

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

WHIDDON ADMINISTRATION BUILDING – PRESIDENT’S OFFICE (STE. 130), BOARD ROOM

SEPTEMBER 7, 2023

1:30 P.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, 2023 and 2022](#)
- 5 Approve: [Continuation of the Fiscal Year 2023 Audit Plan for Fiscal Year 2024](#)
- 6 Recommendation to Approve: [Revised Office of Internal Audit Charter](#)
- 7 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR

- 8 Roll Call
- 9 Approve: [Minutes](#)
- 10 Report: [Endowment and Investment Performance](#)
- 11 Recommendation to Approve: [Commendation of Mr. Kelly Butler and Naming of the USA Health ALS Center](#)
- 12 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE – JIMMY SHUMOCK, CHAIR

- 13 Roll Call
- 14 Approve: [Minutes](#)
- 15 Recommendation to Approve: [USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2023](#)
- 16 Report: USA Health and Whiddon College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE – MIKE WINDOM, CHAIR

- 17 Roll Call
- 18 Approve: [Minutes](#)
- 19 Recommendation to Approve: [Tenure](#)
- 20 Recommendation to Approve: [Request for Manufacturer License](#)
- 21 Report: Academic Affairs
- 22 Recommendation to Approve: [New Student Campus Dining Fee](#)
- 23 Report: Student Affairs
- 24 Report: Research and Economic Development

BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR

- 25 Roll Call
- 26 Approve: [Minutes](#)
- 27 Report: [Quarterly Financial Statements for the Nine Months Ended June 30, 2023](#)
- 28 Recommendation to Approve: [Revised Amended and Restated Bylaws of the USA Foundation for Research and Commercialization](#)
- 29 Recommendation to Approve: [University of South Alabama Fiscal Year 2024 Budget](#)
- 30 Report: Facilities Update

EVALUATION AND COMPENSATION COMMITTEE – RON JENKINS, CHAIR

- 31 Roll Call
- 32 Report: Evaluation and Compensation Committee

COMMITTEE OF THE WHOLE – ALEXIS ATKINS, VICE CHAIR

- 33 Roll Call
- 34 Approve: [Committee of the Whole Minutes](#) and [Long-Range Planning Committee Minutes](#)
- 35 Recommendation to Approve: [Tribute to the Late Mr. Donald L. Langham, Trustee Emeritus](#)
- 36 Approve: Executive Session

SEPTEMBER 8, 2023

10:30 A.M.

BOARD OF TRUSTEES MEETING – ARLENE MITCHELL, CHAIR PRO TEMPORE

- 1 Roll Call
- 2 Approve: [Minutes](#)
- 3 Report: University President
- 4 Approve: [Commendation of Mr. Kelly Butler and Naming of the USA Health ALS Center](#)
- 5 Approve: [Tribute to the Late Mr. Donald L. Langham, Trustee Emeritus](#)
- 6 Report: Faculty Senate President
- 7 Report: Student Government Association President
- 8 Approve: Consent Agenda Resolutions
 - [Revised Office of Internal Audit Charter](#)
 - [USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2023](#)
 - [Request for Manufacturer License](#)
 - [Revised Amended and Restated Bylaws of the USA Foundation for Research and Commercialization](#)
- 9 Report: Audit Committee
- 10 Report: Development, Endowment and Investments Committee
- 11 Report: Health Affairs Committee
- 12 Report: Academic and Student Affairs Committee
- 13 Approve: [Tenure](#)
- 14 Approve: [New Student Campus Dining Fee](#)
- 15 Report: Budget and Finance Committee
- 16 Approve: [University of South Alabama Fiscal Year 2024 Budget](#)
- 17 Report: Evaluation and Compensation Committee
- 18 Report: Enrollment

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



MEETING SCHEDULE

THURSDAY, SEPTEMBER 7, 2023:

1:30 p.m. Committee Meetings (consecutive)

**Whiddon Administration Bldg.
President's Office (Ste. 130), Board Room**

FRIDAY, SEPTEMBER 8, 2023:

10:30 a.m. Board of Trustees Meeting

**Whiddon Administration Bldg.
President's Office (Ste. 130), Board Room**

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
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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 7, 2023

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- 17 Roll Call
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- 32 Report: Evaluation and Compensation Committee

COMMITTEE OF THE WHOLE – ALEXIS ATKINS, VICE CHAIR

- 33 Roll Call
- 34 Approve: Minutes of the Committee of the Whole and Long-Range Planning Committee
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- 36 Approve: Executive Session

SEPTEMBER 8, 2023

10:30 A.M.

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- 10 Report: Development, Endowment and Investments Committee
- 11 Report: Health Affairs Committee
- 12 Report: Academic and Student Affairs Committee
- 13 Approve: Tenure
- 14 Approve: New Student Campus Dining Fee
- 15 Report: Budget and Finance Committee
- 16 Approve: University of South Alabama Fiscal Year 2024 Budget
- 17 Report: Evaluation and Compensation Committee
- 18 Report: Enrollment



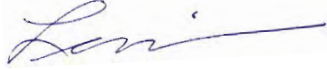
UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: August 29, 2023

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 1 and 2, 2023. Please review these documents for amendment or approval at the meetings on September 7 and 8, 2023.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**June 2, 2023
10:30 a.m.**

A meeting of the University of South Alabama (USA) Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Friday, June 2, 2023, at 10:33 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, Scott Charlton, Tom Corcoran, Steve Furr, Ron Graham, Bill Lewis, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Margie Tuckson and Mike Windom were present, and Ron Jenkins participated remotely

Members Absent: Kay Ivey and Jim Yance.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Janée and Jo Bonner, Lynne Chronister, Kathy Cooke, Julian Cruz, Amya Douglas (SGA), Kristin Dukes, Joel Erdmann, Monica Ezell, Anna Catherine Fincher, Pamm Howard, Yolisha Jackson, Buck Kelley, Andi Kent, Kim and Nick Lawkis, John Marymont, Abe Mitchell, Mike Mitchell, Noah Nelson, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Polly and Carl Stokley, Margaret Sullivan and Peter Susman.

Upon calling the meeting to order, Chair Mitchell welcomed everyone and introduced a video commemorating the University's 60th Anniversary, which she noted was shown at a kick-off celebration in May. Following the attendance roll call, **Item 1**, she called for consideration of the minutes for a Board of Trustees meeting held on March 3, 2023, as well as the minutes for special meetings of the Board of Trustees held on April 11 and April 18, 2023, **Item 2**. On motion by Mr. Corcoran, seconded by Mr. Shumock, the Board voted unanimously to adopt the minutes.

Chair Mitchell called for consideration of **Item 3** as follows. On motion by Ms. Brown Stewart, seconded by Ms. Atkins, the Board voted unanimously to approve the resolution:

**RESOLUTION
2023-2024 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:

- Friday, September 8, 2023
- Friday, December 8, 2023
- Friday, March 15, 2024
- Friday, June 7, 2024,

and

FURTHER, BE IT RESOLVED that the date of June 7, 2024, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2023-2024.

Chair Mitchell called on President Bonner to deliver the President's Report, **Item 4**. President Bonner directed attention to the new 60th Anniversary logo featured in the video and on the commemorative cubes placed around the table along with USA lapel pins.

President Bonner recognized Ms. Janée Bonner, First Lady, and talked about the privilege of serving the University as First Couple since January 2022. He thanked the Board for giving them the opportunity.

With her term as a Board member expiring in September, President Bonner conveyed personal words of thanks to Ms. Tuckson for her leadership and service, noting in particular the significant difference she had made in the lives of numerous students through her generous contributions to fund Jaguar Retention Awards and other scholarship programs. He also congratulated Judge Lewis for the recent senate confirmation of his Board appointment, as well as Dr. Furr, Mr. Graham, Mr. Perkins and Dr. Stokes for their reappointments to serve additional terms. He added that Mr. Luis Gonzalez, a former student and professional baseball player, would be joining the Board in the fall.

President Bonner recognized Ms. Amya Douglas, Student Government Association President; Dr. Donna Streeter, Faculty Senate President; and Mr. Noah Nelson and Mr. Julian Cruz, Southerner ambassadors. He stated Ms. Shakyeria Young, Black Student Union President, would be introduced at a future meeting.

Among the other topics and recent happenings President Bonner discussed were the Board of Trustees' vote approving the acquisition of Providence Hospital and its clinics by the USA Health Care Authority; the 60th Anniversary kick-off celebration, at which Mr. Abe Mitchell's \$20 million gift for construction of a performing arts center on campus was announced; the formation of a USA Health Board of Advisors; work taking place at the Whiddon College of Medicine construction site; *Pancakes with the President*, a new tradition for students during final exams week; Spring Commencement, which featured Mr. Lonnie Johnson and Coach Kane Wommack as speakers; recruitment efforts which included community college tours, as well as President Bonner sharing the USA story with more than 500 Thompson High School graduates and their families during his delivery of the commencement address; and the appointment of Ms. Kristen Roberts, Mr. Peter Susman and Mr. Buck Kelley as Chief Financial Officer, Chief Administrative Officer and Chief Facilities Management Officer, respectively.

President Bonner called on Provost Kent for a report. Provost Kent shared additional details on Spring Commencement, and then discussed the comprehensive strategies being employed to recruit students in Alabama and beyond, in partnership with the Enrollment Services team, adding

that the many exciting things taking place at the University made promoting USA's story easy. She advised that fall enrollment indicators were positive, as reflected by increases in campus housing applications and summer orientation registration for incoming freshmen and transfer students. She added that retention rates across all classes were higher than pre-pandemic rates and credited the Academic Success team for this accomplishment. Also discussed was the expansion of the Heroes Scholarship program. In closing, Provost Kent echoed the sentiments of the SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) on-site team in March – that USA was a special place – and pledged the Leadership's commitment to advancing the University of South Alabama – the *Flagship of the Gulf Coast*.

Provost Kent introduced Dr. Erdmann, who advised that three student athletes would soon compete in the NCAA (National Collegiate Athletics Association) outdoor track and field national championships and could earn an *All-America* title. Dr. Erdmann gave updates on the 2023 football season and on coaching positions. He stated Mr. Marcelo Huarte and Ms. Yolisha Jackson had been hired as Women's Golf Head Coach and Women's Basketball Head Coach, respectively, and discussed their backgrounds. He introduced Coach Jackson to share a few words.

Mr. Lawkis took the floor and shared that the Alabama regular legislative session was coming to a close with 873 bills introduced. He stated that Governmental Relations tracked approximately 280 bills and, of those, was actively engaged in about 10 percent. He advised that the education trust fund budget and a supplemental funding bill totaling approximately \$8.8 billion and approximately \$2.6 billion, respectively, had been signed into law by Governor Ivey, and said that the University would receive approximately \$192 million. He also reported that an agreement was reached in Washington on the national debt limit which would involve setting spending caps, adding that the current cycle of federal funding would be impacted. He introduced Ms. Anna Catherine Fincher, Office of Governmental Relations Manager, and discussed her background.

President Bonner introduced and gave information on Ms. Pamm Howard, Administrative Assistant in the Honors College and *Employee of the Quarter*, as well as Dr. Kathy Cooke, Professor of History. Dr. Cooke read an excerpt from her nomination of Ms. Howard and President Bonner presented Ms. Howard with a certificate marking the occasion. Ms. Howard shared words of appreciation.

Chair Mitchell called for a report from the Faculty Senate President, **Item 5**. Dr. Donna Streeter, 2023-2024 Faculty Senate President, gave details on her 22-year career at USA, conveyed pride in the growth of the University; and discussed the activities of the Senate, which she noted included collaboration with an *ad hoc* brand discovery committee.

Chair Mitchell called for a report from the Student Government Association (SGA) President, **Item 6**. Ms. Amya Douglas, 2023-2024 SGA President, discussed her background, how she discovered the University and her involvement on campus. She talked about SGA's goals and initiatives, invited the Trustees to attend SGA meetings, and took a "selfie" photo with the Board.

Chair Mitchell 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 1, 2023. (To view additional documents authorized, refer to Appendix A.) On motion by Ms. Atkins, seconded by Mr. Corcoran, the Board voted unanimously to approve the resolutions:

**RESOLUTION
REVISION OF GIFT ACCEPTANCE AND NAMING RECOGNITION GUIDELINES**

WHEREAS, in 2019, the Board of Trustees approved revisions to the University's *Building and Program Naming Guidelines and Minimum Gift Levels for Named Endowments Policy* ("the Guidelines"), originally established in 2004, and

WHEREAS, there is a need to simplify and clarify the language in the Guidelines, and

WHEREAS, there is a need to increase the minimum endowment threshold to \$25,000, which aligns with peer institutions, and

WHEREAS, the University's Office of Development and Alumni Relations recommends revision of the Guidelines accordingly,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves the revised *Gift Acceptance and Naming Recognition Guidelines* as submitted.

**RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR
FEBRUARY, MARCH AND APRIL 2023**

WHEREAS, the Medical Staff appointments and reappointments for February, March and April 2023 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.

**RESOLUTION
BANKING AND TREASURY SERVICES AUTHORITY**

BE IT RESOLVED, the President and either the Chief Financial Officer or the Treasurer of the University are authorized to:

1. open and close bank, brokerage, custody, safekeeping, treasury management or other accounts in the name of the University,
2. sell, transfer, and endorse for sale or transfer any and all securities on behalf of the University,
3. buy securities for the account of the University,
4. order the transfer or delivery of University securities to any other person,
5. open and close Letters of Credit, Lines of Credit or extensions of credit on behalf of the University,

6. pledge collateral, securities, or other property in the name of the University and to make withdrawals, substitutions, and exchanges in connection therewith,
7. exercise any other rights related to securities, including signing for all releases, powers of attorney, and/or other documents in connection with securities of the University,
8. designate individuals authorized to sign checks, drafts, notes, acceptances, and other orders for the payment of money or the withdrawal of funds for the account of the University,
9. designate individuals authorized to endorse, negotiate, receive, or authorize the payment of the proceeds of any instruments or orders for the payment of money to the University,
10. designate individuals authorized to make telephone transfer of funds of the University and the manner in which such funds can be transferred, and
11. issue any other instructions for the conduct of any accounts in the name of the University,
and

BE IT FURTHER RESOLVED, this resolution supersedes previous such resolutions of the University of South Alabama (USA) Board of Trustees authorizing the University's banking activities, and

BE IT ADDITIONALLY RESOLVED, as the individuals holding the positions of President, Chief Financial Officer, and University Treasurer change from time to time, the secretary of the USA Board of Trustees is authorized to certify, under the corporate seal of the corporation, the names and signatures of the individuals succeeding to those positions, and

FINALLY, BE IT RESOLVED that the secretary of the USA Board of Trustees is hereby authorized to certify, under the corporate seal of the corporation, copies of this resolution with the names and specimen signatures of the persons authorized to act on behalf of the University.

