkins participated remotely.

Members Absent: Tom Corcoran, Steve Furr and Mr. Yance.

Other Trustees: Chandra Brown Stewart, Ron Jenkins, Bill Lewis and Mike Windom.

Administration & Guests: Owen Bailey, Jo Bonner, Kristin Dukes, Monica Ezell, Andi Kent, John Marymont and Polly Stokley.

Chair Mitchell called the meeting to order, thanked everyone for their participation and welcomed Judge Lewis to the Board of Trustees. Following the attendance roll call, **Item 1**, and in accordance with the provisions of the Alabama Open Meetings Act, Chair Mitchell made a motion to convene an executive session for an anticipated duration of 30 minutes for the purpose of discussing preliminary negotiations involving a matter of trade or commerce, **Item 2**. She said Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. Ms. Atkins seconded and, at 2:33 p.m., the Executive Committee voted unanimously to convene an executive session, as recorded below:

AYES:

- Ms. Atkins
- Chair Mitchell
- Lenus Perkins
- Mr. Shumock

There being no further business, the meeting was adjourned at 3:01 p.m.

Attest to:

Respectfully submitted:

Lenus M. Perkins, Secretary

Arlene Mitchell, Chair *pro tempore*

# APPENDIX A

Executive Session

University of South Alabama Board of Trustees Executive Committee meeting on August 3, 2022.

The purpose of the executive session for the above-referenced meeting is to discuss a real estate transaction.

This declaration is submitted pursuant to the requirements of the Alabama Open Meetings Act by Kristin Daniels Dukes, ASB number 6408o61k.

*Kristin Daniels Dukes*



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Executive Committee**

**August 24, 2022  
4:00 p.m.**

A meeting of the Executive Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Wednesday, August 24, 2022, at 4:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Arlene Mitchell, Jimmy Shumock and Jim Yance were present, and Tom Corcoran and Steve Furr participated remotely.

Members Absent: Alexis Atkins and Mr. Perkins.

Other Trustees: Ron Jenkins, Bill Lewis, Margie Tuckson and Mike Windom.

Administration & Guests: Jo Bonner, Camille Bonura (SGA), Kristin Dukes, Monica Ezell, Harry Brislin, Andi Kent, and John Marymont.

The meeting came to order, and the attendance roll was called, **Item 1**. Chair Mitchell yielded to President Bonner, who recognized Ms. Camille Bonura, SGA President, and then called on Mr. Harry Brislin, Executive Director of Real Estate Services and Asset Management, to discuss **Item 2** as follows. Mr. Brislin shared the specifics of the proposed real property transaction and answered questions. On motion by Mr. Shumock, seconded by Mr. Yance, the Executive Committee voted unanimously to approve the resolution:

**RESOLUTION  
SALE OF REAL PROPERTY AT THE BROOKLEY COMPLEX**

**WHEREAS**, the University of South Alabama ("the University") owns approximately 97.34 acres of real property in Mobile County, Alabama, said property having been deeded to the University by the University of South Alabama Foundation, and

**WHEREAS**, this gift was previously encumbered by a purchase and sale agreement with the option to purchase and a first right of refusal ("PSA") between Brookley Bay Front Properties, LLC, and the City of Mobile, and

**WHEREAS**, said PSA was assigned to the University, and

**WHEREAS**, the University is prepared to execute the PSA for 47.34 acres of the aforementioned property and to use the proceeds of the sale toward the cost for constructing a new building for the Frederick P. Whiddon College of Medicine, and

**WHEREAS**, the remaining 50 acres will continue under the option with a first right of refusal by the City of Mobile until possible exercise of the option on or before November 30, 2025,

Executive Committee  
August 24, 2022  
Page 2

**THEREFORE, BE IT RESOLVED**, the Executive Committee of the University of South Alabama Board of Trustees hereby authorizes the University President and the Interim Vice President for Finance and Administration to execute a sale of the property, in part or in whole, to the City of Mobile per the terms of the purchase and sale agreement.

There being no further business, the meeting was adjourned at 4:08 p.m.

Attest to:

Respectfully submitted:

James H. Shumock

Arlene Mitchell, Chair *pro tempore*

## RESOLUTION

### EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES

**WHEREAS**, the Bylaws of the University of South Alabama Board of Trustees provide for the appointment by the Chair *pro tempore* of an Executive Committee, subject to the approval of the Board, for terms concurrent with the term of the Chair *pro tempore*, who shall serve as Chair of the Executive Committee,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby authorizes the appointment of the following named Trustees to serve on the Executive Committee for terms concurrent with the term of the current Chair *pro tempore*.

- Ms. Arlene Mitchell
- Ms. Katherine Alexis Atkins
- Mr. Lenus Perkins
- Mr. E. Thomas Corcoran
- Dr. Steven P. Furr
- Mr. James H. Shumock
- Mr. James A. Yance