Chair Mitchell called for a report from the Audit Committee, **Item 8**. Mr. Graham, Committee Chair, advised of a Committee meeting held on June 1, 2023, and provided an overview of the business that took place.

Chair Mitchell called for a report from the Development, Endowment and Investments Committee, **Item 9**. Ms. Tuckson, Committee Vice Chair, stated that the Committee met on June 1, 2023, and gave a summary of the proceedings.

Chair Mitchell called for a report from the Health Affairs Committee, **Item 10**. Mr. Shumock, Committee Chair, indicated that a Committee meeting took place on June 1, 2023, and reviewed the matters that were addressed.

Chair Mitchell called for a report from the Academic and Student Affairs Committee, **Item 11**. Judge Windom, Committee Chair, advised that the Committee met on June 1, 2023, and provided a synopsis of the reports received. He added that the Committee voted unanimously to recommend Board approval of **Item 12** as follows. On motion by Ms. Atkins, seconded by Mr. Perkins, the Board voted unanimously to approve the resolution:

**RESOLUTION
TENURE AND PROMOTION**

WHEREAS, in accordance with University policy, faculty applications for tenure and promotion have been reviewed by the respective faculty peers, departmental chair and college dean, and by the Provost and Executive Vice President or the Vice President for Medical Affairs, and the President, and the following individuals are hereby recommended for tenure and/or promotion,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to the individuals herein listed.

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Promotion to Senior Instructor:

- Donna G. Cleveland

COLLEGE OF ARTS AND SCIENCES:

Tenure:

- Joshua Isen
- Matthew Patterson
- Matthew Pettway
- Erin Nelson
- Alison Robertson

Promotion to Senior Instructor:

- James Adams
- Heather Dail

Promotion to Associate Professor:

- Joshua Isen
- Kern Jackson
- Matthew Patterson
- Matthew Pettway
- Erin Nelson
- Alison Robertson

Promotion to Professor:

- Donald A. Beebe
- E. Claire Cage
- Justin St. Clair
- Jianing Han

MITCHELL COLLEGE OF BUSINESS:

Tenure:

- Thomas E. Nelson
- James C. Rich
- Christina L. Wassenaar

Promotion to Associate Professor:

- Thomas E. Nelson
- James C. Rich
- Christina L. Wassenaar

Promotion to Professor:

- Ermanno Affuso
- Al Chow
- J. Reid Cummings

COLLEGE OF EDUCATION AND PROFESSIONAL STUDIES:

Tenure:

- Richard A. Allday
- Lauren R. Brannan
- Peggy M. Delmas
- Caitlyn R. Hauff
- Sarah K. McCarrison
- Shenghua Zha

Promotion to Senior Instructor:

- Amanda B. Donaldson
- Susan L. Montgomery

Promotion to Associate Professor:

- Lauren R. Brannan
- Peggy M. Delmas
- Caitlyn R. Hauff
- Sarah K. McCorrison
- Shenghua Zha

COLLEGE OF ENGINEERING:

Tenure:

- Julia Kar

MCCALL LIBRARY:

Tenure:

- Deborah Gurt

WHIDDON COLLEGE OF MEDICINE:

Tenure:

- Glen M. Borchert
- Ji Young Lee

Promotion to Associate Professor:

- Anna C. Foust
- Anna C. Foust (Joint in Pediatrics)
- Cristina Gavrilita
- John D. Hunter, III
- Christopher M. Kinnard
- Ji Young Lee
- Ji Young Lee (Joint in Internal Medicine)
- Richard P. Menger
- Melody L. Petty
- Nathan M. Polite
- Katrina L. Roberson-Trammell
- Maria R. Roca Garcia
- Tracy Y. Roth
- Rachel T. Seaman
- Supatida Tengsupakul
- Shannon Kelley Tyler

COLLEGE OF NURSING:

Tenure:

- Kimberly A. Williams

Promotion to Associate Professor:

- Wesley D. Davis
- JoAnn A. Otts
- Kristina Miller

Promotion to Professor:

- Richard A. Allday

Promotion to Associate Professor:

- Julia Kar
- Joseph D. Richardson
- Sean G. Walker
- Shenghua Wu

Promotion to Associate Librarian:

- Deborah Gurt

Promotion to Professor:

- Glen M. Borchert
- John H. Howard
- Michael T. Lin
- Samuel A. McQuiston, Jr.
- Thuy L. Phung
- Sarah L. Sayner
- Rebecca L. Sugg

Promotion to Professor:

- Kimberly A. Williams

Judge Windom advised that the Committee also voted unanimously to recommend Board approval of **Item 13** as follows. On motion by Mr. Corcoran, seconded by Mr. Graham, the Board voted unanimously to approve the resolution:

**RESOLUTION
TUITION, FEES, AND HOUSING AND DINING RATES FOR 2023-2024**

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

WHEREAS, the University has instituted cost-saving measures and budget cuts to maintain operations during a period of rising operational costs, and

WHEREAS, the University has experienced a significant increase in operating costs impacting all aspects of the University, including costs for maintaining and improving academic building and technology infrastructure, and

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

WHEREAS, increasing the University's Academic Infrastructure and Technology Fee will enable continued maintenance and future investment in academic building and technology infrastructure across campus, and

WHEREAS, housing and dining services must account for increased 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 2023-2024, 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,

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 2023-2024 academic year, as set forth in the attached schedules.

Chairman Mitchell called for a report from the Budget and Finance Committee, **Item 14**. Mr. Corcoran, Committee Chair, advised of a Committee meeting held on June 1, 2023, and shared a summary of the proceedings.

Chair Mitchell called for a report from the Long-Range Planning Committee, **Item 15**. Ms. Brown Stewart, Committee Chair, stated that the Committee held a meeting on June 1, 2023, and reviewed the business that occurred.

Chair Mitchell, Mr. Corcoran and President Bonner took the floor and Ms. Polly Stokley and her husband, Mr. Carl Stokley, were invited to join them for the presentation of **Item 16** as follows. Mr. Corcoran read the resolution and made brief remarks. On motion by Judge Windon, seconded

by Mr. Shumock, the Board voted unanimously to approve the resolution. A commemorative resolution marking the occasion was presented to Ms. Stokley, and she reflected on her time at the University, stating that she looked forward to her continued engagement with the USA family:

**RESOLUTION
COMMENDATION OF MS. POLLY D. STOKLEY**

WHEREAS, the University of South Alabama seeks to honor exceptional administrators who devoted a substantial part of their careers to serving others and who distinguished themselves through their professional contributions, and

WHEREAS, Ms. Polly D. Stokley faithfully and honorably served the University of South Alabama for 25 years, culminating in her role as Vice President for Finance and Administration, and

WHEREAS, Ms. Stokley began her career in banking and as a federal auditor before joining the University of South Alabama in 1998 as Assistant to the Vice President for Financial Affairs, and later held positions as Assistant Controller and Controller, and

WHEREAS, among her many roles over the course of her South Alabama career, Ms. Stokley guided the implementation of the Student Accounting Module of Banner in 2003, chaired the University Process Improvement Committee, served on the USA SACSCOC Reaffirmation Leadership team, and was an elected member of the Board of Directors of the USA Federal Credit Union for more than 20 years, and

WHEREAS, Ms. Stokley has led the Division of Finance and Administration since January 2022 and played a critical role in the recent agreement for the planned acquisition of Providence Hospital and its clinics by the University of South Alabama Health Care Authority, and

WHEREAS, Ms. Stokley and her husband, Carl, are South alumni, lifetime members of the USA National Alumni Association, and recently created the *Ella Tippins Dixon Endowed Scholarship* in memory of her grandmother to help first-generation college students earn a degree from the University of South Alabama, and

WHEREAS, Ms. Stokley served as mentor to many during her years of service and built a reputation as a skilled leader and administrator who exhibited confidence, fairness and integrity and who demanded excellence from herself and her staff,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama extends its heartfelt appreciation to Ms. Polly D. Stokley for her voluminous contributions to the University of South Alabama and offers her and Carl, together with their beloved dog, Daisy, best wishes in their future endeavors, which are sure to include many camping adventures and travel around the world.

President Bonner invited Ms. Tuckson to join Chair Mitchell, Ms. Brown Stewart and him for the presentation of **Item 17** as follows. Ms. Brown Stewart discussed her regard for Ms. Tuckson, recognized her family's impactful history and sacrifices, and read the resolution. On motion by Ms. Atkins, seconded by Judge Windom, the Board voted unanimously to approve the resolution.

Ms. Tuckson was presented a commemorative resolution, and she expressed what this recognition meant to her and her passion for helping when there is a need. She thanked Mr. Abe Mitchell for extending her reach and presented a gift to Dr. Mitchell for the Leadership in Social Justice and Perseverance Scholarship Fund, which she noted would enable the \$500,000 funding goal to be met. Ms. Tuckson received a standing round of applause and was presented an appreciation gift of a glass art vase. President Bonner noted that Ms. Tuckson's recognition at the Distinguished Alumni and Service Awards Gala in March was a poignant time with her family in attendance:

**RESOLUTION
COMMENDATION OF MS. MARGIE MALONE TUCKSON**

WHEREAS, Ms. Margie Malone Tuckson was appointed to the Board of Trustees of the University of South Alabama in 2017, and

WHEREAS, during her six-year tenure as a member of the Board of Trustees, Ms. Tuckson served as vice chair of the Health Affairs Committee, vice chair of the Development, Endowment and Investments Committee, and a member of the Academic and Student Affairs Committee, and

WHEREAS, Ms. Tuckson has been an advocate for South and has supported Board initiatives focused on student access and success and that have led to growth of USA Health and academic-based healthcare, and

WHEREAS, Ms. Tuckson's generous gifts have made a positive and profound impact, including through Jaguar Retention Awards that help students with unmet needs to reach graduation and the founding of two endowed scholarships, the Margie Malone Tuckson LeFlore High School Endowed Scholarship and the Margie Malone Tuckson Murphy High School Endowed Scholarship, and

WHEREAS, Ms. Tuckson has also supported the MacQueen Alumni Center, the Office of Multicultural Student Affairs, the Black Girls Rock scholarship initiative, the Leadership in Social Justice and Perseverance Scholarship Fund and the Mitchell College of Business Student Success Fund, and

WHEREAS, Ms. Tuckson is a 1973 graduate of the University of South Alabama, where she earned a degree in non-quantitative marketing through the Mitchell College of Business, and is a former board member of the USA National Alumni Association, and

WHEREAS, Ms. Tuckson is a 2023 recipient of the National Alumni Association Distinguished Service Award in recognition of her exceptional and continuing service to the University and commitment to improved healthcare and health outcomes as chief financial officer of Tuckson Health Connections, and

WHEREAS, Ms. Tuckson has served the University with distinction, graciously contributing her time, energy and wisdom to the growth and development of higher education in the state of Alabama and region, and to the students, alumni, faculty and administration of the University of South Alabama,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama expresses its deep appreciation and gratitude to Ms. Margie Malone Tuckson for her devo-

tion, service and commitment to advancing the interests of the Institution and its constituencies, and

BE IT FURTHER RESOLVED that the Board of Trustees bestows upon Ms. Tuckson the title of *Trustee Emeritus*.

President Bonner invited Mr. Abe Mitchell to join Chair Mitchell, Dr. Stokes and him for the presentation of **Item 18** as follows. Dr. Stokes asked the group to consider what the University would be like today had the Mitchell family not adopted it as their University decades prior, and he read the resolution and made a motion for it to be approved. Mr. Shumock seconded and the Board voted unanimously to approve the resolution. Mr. Mitchell was presented with a commemorative resolution and was honored with a standing round of applause. He briefly addressed the group, reflecting on the inspirational roles of Chair Mitchell and her husband, the late Mr. Mayer Mitchell – his brother, both longstanding members of the USA Board of Trustees, and quoted an adage his brother used to encourage philanthropy. Chair Mitchell and Mr. Mitchell were photographed at Mr. Mayer Mitchell’s Board Room portrait:

**RESOLUTION
COMMENDATION OF MR. ABRAHAM A. MITCHELL**

WHEREAS, the University of South Alabama (USA) marks its 60th anniversary of service with gratitude for the communal commitment to excellence in education, research and health care that has promoted the University’s growth, prompted recognition within the ranks of the nation’s leading comprehensive public universities, and created the aspiration to serve as the Flagship of the Gulf Coast, and

WHEREAS, the construction of a state-of-the-art performing arts center, capable of supporting exceptional and accessible visual arts presentations, live performances, educational programs, family entertainment and opportunities for cultural expression and awareness, will advance the University’s outreach and community engagement missions, as well as elevate its ability to promote the social, cultural, and economic vitality of the Gulf Coast region, and

WHEREAS, Mr. Abraham A. Mitchell has distinguished himself as an extraordinary friend and benefactor of the University of South Alabama, whose philanthropy has enabled development of facilities and programs that have transformed USA’s campuses and its contributions to education, research, teaching, and service through projects including the Mitchell Center, the Mitchell College of Business with its Joseph and Rebecca Mitchell Learning Resource Center and Mitchell Scholars Program, the USA Health Mitchell Cancer Institute, and Abraham A. Mitchell Field at Hancock Whitney Stadium, and

WHEREAS, Mr. Mitchell’s visionary philanthropy has enhanced the University’s endowments for the Whiddon College of Medicine, the Mitchell College of Business, and the USA Health Mitchell Cancer Institute and has inspired thousands of other contributors to provide perpetual support for undergraduate scholarships through his landmark commitment of \$25 million in matching gift incentives through the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, Mr. Mitchell's personal philanthropy to USA, which approaches \$120 million, has for three decades been paired with his commitment to serving as an advisor, mentor and colleague to administrators, faculty and staff of the University, for which he has been recognized as an honorary member of USA's Board of Trustees, and

WHEREAS, Mr. Mitchell has committed to extend his transformative philanthropy for USA through a \$20 million lead gift to promote construction of a state-of-the-art performing arts center on the campus of the University of South Alabama, thereby advancing the University's ability to serve as the Flagship of the Gulf Coast,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama extends its deepest gratitude to Mr. Abraham A. Mitchell on behalf of the students, faculty, staff, alumni, friends and neighbors of USA and USA Health, whose lives and work are elevated by Mr. Mitchell's visionary leadership and astounding generosity.

In closing, President Bonner recognized the many blessings of being associated with the University of South Alabama over its 60 years, noting the best was yet to come, and Chair Mitchell conveyed heartfelt appreciation for the support she had received from the members of the Board and the staff of the University over her first year as *Chair pro tempore*.

There being no further business, the meeting was adjourned at 12:25 p.m.

Attest to:

Respectfully submitted:

Lenus M. Perkins, Secretary

Arlene Mitchell, Chair pro tempore

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



AUDIT COMMITTEE

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Audit Committee

**June 1, 2023
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 1, 2023, at 1:30 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, Bill Lewis and Lenus Perkins were present, and Ron Jenkins participated remotely.

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

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Monica Ezell, Kristin Dukes, Joel Erdmann, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 1**, Mr. Graham called for consideration of the minutes for a meeting held on March 2, 2023, **Item 2**. On motion by Mr. Corcoran, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Mr. Graham called on Ms. Schratt for a report on the activities of the Office of Internal Audit (OIA), **Item 3**. Ms. Schratt reviewed the progress made with regard to five key performance indicators and outstanding OIA-issued recommendations for the quarter ended March 31, 2023. She announced that she would be leaving the University at the end of the month and thanked Board members for their support over her tenure. Mr. Graham commended Ms. Schratt for her work in OIA and stated the University would continue to uphold the high standards set under her leadership.

There being no further business, the meeting was adjourned at 1:33 p.m.

Respectfully submitted:

William Ronald Graham, Chair

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the
Years Ended June 30, 2023 and 2022, and
Independent Auditor's Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

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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, 2023 and 2022, 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, 2023 and 2022, 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 14, 2023

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,718	\$ 1,556
INVESTMENTS AT FAIR VALUE:		
Equity securities	223,532	196,016
Timber and mineral properties	176,002	176,680
Real estate	9,064	9,034
Other	5,814	5,809
OTHER ASSETS	<u>603</u>	<u>480</u>
TOTAL	<u>\$ 416,733</u>	<u>\$ 389,575</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 103	\$ 76
Other liabilities	<u>861</u>	<u>901</u>
Total liabilities	<u>964</u>	<u>977</u>
NET ASSETS:		
Without donor restrictions	62,190	62,676
With donor restrictions	<u>353,579</u>	<u>325,922</u>
Total net assets	<u>415,769</u>	<u>388,598</u>
TOTAL	<u>\$ 416,733</u>	<u>\$ 389,575</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, 2023
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 4,208	\$ 37,345	\$ 41,553
Rents, royalties, and timber sales	3,779	198	3,977
Interest and dividends	1,579	1,317	2,896
Gifts	1	68	69
Required match of donor contributions	(4)	4	-
Interfund interest	(712)	712	-
Other income	30		30
Net assets released from program restrictions (Note 10)	<u>11,987</u>	<u>(11,987)</u>	<u>-</u>
Total revenues, gains, and other support	<u>20,868</u>	<u>27,657</u>	<u>48,525</u>
EXPENDITURES:			
Program services:			
Faculty support	3,003		3,003
Scholarships	1,245		1,245
Other academic programs	<u>9,012</u>		<u>9,012</u>
Total program services	13,260	-	13,260
Management and general	2,696		2,696
Other investment expense	1,159		1,159
Depletion expense	4,195		4,195
Depreciation expense	<u>44</u>		<u>44</u>
Total expenditures	<u>21,354</u>	<u>-</u>	<u>21,354</u>
(DECREASE) INCREASE IN NET ASSETS	(486)	27,657	27,171
NET ASSETS—Beginning of year	<u>62,676</u>	<u>325,922</u>	<u>388,598</u>
NET ASSETS—End of year	<u>\$ 62,190</u>	<u>\$ 353,579</u>	<u>\$ 415,769</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
REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:			
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>
EXPENDITURES:			
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>
 INCREASE (DECREASE) IN NET ASSETS	 633	 (47,978)	 (47,345)
 NET ASSETS—Beginning of year	 <u>62,043</u>	 <u>373,900</u>	 <u>435,943</u>
 NET ASSETS—End of year	 <u>\$ 62,676</u>	 <u>\$ 325,922</u>	 <u>\$ 388,598</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

(Dollars in thousands)

	2023	2022
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 27,171	\$ (47,345)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(41,553)	16,166
Gift of equity securities		(358)
Gift of real estate		(1,142)
Contribution of Brookley Property		11,000
Depletion	4,195	2,380
Depreciation	44	43
Changes in operating assets and liabilities:		
Other assets	(100)	(26)
Accounts payable	27	(129)
Other liabilities	(40)	7
	<u>(10,256)</u>	<u>(19,404)</u>
Net cash used in operating activities		
	<u>(10,256)</u>	<u>(19,404)</u>
INVESTING ACTIVITIES:		
Purchase of equity securities	(859)	(536)
Sale of equity securities	11,500	19,152
Reforestation of timber property	(226)	(461)
Proceeds from sale of real estate		1,330
Other	3	(15)
	<u>10,418</u>	<u>19,470</u>
Net cash provided by investing activities		
	<u>10,418</u>	<u>19,470</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	162	66
CASH AND CASH EQUIVALENTS—Beginning of year	<u>1,556</u>	<u>1,490</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,718</u>	<u>\$ 1,556</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, 2023 AND 2022 (Dollars in thousands)

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.

Recent Accounting Pronouncements— In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07), which provides enhanced disclosures and presentation requirements regarding nonfinancial asset contributions to not-for-profit entities. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021, and early adoption is permitted. The adoption of ASU No. 2020-07 did not have a material impact on the consolidated financial statements and related disclosures.

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 \$133,476 and \$114,806 at June 30, 2023 and 2022, 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 \$90,056 and \$81,210 at June 30, 2023 and 2022, 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 income (loss) includes not only realized gains, but also unrealized gains (losses) in securities, timberland investments, and real estate.

Investment income (loss) for the years ended June 30, 2023 and 2022, consisted of the following:

	2023	2022
Unrealized gains (losses)	\$ 35,902	\$ (22,085)
Realized gains	<u>5,651</u>	<u>5,919</u>
Net realized and unrealized gains (losses) on investments	<u>41,553</u>	<u>(16,166)</u>
Timber sales	3,064	1,951
Rents	785	751
Royalties	<u>128</u>	<u>104</u>
Rents, royalties, and timber sales	<u>3,977</u>	<u>2,806</u>
Interest and dividends	<u>2,896</u>	<u>2,465</u>
Total investment income (loss)	<u>\$ 48,426</u>	<u>\$ (10,895)</u>

Investments consisted of participation in the Foundation's pooled investment funds. Investment-related expenses of \$404 and \$477 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, 2023 and 2022, 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, 2023 and 2022 consisted of the following property held:

	2023	2022
Land and land improvements—held for investment	\$ 7,991	\$ 7,989
Building and building improvements—held for investment	<u>1,073</u>	<u>1,045</u>
Total	<u>\$ 9,064</u>	<u>\$ 9,034</u>

Other—Investments at June 30, 2023 and 2022 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, 2023 and 2022 are summarized as follows:

Fair Value Measurements at June 30, 2023				
Description	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
Marketable equity securities	\$ 133,476	\$ -	\$ -	\$ 133,476
Timber and mineral properties			176,002	176,002
Real estate			9,064	9,064
Other investments			5,814	5,814
Total	\$ 133,476	\$ -	\$ 190,880	324,356
Investment in Commonfund, measured at NAV				90,056
Total investment assets at fair value				\$ 414,412

Fair Value Measurements at June 30, 2022				
Description	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
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
Total	\$ 114,806	\$ -	\$ 191,523	306,329
Investment in Commonfund, measured at NAV				81,210
Total investment assets at fair value				\$ 387,539

For the year ended June 30, 2023, activity in investments valued at fair value based on unobservable inputs is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
Beginning balance	\$ 176,680	\$ 9,034	\$ 5,809	\$ 191,523
Net realized and unrealized gains	3,291	48	5	3,344
Reforestation	226			226
Purchase of Building improvements		14		14
Depreciation/depletion	<u>(4,195)</u>	<u>(32)</u>	<u> </u>	<u>(4,227)</u>
Ending balance	<u>\$ 176,002</u>	<u>\$ 9,064</u>	<u>\$ 5,814</u>	<u>\$ 190,880</u>

For the year ended June 30, 2022, activity in investments valued at fair value based on unobservable inputs is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
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> </u>	<u>(2,414)</u>
Ending balance	<u>\$ 176,680</u>	<u>\$ 9,034</u>	<u>\$ 5,809</u>	<u>\$ 191,523</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, 2023, by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ 45,688	\$ 353,579	\$ 399,267
Board-Designated Endowment Funds	<u>16,502</u>	<u> </u>	<u>16,502</u>
Total	<u>\$ 62,190</u>	<u>\$ 353,579</u>	<u>\$ 415,769</u>

Endowment net asset composition as of June 30, 2022, by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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>

Changes in endowment net assets during the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	<u>\$ 62,676</u>	<u>\$ 325,922</u>	<u>388,598</u>
Investment return:			
Investment income	5,358	1,515	6,873
Net realized and unrealized gains	4,208	37,345	41,553
Other income	30		30
Interfund interest	<u>(712)</u>	<u>712</u>	<u>-</u>
Total investment return	<u>8,884</u>	<u>39,572</u>	<u>48,456</u>
Gifts	1	68	69
Required match	(4)	4	-
Net assets released from restrictions	11,987	(11,987)	-
Expenditures	<u>(21,354)</u>	<u> </u>	<u>(21,354)</u>
Net change	<u>(486)</u>	<u>27,657</u>	<u>27,171</u>
Ending balance	<u>\$ 62,190</u>	<u>\$ 353,579</u>	<u>\$ 415,769</u>

Changes in endowment net assets during the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ 62,043	\$ 373,900	<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>

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, 2023 were as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,718
Other assets	120
Equity securities appropriated for spending in the following year	<u>12,800</u>
Total financial assets available within one year	<u>\$ 14,638</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, 2023 and 2022.

	June 30, 2023			
	Program Services	Management and General	Fundraising	Total
Grants to supporting organization	\$ 13,260	\$ -	\$ -	\$ 13,260
Depletion	4,195			4,195
Salaries and benefits	1,465	311	21	1,797
Professional services	356	90		446
Other expenses	342	89		431
Investment management expense	404			404
Property taxes	255	7		262
Insurance	232	56		288
Forestry	227			227
Depreciation	37	7		44
	<u>\$ 20,773</u>	<u>\$ 560</u>	<u>\$ 21</u>	<u>\$ 21,354</u>

	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>

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.

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 had an option, until 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. 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, 2023, 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 \$6,022 that included \$3,997 for projects supporting USA Health hospitals and clinics, \$1,277 for the Clinical Support Fund, and \$748 for the Hospital Equipment Fund. Therefore, total distributions from the DSH Funds were \$7,792 for the fiscal year 2023.

9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions were for the following purposes:

	2023	2022
Hospital, clinics, and related programs	\$ 207,944	\$ 192,714
Instruction	76,346	70,000
College of medicine—other than instruction	30,361	26,454
Student aid	28,920	27,071
Other	<u>10,008</u>	<u>9,683</u>
Total	<u>\$ 353,579</u>	<u>\$ 325,922</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 \$170,078 and \$183,501 at June 30, 2023, and \$142,501 and \$183,421 at June 30, 2022, respectively.

At June 30, 2023 and 2022, net assets with board designated restrictions were for the following purposes:

	2023	2022
College of medicine—other than instruction	\$ 10,263	\$ 10,523
Instruction	4,506	4,208
Student aid	949	936
Other	<u>784</u>	<u>716</u>
Total	<u>\$ 16,502</u>	<u>\$ 16,383</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, 2023 and 2022, as follows:

	2023	2022
Instruction	\$ 11,555	\$ 30,720
Student aid	375	300
Other	<u>57</u>	<u>11</u>
Total	<u>\$ 11,987</u>	<u>\$ 31,031</u>

11. OTHER RELATED-PARTY TRANSACTIONS

At June 30, 2023 and 2022, 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 \$207,944 and \$192,714, 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 \$197 and \$184 for the years ended June 30, 2023 and 2022, respectively.

13. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through August 14, 2023, 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, 2023 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, 2023 and 2022, and
Independent Auditor's Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
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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, 2023 and 2022, 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, 2023 and 2022, 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 14, 2023

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2023 AND 2022
 (Dollars in thousands)**

	2023	2022
ASSETS		
INVESTMENTS:		
New Investment Pool—interest in	\$ 203,741	\$ 188,534
Real estate	3,700	3,700
RECEIVABLE FROM AFFILIATES	<u>503</u>	<u>480</u>
TOTAL	<u>\$ 207,944</u>	<u>\$ 192,714</u>
NET ASSETS		
NET ASSETS:		
Without donor restrictions	\$ -	\$ -
With donor restrictions	<u>207,944</u>	<u>192,714</u>
Total net assets	<u>207,944</u>	<u>192,714</u>
TOTAL	<u>\$ 207,944</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, 2023
 (Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 18	\$ 21,851	\$ 21,869
Interest and dividends		742	742
Interfund interest		429	429
Net assets released from program restrictions	<u>7,792</u>	<u>(7,792)</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,810</u>	<u>15,230</u>	<u>23,040</u>
EXPENDITURES:			
Program Services—other academic programs	7,792		7,792
Other investment expense	<u>18</u>		<u>18</u>
Total expenditures	<u>7,810</u>	<u>-</u>	<u>7,810</u>
INCREASE IN NET ASSETS	-	15,230	15,230
NET ASSETS AT BEGINNING OF YEAR		<u>192,714</u>	<u>192,714</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 207,944</u>	<u>\$ 207,944</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)**

	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> </u>	<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 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
 (Dollars in thousands)**

	2023	2022
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 15,230	\$ (38,656)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(21,869)	12,272
Contribution of Brookley Property		11,000
Changes in operating assets and liabilities:		
Receivable from affiliate	<u>(23)</u>	<u>(9)</u>
Net cash used in operating activities	<u>(6,662)</u>	<u>(15,393)</u>
INVESTING ACTIVITIES:		
Purchases of securities	(1,196)	(704)
Sale of securities	<u>7,858</u>	<u>16,097</u>
Net cash provided by investing activities	<u>6,662</u>	<u>15,393</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, 2023 AND 2022
(Dollars in thousands)**

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.

Recent Accounting Pronouncements In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07), which provides enhanced disclosures and presentation requirements regarding nonfinancial asset contributions to not-for-profit entities. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021, and early adoption is permitted. The adoption of ASU No. 2020-07 did not have a material impact on the combined financial statements and related disclosures.

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 income (loss) for the years ended June 30, 2023 and 2022, consisted of the following:

	2023	2022
Unrealized gains (losses)	\$ 20,348	\$ (14,535)
Realized gains	1,521	2,263
Interest and dividends	742	495
Interfund interest	<u>429</u>	<u>149</u>
Total investment income (loss)	<u>\$ 23,040</u>	<u>\$ (11,628)</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 had an option, until 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.

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, 2023 and 2022 are summarized as follows:

Description	Fair Value Measurements at June 30, 2023			Total
	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	
New Investment Pool interest in marketable equity securities	\$ 133,476	\$ -	\$ -	\$ 133,476
New Investment Pool interest in timber			126,600	126,600
New Investment Pool interest in real estate				
Real estate			<u>3,700</u>	<u>3,700</u>
Total	<u>\$ 133,476</u>	<u>\$ -</u>	<u>\$ 130,300</u>	263,776
Investment in Commonfund, measured at NAV				<u>90,056</u>
Total assets at fair value				<u>\$ 353,832</u>

Description	Fair Value Measurements at June 30, 2022			Total
	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	
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>
Total	<u>\$ 114,806</u>	<u>\$ -</u>	<u>\$ 128,700</u>	243,506
Investment in Commonfund, measured at NAV				<u>81,210</u>
Total assets at fair value				<u>\$ 324,716</u>

For the year ended June 30, 2023, activity in the Foundation’s Pooled Investment assets valued at fair value based on unobservable inputs is as follows:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
Beginning balance	\$ 125,000	\$ -	\$ 3,700	128,700
Net realized and unrealized gains	4,100			4,100
Reforestation	161			161
Depletion	<u>(2,661)</u>	<u> </u>	<u> </u>	<u>(2,661)</u>
Ending balance	<u>\$ 126,600</u>	<u>\$ -</u>	<u>\$ 3,700</u>	<u>\$ 130,300</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:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
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>

The DSH Funds hold a proportionate interest in the value of the Foundation’s Investment Pool. On June 30, 2023, the value of DSH Funds units in the Pool was \$203,741 and on June 30, 2022, the value of DSH Funds units in the Pool was \$188,534.

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, 2023 and 2022, receivables from affiliated entities totaled \$503 and \$480 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 \$429 and \$149 for the years ended June 30, 2023 and 2022, 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.

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 had an option, until 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.

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, 2023, 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 \$6,022 that included \$3,997 for projects supporting USA Health hospitals and clinics, \$1,277 for the Clinical Support Fund, and \$748 for the Hospital Equipment Fund. Therefore, total distributions from the DSH Funds were \$7,792 for the fiscal year 2023.

8. NATURE AND AMOUNT NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions were \$207,944 and \$192,714 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 14, 2023, 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, 2023 that would require disclosure in or would be required to be recognized in the combined financial statements.

* * * * *



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Executive Vice President and Provost

DATE: September 7, 2023

TO: Jo Bonner, President

FROM: Dr. Andi Kent, Executive Vice President and Provost

SUBJECT: Continuation of Fiscal Year 2023 Internal Audit Plan to Fiscal Year 2024

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 OIA to develop a risk-based audit plan, communicate the plan to the governing board, and obtain approval of the plan.

Due to significant staff turnover, and the need to defer a number of audits that were planned for FY23, OIA is seeking approval for a continuation of the Fiscal Year 2023 Audit Plan into Fiscal Year 2024. Once OIA returns to a full staffing model, an updated audit plan will be developed and presented for the Audit Committee's approval.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Executive Vice President and Provost

DATE: September 7, 2023

TO: Jo Bonner, President

FROM: Dr. Andi Kent, Executive Vice President and Provost

A handwritten signature in blue ink that reads "Andi M. Kent".

SUBJECT: Resolution for Approval of the Updated Office of Internal Audit Charter

Attached is a resolution for consideration by the Board of Trustees for approval of the updated Office of Internal Audit Charter, which accompanies the resolution. This Charter addresses the authority, independence, objectivity, scope of services and responsibilities of the Office of Internal Audit. In order to ensure the integrity of the operations of the Office of Internal Audit, I recommend that this resolution be presented to the Board of Trustees for approval at its meeting on September 8, 2023.

Attachment

A handwritten signature in black ink that reads "Jo Bonner".

RESOLUTION

REVISED OFFICE OF INTERNAL AUDIT CHARTER

WHEREAS, the purpose of the University of South Alabama Office of Internal Audit is to provide independent, objective assurance and consulting services that are guided by a philosophy of adding value to improve the operations of the University, and

WHEREAS, the Office of Internal Audit is subject to guidance promulgated by the Institute of Internal Auditors, and

WHEREAS, such guidance by the Institute of Internal Auditors directs the Office of Internal Audit to establish a charter, and

WHEREAS, the purpose of such charter is to address the authority, independence, objectivity, scope of services and responsibilities of the Office of Internal Audit, and

WHEREAS, the most recent Office of Internal Audit Charter was approved in 2020 and requires updates to ensure adherence to the Institute of Internal Audit requirements,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the attached revised University of South Alabama Office of Internal Audit Charter.

University of South Alabama Office of Internal Audit Charter

Purpose and Mission

The purpose of the University of South Alabama's Office of Internal Audit (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve the University of South Alabama's operations. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OIA helps the University of South Alabama (main campus and USA Health) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The OIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework ("IIAI Framework"), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The Director, Office of Internal Audit (Director) will report periodically to senior administration and the Audit Committee of the Board of Trustees (Audit Committee) regarding the OIA's conformance to the IIAI Framework.

Authority

The Director will report to the Chief Administrative Officer (CAO) in the Division of Finance and Administration. The Director will serve as a liaison to the Audit Committee and will ensure the mandatory elements of the IIAI Framework are communicated to the Audit Committee. To establish, maintain, and assure that the OIA has sufficient authority to fulfill its duties, the Director will have unrestricted access to the Audit Committee, including private meetings, as necessary to ensure compliance with the IIAI Framework. The Audit Committee will approve the OIA's charter and any amendments thereto.

The Audit Committee authorizes the OIA to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information at both the main campus and USA Health
 - No officer, administrator, faculty, or staff member may interfere with or prohibit OIA from examining any University or related organization's records or interviewing any employee or student that OIA believes is necessary to carry out its duties

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports
- Obtain assistance from the necessary personnel of the University of South Alabama, as well as other specialized services from within or outside the University of South Alabama. Prior written approval of the Chief Administrative Office is required prior to engaging specialized services from outside the University.

Independence and Objectivity

The Director will ensure that the OIA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased and independent manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year
- Performing any operational duties for the University of South Alabama or its affiliates
- Initiating or approving transactions external to the OIA
- Directing the activities of any University of South Alabama employee not employed by the OIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors

Where the Director has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating, and communicating information

about the activity or process being examined

- Make balanced assessments of all available and relevant facts and circumstances
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments

The Director will confirm to the Audit Committee, at least annually, the organizational independence of the OIA. The Director will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of OIA Activities

Assurance Services: The scope of OIA activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, administration, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University of South Alabama. OIA assessments include evaluating whether:

- Risks relating to the achievement of the University of South Alabama's strategic objectives are appropriately identified and managed
- The actions of the University of South Alabama's officers, directors, employees, and contractors are in compliance with the University of South Alabama's policies, procedures, and applicable laws, regulations, and governance standards
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that impact the University of South Alabama
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently, and protected adequately

The Director will report regularly to the CAO, and, as needed, to senior administration and the Audit Committee, regarding:

- The OIA's purpose, authority, and responsibility
- The OIA's plan and performance relative to its plan
- The OIA's conformance with the IIAI Framework, and action plans to address any significant conformance issues
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee
- Results of external audit engagements or other activities

- Resource requirements
- Any requested amendments to the OIA charter
- Any response to risk by senior administration that may be unacceptable to the University of South Alabama

The Director also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of administration.

Consulting Services: The OIA provides consulting services in an advisory capacity. Consulting may range from formal engagements with defined scopes and objectives to advisory activities such as providing informal guidance in response to general inquiries, or participating on University committees. However, in all cases, OIA functions only as an advisor, with administration being responsible for final decisions.

Responsibilities of the Director, Office of Internal Audit

The Director has the responsibility to:

- Submit, at least annually, to the CAO a risk-based internal audit plan for review and approval
- Evaluate, on an annual basis, the department's adherence to the OIA Charter and report the evaluation to the CAO
- Communicate with the CAO regarding any significant interim changes to the risk-based internal audit plan
- Annually evaluate the performance of all staff auditors and provide opportunities for development of staff
- Ensure mandatory communications of the IIAI Framework are provided to the Audit Committee

Quality Assurance and Improvement Program

The OIA will maintain a Quality Assurance and Improvement Program covering all aspects of its operations. The program will include an evaluation of the OIA's conformance with the IIAI Framework. The program will also assess the efficiency and effectiveness of the OIA and identify opportunities for improvement.

The Director will communicate to the CAO, and the Audit Committee as required by the IIAI Framework, on the OIA's Quality Assurance and Improvement Program, including results of

internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University of South Alabama.

Approval/Signatures

Director, Office of Internal Audit

Date

Chief Administrative Officer

Date

Chair, Audit Committee

Date

**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 1, 2023
1:33 p.m.**

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Margie Tuckson, Vice Chair, on behalf of Mr. Jim Yance, Chair, on Thursday, June 1, 2023, at 1:33 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Scott Charlton, Jimmy Shumock, Steve Stokes, Margie Tuckson and Mike Windom were present.

Member Absent: Jim Yance.

Other Trustees: Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell and Lenus Perkins.

Administration & Guests: Terry Albano, Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Monica Ezell, Kristin Dukes, Joel Erdmann, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Norman Pitman, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 4**, Ms. Tuckson called for consideration of the minutes for a meeting held on March 2, 2023, **Item 5**. On motion by Judge Windom, seconded by Mr. Shumock, the committee voted unanimously to adopt the minutes.

Ms. Tuckson called for a report on endowment and investment performance, **Item 6**. Mr. Albano, together with Mr. Norman Pitman, the University's investment consultant, provided an overview on endowment investment results for the period October 1, 2022, through March 31, 2023, as well as since the inception of the endowment in March 2000, detailing manager performance and annualized fund performance. It was noted that the return on investments for fiscal year 2023 was 9.71 percent versus the relative index performing at 11.93 percent, which produced investment earnings of close to \$16.4 million and a portfolio market value of almost \$192 million. Also reported was that the net capital invested over the life of the endowment, which totaled nearly \$64.8 million, created an overall profit of more than \$126.8 million.

Mr. Albano turned to Mr. Pitman for an additional report as the guest manager representing Charles Schwab. Mr. Pitman shared context on the long-term performance of the University's mutual fund account with Charles Schwab consisting of foreign equity and fixed income investments with some real estate exposure.

Ms. Tuckson called on Ms. Sullivan, who presented **Item 7**, a resolution approving a revised *Gift Acceptance and Naming Recognition Guidelines* as submitted. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 2, 2023.) Ms. Sullivan stated that the revisions included increasing the endowment gift minimum to align with the thresholds of peer institutions, noting this would have a positive effect on scholarship growth. On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Ms. Sullivan discussed **Item 8**, a resolution expressing gratitude to Mr. Abraham A. Mitchell for his enduring leadership and philanthropy benefiting the University, its people and the community, as was most recently demonstrated through a transformational gift of \$20 million to support construction of a state-of-the-art performing arts center on campus. On motion by Judge Windom, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution.

Concerning **Item 9**, a report on the activities of the Division of Development and Alumni Relations, Ms. Sullivan gave an update on fundraising outcomes thus far for fiscal year 2023, advising of close to \$34.5 million in new gifts and commitments secured through 5,046 gifts from 3,261 donors, 836 of which were first-time donors. She discussed the results of the *Make Way for USA* and *Giving Day* campaigns, and mentioned the importance of developing strategies to enhance alumni giving. She concluded the report with an overview of the fundraising and engagement events held recently and planned for the weeks ahead.

There being no further business, the meeting was adjourned at 1:49 p.m.

Respectfully submitted:

On behalf of:

Margie Malone Tuckson, Vice Chair

James A. Yance, Chair

University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2023

USA Endowment Fund Performance Fiscal Year to Date

October 1, 2022 to June 30, 2023

- USA Endowment Fund is up 13.53% versus its blended benchmark return of 16.36%. The USA Endowment Fund underperforms its blended benchmark by 2.83% for the fiscal year.

USA Endowment Manager Performance Fiscal Year to Date

October 1, 2022 to June 30, 2023

Individual Manager versus Benchmark performance:

- Commonfund is up 14.89% versus its benchmark return of 14.87%.
- Charles Schwab is up 18.65% versus its benchmark return of 18.86%.
- Douglas Lane is up 18.66% versus its benchmark return of 25.73%.
- Gerber Taylor is up 9.69% versus its benchmark return of 4.40%.
- Gerber Taylor International is up 16.89% versus its benchmark return of 31.03%.
- Hancock Whitney is up 12.53% versus its benchmark return of 16.37%.
- JP Morgan is up 17.25% versus its benchmark return of 15.66%.
- USAFund (Student Investment Fund) is up 23.75% versus its benchmark return of 25.73%.

USA Endowment Annualized Fund Performance Since Inception

As of June 30, 2023

- USA Endowment Fund has an annualized return of approximately 5.52% since inception versus its blended benchmark return of approximately 4.51%. The USA Endowment Fund outperforms by 1.01% since inception.

USA Endowment Investment Earnings and Appreciation Since Inception

March 31, 2000 to June 30, 2023

- USA Endowment Fund Market Value at Inception (March 31, 2000): \$5.7 million.
- USA Endowment Fund Net Invested Capital as of June 30, 2023: \$59.6 million.
- USA Endowment Fund Market Value as of June 30, 2023: \$193 million.
- USA Endowment Fund Income and Appreciation since Inception: \$133.4 million.

RESOLUTION

COMMENDATION OF MR. KELLY BUTLER AND NAMING OF THE USA HEALTH ALS CENTER

WHEREAS, Mr. Kelly Butler dedicated 36 years of his professional career to the State of Alabama, serving in various leadership capacities, including as revenue examiner, Legislative Fiscal Officer, and Assistant Finance Director for Fiscal Operations, and

WHEREAS, from 2018 to 2021, Mr. Butler admirably fulfilled the role of State Financial Director under the leadership of Governor Kay Ivey, who praised him as the most exemplary finance director who has ever served the State of Alabama, recognizing him as the epitome of a devoted public servant, and

WHEREAS, the University of South Alabama experienced firsthand Mr. Butler's unwavering commitment to meeting the healthcare needs of Alabamians through his involvement to secure the University a \$50 million state appropriation to aid in the construction of the new Frederick P. Whiddon College of Medicine, which will provide state-of-the-art medical education and research facilities, as well as accommodate enrollment growth, thus leading to increases in the number of medical student graduates and physicians practicing in the state and beyond, and

WHEREAS, USA Health has plans to further enhance its healthcare services by establishing a certified Amyotrophic Lateral Sclerosis (ALS) Center of Excellence to address the neurological needs of patients with this diagnosis and provide them with access to high-quality care, and

WHEREAS, complications arising from an ALS diagnosis led Mr. Butler to retire from his lifelong career of public service on August 1, 2021, and

WHEREAS, his advocacy for advancing ALS research and clinical trials in Alabama continues today, as do his efforts for increased state funding for ALS-related initiatives, and

WHEREAS, the University community is eternally grateful for Mr. Butler and his enduring work to expand leading-edge health care to the upper Gulf Coast and throughout the state,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama proudly authorizes naming USA Health's new ALS Center the *Kelly Butler ALS Center* in honor of Mr. Butler for his exceptional service and selfless dedication to the State of Alabama and its citizens.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Development and Alumni Relations

DATE: August 1, 2023

TO: Jo Bonner
President

FROM: Margaret M. Sullivan
Vice President of Development and Alumni Relations

A handwritten signature in blue ink that reads "Margaret M. Sullivan".

SUBJECT: Commendation of Mr. Kelly Butler

I recommend presentation to the USA Board of Trustees the attached resolution commending Mr. Kelly Butler for his 36 year career of public service to the State of Alabama and his role of State Financial Director under the leadership of Governor Kay Ivey.

This resolution commends Mr. Butler's unwavering commitment to the healthcare of Alabamians and his efforts to secure substantial state support for the new Whiddon College of Medicine medical education and research building. With your support, this commendation by the Board of Trustees will be an appropriate way to honor Mr. Kelly Butler. It will also authorize the naming of the USA Health Amyotrophic Lateral Sclerosis (ALS) Center as the Kelly Butler ALS Center in honor of Mr. Butler's exceptional service and dedication.

Attachment: Proposed Resolution

c: Monica Ezell
Dr. Andrea (Andi) Kent
Dr. John Marymont

A handwritten signature in black ink that reads "Jo Bonner".

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**HEALTH AFFAIRS
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Health Affairs Committee

**June 1, 2023
1:57 p.m.**

A meeting of the Health Affairs Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair, on Thursday, June 1, 2023, at 1:57 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Steve Furr, Jimmy Shumock and Steve Stokes were present.

Member Absent: Jim Yance.

Other Trustees: Alexis Atkins, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell, Lenus Perkins, Margie Tuckson and Mike Windom.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Monica Ezell, Kristin Dukes, Joel Erdmann, Natalie Fox, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Shannon Scaturro, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Tyler Whetstine.

Following the attendance roll call, **Item 10**. Mr. Shumock called for consideration of the minutes for a meeting held on March 2, 2023, **Item 11**. On motion by Mr. Corcoran, seconded by Dr. Stokes, the Committee voted unanimously to adopt the minutes.

Mr. Shumock called on Mr. Bailey to address **Item 12**, a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for February, March and April 2023. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 2, 2023.) Mr. Bailey stated that the medical staff credentials had advanced through rigorous review channels and were recommended for approval. On motion by Dr. Stokes, seconded by Mr. Corcoran, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Shumock called on Dr. Marymont for a report on the activities of USA Health and the Whiddon College of Medicine, **Item 13**. Dr. Marymont turned to Mr. Bailey for remarks. Mr. Bailey introduced and shared professional background on Dr. Natalie Fox and Mr. Shannon Scaturro, advising of their promotions as Chief Physician Enterprise Officer and Chief Operating Officer, respectively. He introduced and discussed the professional qualifications of Mr. Tyler Whetstine, noting his recent appointment as Chief Information Officer. Dr. Fox, Mr. Scaturro and Mr. Whetstine made brief remarks.

Health Affairs Committee
June 1, 2023
Page 2

Dr. Marymont introduced Dr. Zoya Khan, Associate Professor of Modern and Classical Languages and Literature, for a report. As the Executive Director of the Graduate Certificate in Spanish for Healthcare Professionals program, Dr. Khan discussed the demand for bilingual providers, the program's enrollment history and the basics of the four-course curriculum that offers a practicum focused on public health outreach and collaboration. She and Dr. Marymont responded to questions and comments.

There being no further business, the meeting was adjourned at 2:14 p.m.

Respectfully submitted:

James H. Shumock, Chair



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

DATE: August 2, 2023

TO: Jo Bonner
President

FROM: Owen Bailey, Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Owen Bailey', on a light blue background.

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 2023

- USA Health Hospitals Medical Staff Appointments and Reappointments Board of Trustees Report

OB/kh

Attachments

A handwritten signature in black ink, appearing to read 'Jo Bonner', on a light blue background.

RESOLUTION

**USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND
REAPPOINTMENTS FOR MAY, JUNE AND JULY 2023**

WHEREAS, the Medical Staff appointments and reappointments for May, June and July 2023 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.

**USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2023**

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 Committees of the respective hospitals.

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line
New Appointments:									
Amberger, Melanie D., CRNP	New Appointment	APP USA	Pediatric Emerg. Medicine	New Appointment	APP USA	Emergency Medicine	N/A	N/A	N/A
Bier, Samantha J., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Blackburn, William P., MD	New Appointment	Active USA	Anesthesiology	New Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
Byrd, Tyler B., DO	New Appointment	Consulting	Psychiatry	New Appointment	Consulting	Psychiatry	N/A	N/A	N/A
Calhoun, Allison C., MD	New Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Carter, Keith L., MD	New Appointment	Active USA	Anesthesiology	New Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
Conner, Altanic M., CNIM	New Appointment	APP	Neurosurgery	New Appointment	APP	Neurosurgery	N/A	N/A	N/A
Cook, Alexis L., DA	New Appointment	APP	Surgery	New Appointment	APP	Surgery	N/A	N/A	N/A
Franklin, Garrett B., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Halliburton, Amy B., MD	New Appointment	Active USA	Anesthesiology	New Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
Harper, James V., MD	New Appointment	Contract Locums	Anesthesiology	New Appointment	Contract Locums	Anesthesiology	N/A	N/A	N/A
Hewitt, William H., MD	New Appointment	Active USA	Neurology	New Appointment	Active USA	Neurology	New Appointment	Active USA	Neurology
Hinton, Jr., John L., MD	New Appointment	Active USA	Neurology	New Appointment	Active USA	Neurology	New Appointment	Active USA	Neurology
Hunt, Karras R., CRNP	N/A	N/A	N/A	New Appointment	APP HCA/JAG	Internal Medicine	N/A	N/A	N/A
Hyatt, Victoria K., PA	New Appointment	APP USA	Neurosurgery	New Appointment	APP USA	Neurosurgery	New Appointment	APP USA	Neurosurgery
Knightshead, Kandi T., MD	New Appointment	Active USA	Anesthesiology	New Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
Lane, Laura M., CRNA	New Appointment	APP Contract/Locums	Anesthesiology	New Appointment	APP Contract/Locums	Anesthesiology	N/A	N/A	N/A
Lemeshko, Sergy V., MD	New Appointment	Consulting	Radiology	New Appointment	Consulting	Radiology	N/A	N/A	N/A
LePage, Jr., James R., DO	New Appointment	Consulting	Psychiatry	New Appointment	Consulting	Psychiatry	N/A	N/A	N/A
Murphree, Marlee B., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Plant, Charles P., MD	New Appointment	Contract Locums	Anesthesiology	New Appointment	Contract Locums	Anesthesiology	N/A	N/A	N/A
Rochford, Elizabeth K., CRNP	New Appointment	APP USA	Pediatric Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Sahawneh, Mathew M., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Sahawneh, Payton B., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Shackelford, Rodney E., DO	New Appointment	Active USA	Pathology	New Appointment	Active USA	Pathology	N/A	N/A	N/A
Sibley, Jr., Darvin L., CRNA	New Appointment	APP Contract Locums	Anesthesiology	New Appointment	APP Contract Locums	Anesthesiology	N/A	N/A	N/A
Smith, Allesea A., MD	New Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Smith, Susan R., CRNP	New Appointment	APP Non-Privileged	Pediatrics	New Appointment	APP Non-Privileged	Pediatrics	N/A	N/A	N/A
Thomas, Rebecca M., RN	New Appointment	APP	OBGYN	New Appointment	APP	OBGYN	N/A	N/A	N/A
Verde, Ranya Kakish, CRNP	New Appointment	APP USA	Internal Medicine	New Appointment	APP USA	Internal Medicine	New Appointment	APP USA	Internal Medicine
Ward, Taylor Marie, CRNP	N/A	N/A	N/A	New Appointment	APP HCA/JAG	Internal Medicine	New Appointment	APP HCA/JAG	Internal Medicine
Williams, Danielle M., CRNP	New Appointment	APP Non-Privileged	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Wylie, Charly S., CRNA	New Appointment	APP Contract/Locums	Anesthesiology	New Appointment	APP Contract/Locums	Anesthesiology	N/A	N/A	N/A

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line
Reappointments:									
Agagan, Caesar C., MD	N/A	N/A	N/A	Reappointment	Consulting	Internal Medicine	N/A	N/A	N/A
Alexander, Heather L., PA	N/A	N/A	N/A	Reappointment	APP HCA/JAG	Internal Medicine	Reappointment	APP HCA/JAG	Internal Medicine
Allen, Scott T., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Almalouf, Philip, MD	Reappointment	Courtesy USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Court. USA/Act. USA	Internal Medicine
Altun, Osman, MD	Reappointment	Active USA	Pediatrics	Reappointment	Consulting USA	Pediatrics	Reappointment	Act. USA/Cons. USA	Pediatrics
Ang, Romsel, MD	Reappointment	Courtesy HCA	Internal Medicine	Reappointment	Courtesy HCA	Internal Medicine	Reappointment	Courtesy HCA	Internal Medicine
Ashton, Joshua A., RN	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine	N/A	N/A	N/A
Bacon, William R., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Baker, Thomas A., MD	N/A	N/A	N/A	Reappointment	Active HCA/JAG	Internal Medicine	Reappointment	Active HCA/JAG	Internal Medicine
Beckett, Jr., William W., MD	Reappointment	Consulting	Radiology - vRad	Reappointment	Consulting	Radiology - vRad	N/A	N/A	N/A
Bedsole, Rhonda R., MD	Reappointment	Community Staff	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Berry, Michael A., MD	N/A	N/A	N/A	Reappointment	Community Staff	Internal Medicine	N/A	N/A	N/A
Boone, Lucas S., MD	Reappointment	Consulting	Psychiatry	Reappointment	Consulting	Psychiatry	N/A	N/A	N/A
Brown, Rodney A., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Burke, Kendyl L., PA	Reappointment	APP USA	Radiology	Reappointment	APP USA	Radiology	Reappointment	APP USA	Radiology
Cawley, Kevin M., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Cepeda, Matthew E., MD	Reappointment	Community Staff	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A

**USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2023**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Reappointments: (Continued)	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line
Rider, Jr., Paul F., MD	Reappointment	Courtesy USA	Surgery	Reappointment	Active USA	Surgery	Reappointment	Court. USA/Act. USA	Surgery
Rogers, Helen H., MD	Reappointment	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Rogers, IV, Charles M., MD	Reappointment	Community Staff	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Sanchez, Jose A., MD	Reappointment	Active USA	Neurology	Reappointment	Active USA	Neurology	Reappointment	Active USA	Neurology
Schneider, Robert A., MD	Reappointment	Active USA	Ped. Emerg. Medicine	Reappointment	Active USA	Emergency Medicine	N/A	N/A	N/A
Sehgal, Mukul, MD	Reappointment	Active USA	Pediatrics	Reappointment	Consulting USA	Pediatrics	Reappointment	Active USA/Cons. USA	Pediatrics
Shrestha, Diksha, MD	Reappointment	Active HCA	Pediatrics	Reappointment	Consulting HCA	Pediatrics	Reappointment	Act. HCA/Cons. HCA	Pediatrics
Simmons, Jon D., MD	Reappointment	Courtesy USA	Surgery	Reappointment	Active USA	Surgery	Reappointment	Court. USA/Active USA	Surgery
Stubbs, II, Eugene, CNIM	Reappointment	APP	Neurosurgery	Reappointment	APP	Neurosurgery	N/A	N/A	N/A
Stuck, Nathanael C., PA	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery
Thompson, Laura H., MD	Reappointment	Community Staff	Family Medicine	Reappointment	Community Staff	Family Medicine	N/A	N/A	N/A
Travers, Ara B., MD	N/A	N/A	N/A	Reappointment	Active HCA/JAG	Family Medicine	Reappointment	Active HCA/JAG	Family Medicine+
Tullis, Jennifer M., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Vial, Sheila F., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Waldrop, Ronnie D., MD	Reappointment	Active USA	Ped. Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Walker, Marshall K., MD	Reappointment	Consulting USA	Radiology	Reappointment	Consulting USA	Radiology	Reappointment	Consulting USA	Radiology
Weinacker, Elizabeth S., MD	Reappointment	Community Staff	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Whitehurst, Jr., Richard M., MD	Reappointment	Pediatrics	Active USA	Reappointment	Pediatrics	Consulting USA	Reappointment	Act. USA/Cons. USA	Pediatrics
Wiley, Saqoria B., PCT	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine	N/A	N/A	N/A
Williamson, Amelia J., CRNP	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine
Woodall, Cassie B., PA	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Yontz, Dustin L., MD	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology
Zacharias, Claudia, MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Zhao, Jun, MD	Reappointment	Consulting	Neurology	Reappointment	Consulting	Neurology	N/A	N/A	N/A
NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Change Requests:	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line	Type/Status	Category	Department/Service Line
Bailey, Lisa M., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Bailey, Lisa R., MD	Privileges/Status	Consulting USA	Urology	Privileges	Active USA	Urology	Privileges/Status	Cons. USA/Act. USA	Urology
Blanchard-Burch, Kristie, MD	Privileges	Consulting USA	Urology	Privileges	Active USA	Urology	Privileges/Status	Cons. USA/Act. USA	Urology
Bowman, Ashleigh F., CRNP	Add Priv./Coll. Phy.	APP USA	Ped. Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Burke, Kendyl L., PA	Deleted Privileges	APP USA	Radiology	Added Privilege	APP USA	Radiology	Del./Add. Priv.	APP USA	Radiology
Cartledge, Hollie V., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Cornelius, Emily D., CRNP	Added Privilege	APP USA	Surgery	Added Privilege	APP USA	Surgery	Added Privilege	APP USA	Surgery
Cottone, Joseph L., MD	Privileges/Status	Consulting USA	Urology	Privileges	Active USA	Urology	Privileges/Status	Cons. USA/Act. USA	Urology
Gates, Jill R., CRNP	Added Privileges	APP USA	Urology	Added Privileges	APP USA	Urology	Added Privileges	APP USA	Urology
Hartman, Catherine A., CRNP	Chg Phy/Del Priv	APP USA	Pediatrics	N/A	N/A	N/A	Chg Phy/Del Priv	APP USA	Pediatrics
Houston, Eileen M., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Huckabee, Rife E., MD	Added Privs.	Active USA	Radiology	Added Privs.	Active USA	Radiology	Added Privs.	Active USA	Radiology
Hujier, Fares, MD	Del. Privs.	Active USA	N/A	Added Priv.	Active USA	Internal Medicine	Del./Del. Privs.	Active USA	Internal Medicine
Knight, Parath H., CRNP	Chg. Coll. Phy.	APP USA	Pediatric Emerg. Medicine	Chg. Coll. Phy.	APP USA	Emergency Medicine	N/A	N/A	N/A
Lammers, John E., MD	N/A	N/A	N/A	Added Privs.	Active USA	Internal Medicine	Added Privs.	Active USA	Internal Medicine
Lovell, Christopher M., CRNP	Added Privilege	APP USA	Internal Medicine	Added Privilege	APP USA	Internal Medicine	Added Privilege	APP USA	Internal Medicine
Mattei, Mary Lucy, CRNP	Add/Del. Privs.	APP USA	OBGYN	Add/Del. Privs.	APP USA	OBGYN	Add/Del. Privs.	APP USA	OBGYN
Meredith, Courtney E., MD	Deleted Privileges	Active HCA	OBGYN	Deleted Privileges	Active HCA	OBGYN	Deleted Privileges	Active HCA	OBGYN
Munn, Mary B., MD	Add/Del. Priv.	Active USA	OBGYN	Add/Del. Priv.	Active USA	OBGYN	Add/Del. Priv.	Active USA	OBGYN
Normand, Robin S., CRNP	Added Privileges	APP USA	Internal Medicine	Added Privileges	APP USA	Internal Medicine	Added Privileges	APP USA	Internal Medicine
Patton, Sarah E., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Roberts, Mackenzie K., CRNP	N/A	N/A	N/A	Name Change	APP USA	Surgery	Name Change	APP USA	Surgery
Rogers, IV, Charles M., MD	Changed Status	Community Staff	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Seaman, Deanna, CRNP	Chg Phy/Add Priv	APP USA	Pediatrics	N/A	N/A	N/A	Chg Phy/Add Priv	APP USA	Pediatrics
Shumaker, Robin H., PA	Add Privilege	APP USA	Neurosurgery	Add Privilege	APP USA	Neurosurgery	Add Privilege	APP USA	Neurosurgery
Simpson, Nathan L., PA	Chg. Coll. Phy.	APP USA	Pediatric Emerg. Med.	Chg. Coll. Phy.	APP USA	Emergency Med.	N/A	N/A	N/A
Skific, Karen E., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Thrasher, Michelle R., CRNP	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Woodall, Cassie B., PA	Chg. Coll. Phy.	APP USA	Pediatrics	N/A	N/A	N/A	Chg. Coll. Phy.	APP USA	Pediatrics
Younger, Austin R., MD	Privileges/Status	Consulting USA	Urology	Privileges	Active USA	Urology	Privileges/Status	Cons. USA/Act. USA	Urology

**USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN MAY, JUNE, AND JULY 2023**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Reason	Date	Department/Service Line	Reason	Date	Department/Service Line	Reason	Date	Department/Service Line
Bennett, Donna C., MD	N/A	N/A	N/A	Resigned	05/01/2023	OBGYN	N/A	N/A	N/A
Bennett, Donna C., MD	Resigned	06/20/2023	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Berg, Marion C., MD	N/A	N/A	N/A	Resigned	05/02/2023	Emergency Medicine	N/A	N/A	N/A
Bourg, DeVonn L., CRNP	Resigned	05/05/2023	OBGYN - Eval. Center	N/A	N/A	N/A	N/A	N/A	N/A
Cousins, Daisy L., CRNA	Resigned	06/20/2023	Anesthesiology	Resigned	06/20/2023	Anesthesiology	N/A	N/A	N/A
DeCotis Smith, Diana M., MD	Resigned	06/20/2023	OBGYN	Resigned	06/20/2023	OBGYN	Resigned	06/20/2023	OBGYN
Domzalski, Jerome T., MD	Resigned	05/21/2023	Radiology - vRad	Resigned	05/21/2023	Radiology - vRad	N/A	N/A	N/A
Duckett, Colby R., MD	Resigned	05/25/2023	Anesthesiology	Resigned	05/25/2023	Anesthesiology	N/A	N/A	N/A
Dudley, William T., CRNP	Resigned	07/03/2023	Psychiatry	Resigned	07/03/2023	Psychiatry	N/A	N/A	N/A
Dutton, Kelsey A., CRNP	Resigned	06/01/2023	Family Medicine	Resigned	06/01/2023	Family Medicine	Resigned	06/01/2023	Family Medicine
Martinsen, Angela M., PA	Resigned	06/16/2023	Internal Medicine	Resigned	06/16/2023	Internal Medicine	Resigned	06/16/2023	Internal Medicine
Mellick, Larry B., MD	Resigned	06/16/2023	Ped. Emerg. Medicine	Resigned	06/16/2023	Emergency Medicine	N/A	N/A	N/A
Rogers, Carey B., RN	Resigned	07/12/2023	OBGYN	Resigned	07/12/2023	OBGYN	N/A	N/A	N/A
Rowland, Darren L., CRNA	Resigned	06/20/2023	Anesthesiology	Resigned	06/20/2023	Anesthesiology	N/A	N/A	N/A
Rowland, Lauren E., CRNA	Resigned	06/20/2023	Anesthesiology	Resigned	06/20/2023	Anesthesiology	N/A	N/A	N/A
Scott, Byron C., DMD	Resigned	04/21/2023	Surgery	Resigned	04/21/2023	Surgery	N/A	N/A	N/A
Silvester, Nicholas C., DO	Resigned	05/25/2023	Radiology - Vulcan	Resigned	05/25/2023	Radiology - Vulcan	N/A	N/A	N/A
Smith, Jenoris L., RN	Resigned	05/09/2023	Internal Medicine	Resigned	05/09/2023	Internal Medicine	N/A	N/A	N/A
Stoudenmire-Juett, Janet, CRNA	Resigned	04/13/2023	Anesthesiology	Resigned	04/13/2023	Anesthesiology	N/A	N/A	N/A
Tomlinson, Michael P., CRNA	Resigned	06/16/2023	Anesthesiology	Resigned	06/16/2023	Anesthesiology	N/A	N/A	N/A
Trimmer, Marirose C., MD	Resigned	04/12/2023	Family Medicine	Resigned	04/12/2023	Family Medicine	Resigned	04/12/2023	Family Medicine
Weng, Fang Q., MD	Resigned	05/25/2023	OBGYN	Resigned	05/25/2023	OBGYN	Resigned	05/25/2023	OBGYN

**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 1, 2023
2:14 p.m.**

A meeting of the Academic and Student Affairs Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Judge Mike Windom, Chair, on Thursday, June 1, 2023, at 2:14 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Scott Charlton, Steve Furr, Ron Graham, Bill Lewis, Lenus Perkins, Margie Tuckson and Mike Windom were present, and Ron Jenkins participated remotely.

Other Trustees: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Arlene Mitchell, Jimmy Shumock and Steve Stokes.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Genevieve Batman, Joél Billingsley, Jo Bonner, Brianna Britton-Rocker, Laurie Childers, Lynne Chronister, Chris Cleveland, Monica Ezell, Kristin Dukes, Joel Erdmann, John Friend, Chelsea Greer, Conner Holm, Buck Kelley, Andi Kent, Sal Liberto, Doug Marshall, John Marymont, Mike Mitchell, Kristen Roberts, Alison Robertson, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 14**, Judge Windom called for consideration of the minutes for a meeting held on March 2, 2023, **Item 15**. On motion by Ms. Tuckson, seconded by Judge Lewis, the Committee voted unanimously to adopt the minutes.

Judge Windom called on Provost Kent and Dr. Marymont to present **Item 16**, a resolution granting tenure and/or promotion to faculty from the Division of Academic Affairs and the 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 2, 2023.) Provost Kent shared a breakdown of the candidates by division, and attested that the candidates recommended had been thoroughly vetted through the applicable chains of review, with Dr. Marymont concurring. On motion by Mr. Graham, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Judge Windom called upon Provost Kent, Dr. Marymont and Dr. Mitchell to address **Item 17**, a resolution authorizing tuition, fees, and housing and dining rates for the 2023-2024 academic year, as set forth in supplementary schedules. Provost Kent reviewed that a multi-year plan to restructure tuition had been approved in June 2022. She and Dr. Marymont explained recommendations to increase the technology and infrastructure fee by \$100 and Whiddon College of Medicine tuition by three percent, respectively. Dr. Mitchell introduced Dr. Chris Cleveland, Associate Vice Presi-

dent for Auxiliary Services, who discussed recommendations to increase room and board rates by an average of 2.24 percent and by 3.8 percent, respectively, as well as reduce room rates for the 2024 summer term. It was noted that, with the proposed adjustments in effect, USA's rates would still be among the lowest in the state as compared to Alabama peer institutions, thus enabling South to maintain a competitive position in the market. On motion by Capt. Jenkins, seconded by Ms. Tuckson, the Committee voted unanimously to recommend approval of the resolution 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 recognized and thanked Mr. Sal Liberto, Interim Associate Vice President for Enrollment Services, for his contributions over three years, advising that he would be leaving the University soon. She gave an update on the dean searches under way for the Mitchell College of Business and the College of Education and Professional Studies. She introduced and shared background details on Dr. Doug Marshall, who recently was named as Honors College Dean. Dr. Marshall discussed his vision for the Honors College and introduced two Honors College students, Ms. Genevieve Batman and Mr. Colin Holm, both of whom talked about their academic pursuits and involvement in the program.

Judge Windom called on Dr. Mike Mitchell, who discussed **Item 19**, the annual report to the Alabama Commission on Higher Education that documents infringement of the University's Speech, Expressive Activities and Use of University Space, Facilities and Grounds Policy, as well as the Institution's response. Dr. Mitchell said the reports were a requirement of Alabama Code and, with reference to the draft report, advised that infractions had not occurred thus far for the reporting period of August 1, 2022, through July 31, 2023. He reminded the Committee of his authorization to submit the report on the Board's behalf and welcomed feedback. The Committee did not suggest revisions to the report.

Judge Windom asked Dr. Mitchell for a report on the activities of the Division of Student Affairs, **Item 20**. Dr. Mitchell turned to Dr. Cleveland, who advised of interest among the students to expand food service options to include food trucks and commuter meal plans. She stated the leadership would continue to explore ideas in collaboration with the Student Government Association and an update would be given at a future meeting.

Dr. Mitchell advised that the Jaguar Senior Medallion Society recently held its second annual induction program and 24 graduating seniors were installed for having demonstrated a strong commitment to student engagement and leadership. Dr. Mitchell thanked Capt. Jenkins for being a sponsoring donor for the program.

Dr. Mitchell introduced Drs. John Friend and Chelsea Greer, Director and Associate Director of the Counseling and Wellness Center, respectively. Drs. Friend and Greer shared an overview on the JED Foundation, an organization that networks with hundreds of colleges nationwide to help

prevent student suicide, substance abuse and self-harm, and promote mental well-being, and on efforts in progress for the University to become the first institution in Alabama to become a JED campus.

Judge Windom called on Dr. Billingsley for a report on the activities of the Division of Diversity and Community Engagement, **Item 21**. Dr. Billingsley introduced Ms. Laurie Childers, Inclusion and Engagement Coordinator from the Office of Community Engagement, who discussed her role, as well as the *Semester of Service* project, for which she noted students had engaged in more than 14,000 hours of service over the 2023 spring semester. She introduced USA student Ms. Brianna Britton-Rocker, a service award recipient. Ms. Britton-Rocker gave an inspiring address on her service history and passion for volunteerism.

Judge Windom congratulated Ms. Chronister for her recent recognition as a *40/40* 2023 honoree by the *Focus Empowers* organization and asked her to address **Item 22**, a report on the activities of the Division of Research and Economic Development. Ms. Chronister introduced and shared professional background on Dr. Alison Robertson, Assistant Professor from the Stokes School of Marine and Environmental Sciences. Dr. Robertson discussed her research related to harmful algae blooms and the toxins they produce that threaten sea life in the Gulf of Mexico and Caribbean region.

There being no further business, the meeting was adjourned at 3:15 p.m.

Respectfully submitted:

Michael P. Windom, Chair

RESOLUTION

TENURE

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 Executive Vice President and Provost, as well as by the President, and the candidates named herein are recommended for tenure effective January 1, 2024,

COLLEGE OF EDUCATION AND PROFESSIONAL STUDIES:

Angela Barlow

MITCHELL COLLEGE OF BUSINESS:

Michael Capella

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby approves and grants tenure as recommended.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

DATE: August 10, 2023

TO: Jo Bonner, President

FROM: Andrea M. Kent, Ph.D., Executive Vice President and Provost

A handwritten signature in black ink, appearing to read 'A. Kent'.

SUBJECT: Faculty Tenure Recommendations

Recommend Awarding Tenure:

Angela Barlow – Educational Leadership

Michael Capella – Marketing

All portfolios and recommendations with accompanying rationales are available for your review. Upon your final action, a resolution for the Board of Trustees will be forwarded.

A handwritten signature in black ink, appearing to read 'Jo Bonner'.

RESOLUTION

REQUEST FOR ABC BOARD MANUFACTURER LICENSE

WHEREAS, the University of South Alabama recognizes the growing popularity of brewing and the brewing sciences,

WHEREAS, brewing involves a cross-section of academic disciplines, including engineering, computer science, biology and physics, among others, that are of interest to current and potential students and faculty,

WHEREAS, the University received a donation of certain microbrewery equipment and has acquired additional equipment so as to assemble a microbrewery system consisting of a four-barrel brewing station, four (4) eight-barrel fermentation tanks, a three-ton chiller, and all the necessary accessories required to produce up to approximately 124 gallons of beer at a time,

WHEREAS, the microbrewery system will be located in the Science Lab Building, Room 148, 6041 USA Drive, Mobile, Alabama 36608, and will be utilized by University students and faculty members to provide hands-on experience with engineering design, skills, and know-how, and

WHEREAS, the University intends to produce less than 150 barrels of beer per year, none of which will be consumed or distributed, and

WHEREAS, the Alabama Alcohol Beverage Control Board requires that the Board of Trustees of the University of South Alabama expressly authorize the submission of the University's application for a manufacturer license,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the University to request the issuance of a manufacturer license for the production of beer at the above-described location.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Executive Vice President and Provost

DATE: August 25, 2023

TO: Jo Bonner, President

FROM: Andrea M. Kent, Ph.D., Executive Vice President and Provost

A handwritten signature in blue ink that reads "Andrea M. Kent".

SUBJECT: Request for ABC Board Manufacturer License

In light of the growing popularity of brewing and the brewing sciences, involving a cross-section of academic disciplines, including engineering, computer science, biology and physics, among others, I recommend the request of a manufacturer license for the production of beer in the Science Lab Building.

The University received a donation of microbrewery equipment and has acquired additional equipment in order to assemble a microbrewery system consisting of a four-barrel brewing station, four (4) eight-barrel fermentation tanks, a three-ton chiller, and all the necessary accessories required to produce up to approximately 124 gallons of beer at a time. Located in Room 148 of the Science Lab Building, the microbrewery will be utilized by University students and faculty members to provide hands-on experience with engineering design, skills, and know-how.

The University intends to produce less than 150 barrels of beer per year, none of which will be consumed or distributed, which will require authorization by the Board of Trustees to submit an application for a manufacturer license to the Alabama Alcohol Beverage Control Board. I am requesting that this recommendation be presented to the Board of Trustees at the September 8, 2023 meeting.

A handwritten signature in black ink that reads "Jo Bonner".

RESOLUTION

NEW STUDENT CAMPUS DINING FEE

WHEREAS, the University of South Alabama (“USA”) is committed to providing students with a vibrant, comprehensive and successful undergraduate student experience, and

WHEREAS, USA’s goal is for all students to be fully engaged on campus and enjoy a well-rounded and satisfying college experience, and

WHEREAS, campus dining is an important part of student life, and

WHEREAS, the *Jag Eat\$* dining program will provide undergraduate students the opportunity to connect with friends and stay healthy by ensuring every student has access to a variety of nutritional options,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes implementing a \$175 campus dining fee for all new students enrolled in six (6) or more on-campus course credit hours beginning fall 2024.




UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Vice President for Student Affairs/Dean of Students

DATE: August 11, 2023

TO: President Jo Bonner

FROM: Dr. Michael Mitchell, 
Vice President for Student Affairs and Dean of Students

SUBJECT: Proposed New Student Dining Fee – Fall 2024

Attached is a proposal from Dr. Chris Cleveland with recommendations for the implementation of the *Jag Eat\$* dining program for all new students with six or more on-campus credit hours. This program will provide undergraduate students access to a variety of nutritional options, the convenience of grabbing a quick and easy meal, and maximizes engagement through convenient access to campus retail dining.

I support the implementation of this fee and recommend it for submission to the Board of Trustees for approval.

A handwritten signature in black ink that reads "Jo Bonner". The signature is written in a cursive, flowing style.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Auxiliary Services

DATE: August 10, 2023

TO: Dr. Mike Mitchell

FROM: Dr. Chris Cleveland

A handwritten signature in blue ink that reads "Chris Cleveland". The signature is written in a cursive style.

SUBJECT: New Student Dining Fee - Fall 2024

The University of South Alabama is committed to providing students with a vibrant, comprehensive and successful undergraduate student experience. Our goal is for all students to be fully engaged on campus and experience a full college life. Campus dining is an important part of student life. The *Jag Eat\$* dining program will provide undergraduate students the opportunity to connect with friends and stay healthy by ensuring every student has access to a variety of nutritional options. Students can enjoy the convenience of grabbing a meal with their peers either before or after class or while working on a project.

Decades of empirical research show that learning is enhanced by social interaction. **Data from USA's** 2022 Student Government Association survey indicated strong student interest in expansion of on campus dining options and adoption of an integrated campus dining program. By maximizing engagement through convenient access to campus retail dining, students can receive the experience that they have indicated they value and want.

Therefore, in an effort to advance student access and success and enhance the undergraduate student experience, the University of South Alabama is recommending implementation a \$175 campus dining fee for all new students with six or more on-campus credit hours beginning fall 2024.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**BUDGET AND FINANCE
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Budget and Finance Committee

June 1, 2023

1:49 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 1, 2023, at 1:49 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, Jimmy Shumock and Steve Stokes were present.

Other Trustees: Scott Charlton, Steve Furr, Ron Jenkins, Bill Lewis, Arlene Mitchell, Margie Tuckson and Mike Windom.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Monica Ezell, Kristin Dukes, Joel Erdmann, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 23**, Mr. Corcoran called on Ms. Roberts to discuss **Item 25**, the quarterly financial statements for the six months ended March 31, 2023. Ms. Roberts reviewed key components of the financial statements, noting that the University's net position increased by more than \$61 million in contrast to the increase in net position of approximately \$54 million reported for the same period in 2021-2022.

Ms. Roberts presented **Item 26**, a resolution authorizing those with the titles of President, Chief Financial Officer and Treasurer to execute banking, investment and treasury transactions for the University. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 2, 2023.) Ms. Roberts explained that revisions to the resolution pertained to recent changes in position titles. On motion by Mr. Graham, seconded by Mr. Shumock, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Corcoran called on Mr. Kelley to give an update on facilities, **Item 27**. Mr. Kelley guided the group through a video tour of the Pediatric Emergency Department under construction at Children's & Women's Hospital and discussed project aspects, including space utilization and the construction schedule. He stated the facility should be ready to occupy in December 2023.

Mr. Corcoran called for consideration of the minutes for a meeting held on March 2, 2023, **Item 24**. On motion by Ms. Brown Stewart, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

There being no further business, the meeting was adjourned at 1:57 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, 2023

(Unaudited)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Quarterly Financial Statements
Nine Months Ended June 30, 2023

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(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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 June 30, 2023 and 2022, and for the nine months 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 (RTC) and the University of South Alabama Health Care Authority (HCA) are discretely presented.

Financial Highlights

At June 30, 2023 and 2022, the University had total assets and deferred outflows of \$1,983,937,000 and \$1,885,063,000, respectively; total liabilities and deferred inflows of \$1,505,803,000 and \$1,486,998,000, respectively; and net position of \$478,134,000 and \$391,001,000, 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 \$71,095,000 or 13.75%, between 2022 and 2023.

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 June 30, 2023. 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.

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The condensed schedules of net position at June 30, 2023 and 2022 follow (in thousands):

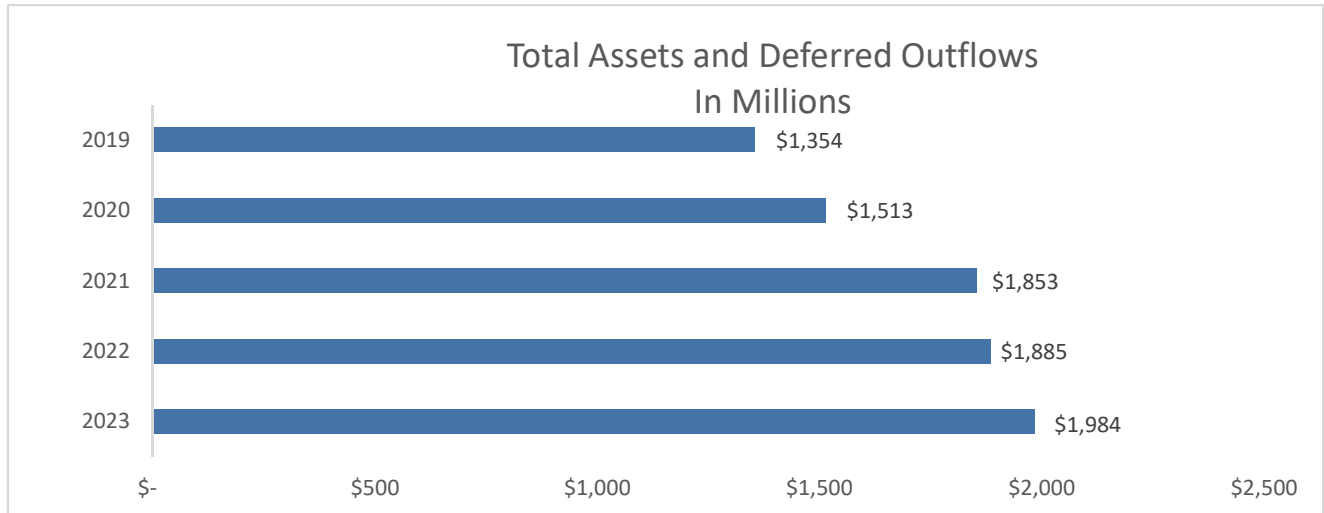
Condensed Schedules of Net Position

	2023	2022
Assets:		
Current	\$ 432,564	389,252
Capital assets, net	894,527	848,448
Other noncurrent	414,239	421,402
Total assets	1,741,330	1,659,102
Deferred outflows	242,607	225,961
Total assets and deferred outflows	1,983,937	1,885,063
Liabilities:		
Current	236,660	228,938
Noncurrent	956,568	962,838
Total liabilities	1,193,228	1,191,776
Deferred inflows	312,575	295,222
Total liabilities and deferred inflows	1,505,803	1,486,998
Net position:		
Net investment in capital assets	412,393	408,304
Restricted, nonexpendable	78,104	72,800
Restricted, expendable	95,247	97,027
Unrestricted deficit	(107,610)	(187,130)
Total net position	\$ 478,134	391,001

Assets included in the statement 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 50%, 11% and 13%, respectively, of current assets at June 30, 2023. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets. The decrease in total assets and deferred outflows is attributed to a decline in investment value and restricted cash and cash equivalents.

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Total assets and deferred outflows of the University as of June 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.

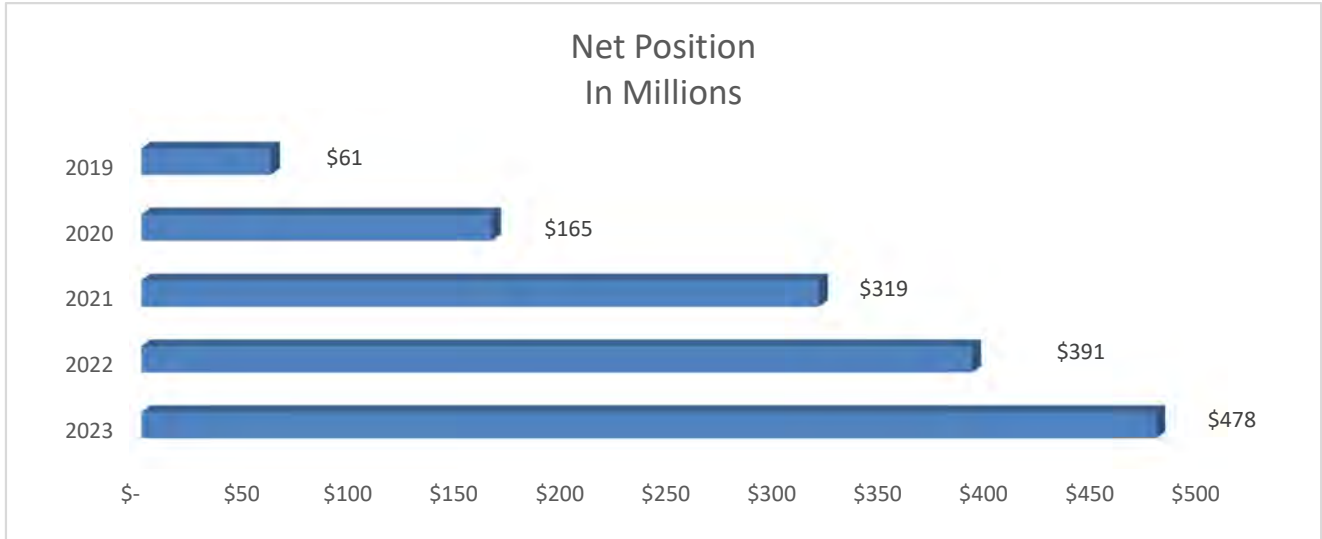
Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

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 deficit of 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 June 30, 2023 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.

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



All categories of restricted net position collectively increased by approximately \$3,524,000 between June 30, 2023 and 2022. Unrestricted net position increased from \$(187,130,000) to \$(107,610,000) between June 30, 2023 and 2022. A summary of unrestricted net position (deficit) at June 30, 2023 is summarized as follows (in thousands):

Unrestricted (deficit) net position related to net pension liability	\$ (375,984)
Unrestricted (deficit) net position related to net OPEB liability	(53,421)
Unrestricted net position related to other activity	<u>321,795</u>
Unrestricted net position (deficit)	<u>\$ (107,610)</u>

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statement 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

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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 nine months ended June 30, 2023 and 2022 follow (in thousands):

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

	2023	2022
Operating revenues:		
Tuition and fees, net	\$ 103,912	107,902
Patient service revenues, net	587,982	516,887
Federal, state and private grants and contracts	41,794	31,183
Other	59,614	51,006
	793,302	706,978
Operating expenses:		
Salaries and benefits	476,175	427,501
Supplies and other services	321,802	290,777
Other	81,575	62,774
	879,552	781,052
Operating loss	(86,250)	(74,074)
Nonoperating revenues and expenses:		
State appropriations	144,735	108,460
Net investment income	39,541	(22,649)
Other, net	(14,589)	21,373
Net nonoperating revenues	169,687	107,184
Income before capital contributions and grants and additions to endowment	83,437	33,110

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Condensed Schedules of Revenues, Expenses, and Changes in Net Position
(continued)

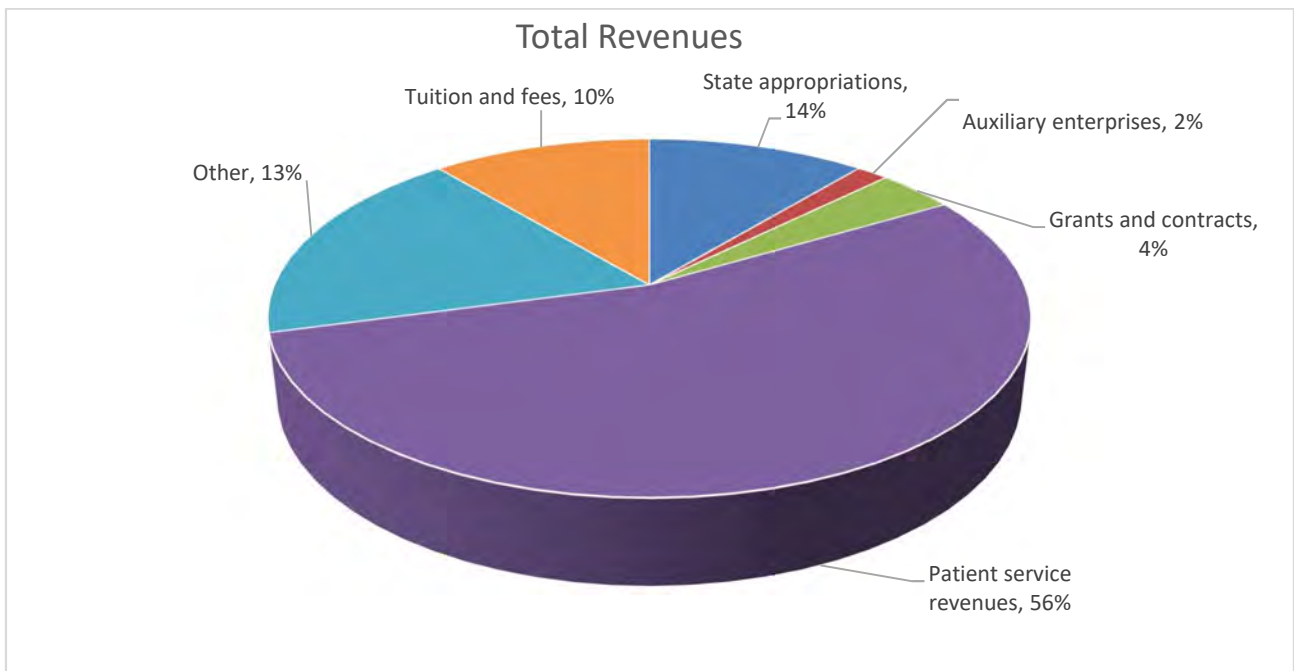
	2023	2022
Capital appropriations, capital contributions and grants, and additions to endowment	\$ 33,509	22,270
Increase in net position	83,437	33,110
Beginning net position	361,188	342,685
Cumulative effect of change in account principle	—	(7,064)
Beginning balance, as adjusted	361,188	335,621
Ending net position	\$ 444,625	368,731

In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. GASB Statement No. 87 required the University to record lease right-of-use assets and the corresponding current and noncurrent portions of lease liabilities for noncancellable, long-term contracts related to use of tangible property under which the University is the lessee. In addition, GASB Statement No. 87 required the University to record the current and noncurrent portions of lease receivables and the corresponding deferred inflow of resources for noncancellable, long-term contracts related to use of tangible property under which the University is the lessor. The adoption of the provisions of GASB Statement No. 87 resulted in a restatement of beginning unrestricted net position at October 1, 2022 by decreasing unrestricted net position \$7,064,000.

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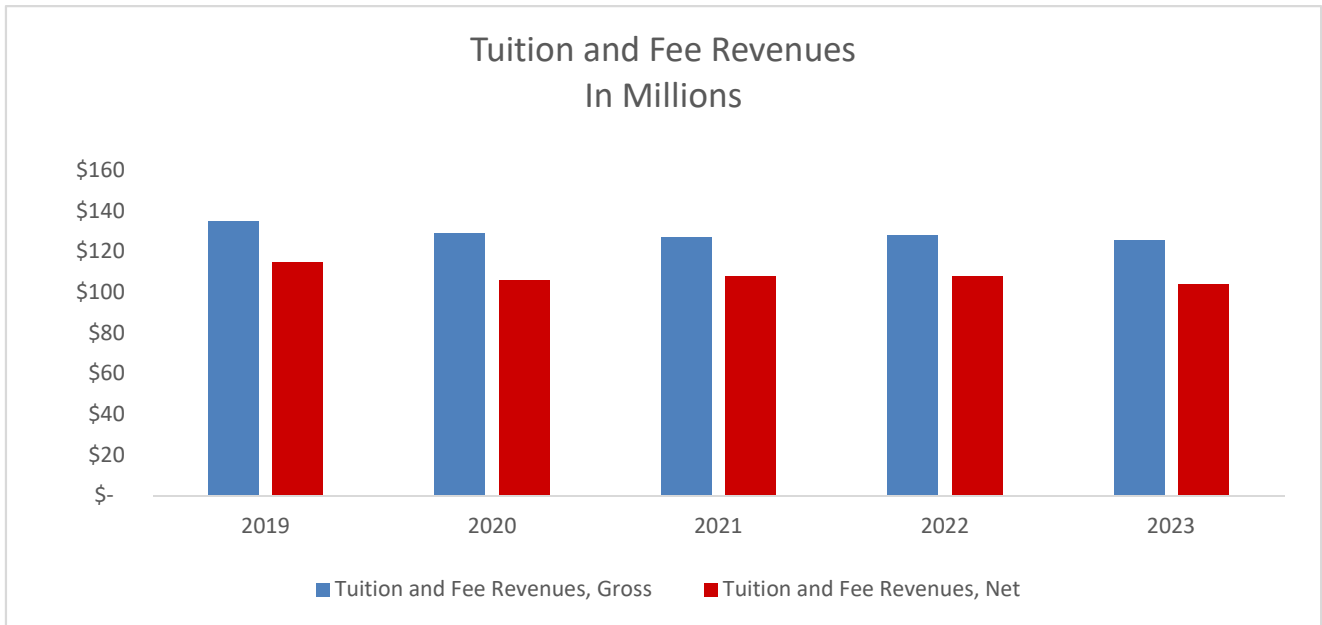
Approximately 56% of total revenues of the University were net patient service revenues for the nine months ended June 30, 2023. Excluding patient service revenues, state appropriations represent the largest component of total University revenues at 14% of total revenue. For the nine months ended June 30, 2023, grants and contracts (federal, state and private) represented approximately 4% of total revenues.

A summary of University revenues for the nine months ended June 30, 2023 is presented as follows:



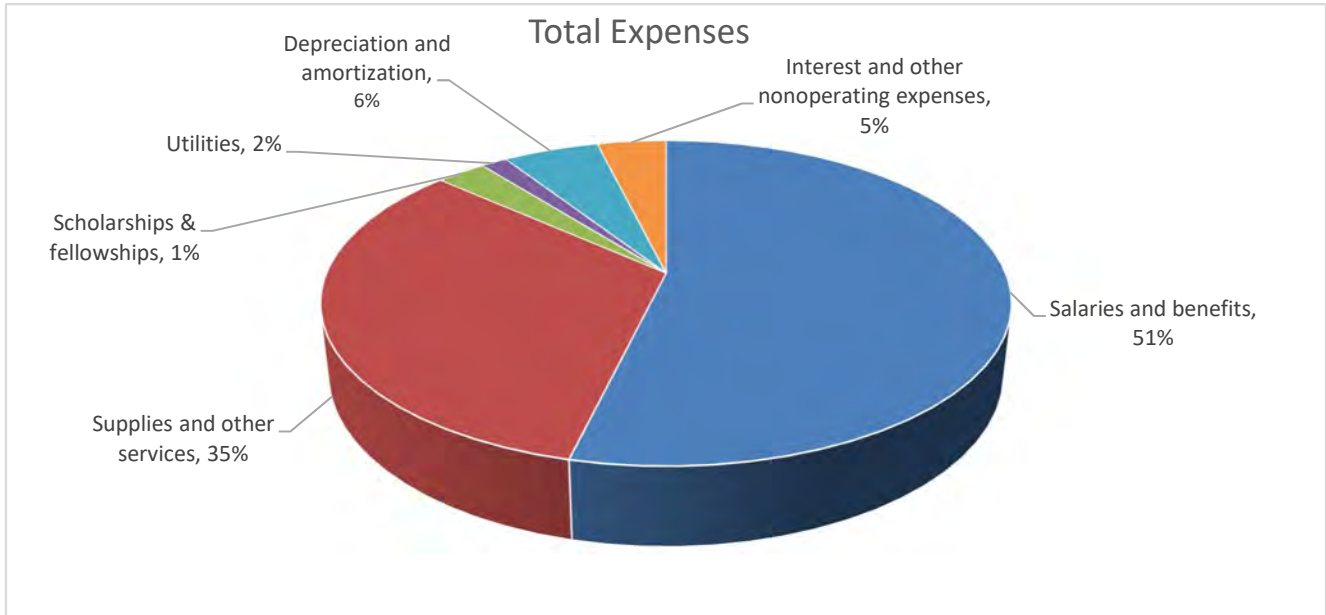
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Tuition revenues have generally remained steady in recent years. A decline in enrollment coupled with increases in tuition rates have caused tuition revenues to remain relatively flat. Tuition and fees for the past five years, gross and net of scholarship allowances, of the University as of June 30 are as follows:



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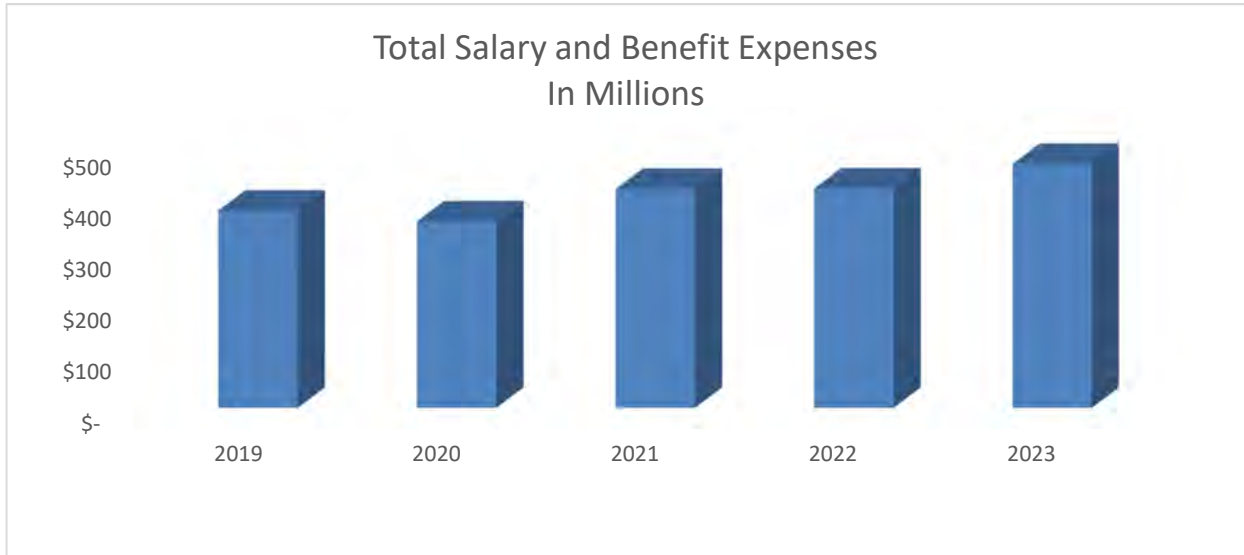
University expenses are presented using their natural expense classifications. A summary of University expenses for the nine months ended June 30, 2023 is presented as follows:



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.

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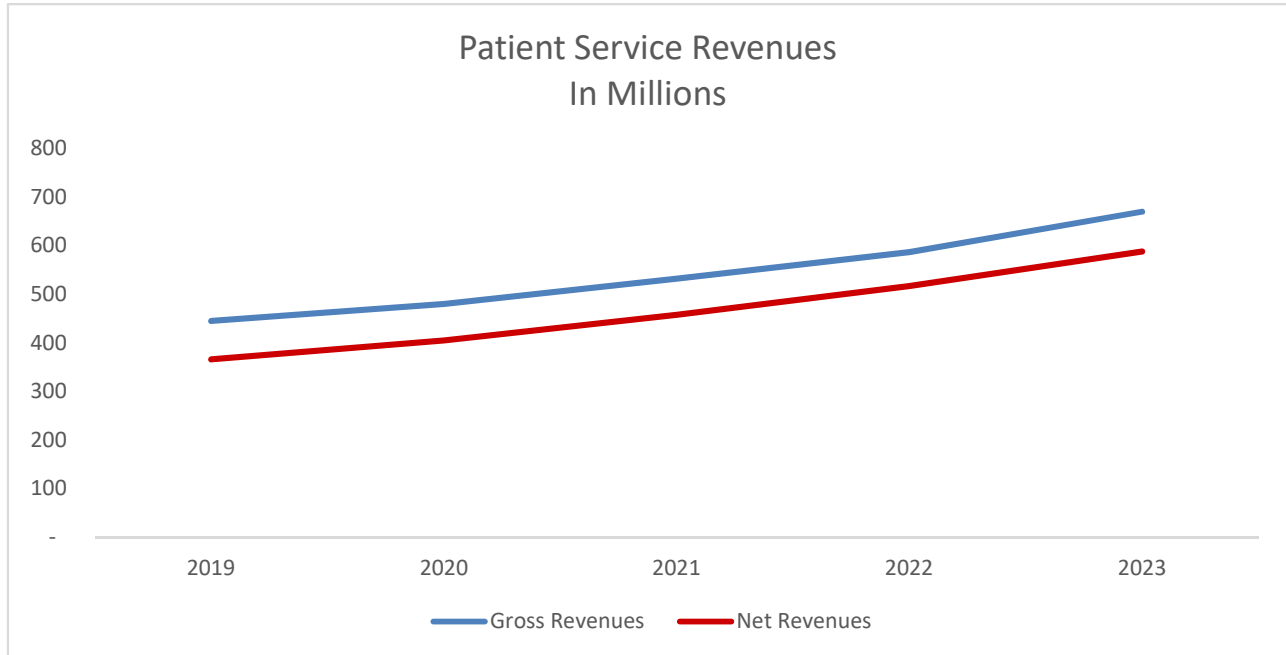
For the nine months ended June 30, 2023, respectively, approximately 51% of the University's total expenses were salaries and benefits.



For the nine months ended June 30, 2023, the University reported an operating loss of approximately \$86,250,000. The operating loss is offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, including capital contributions and grants and additions to the endowment, the total change in net position was approximately \$116,946,000 for the nine months ended June 30, 2023.

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USA Health represents a significant portion of total University revenues. Operating patient service revenues, gross and net, for the University as of June 30 for the last five years are presented as follows:



Statement of Cash Flows

The statement of cash flows presents information related to cash flows of the University. The statement presents 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 \$65,422,000 for the nine months ended June 30, 2023. Significant construction projects that remain in progress at June 30, 2023 include the 3D Printer Lab, Science Laboratory Building renovation, Ravine Bridge replacement, new Central Energy Plant, and new College of Medicine Building along with major continued upgrades on infrastructure on the University's main campus such as the North Drive Utilities project. Major projects completed and placed into service in fiscal year 2023 include the Supply Warehouse and Jag Tran Buildings, Multi-Cultural Center Renovation, Student Disabilities Renovation, Advising and Career Services Renovation, and South Drive Utilities Project Phase 3. At June 30, 2023, the University had outstanding commitments of approximately \$35,087,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

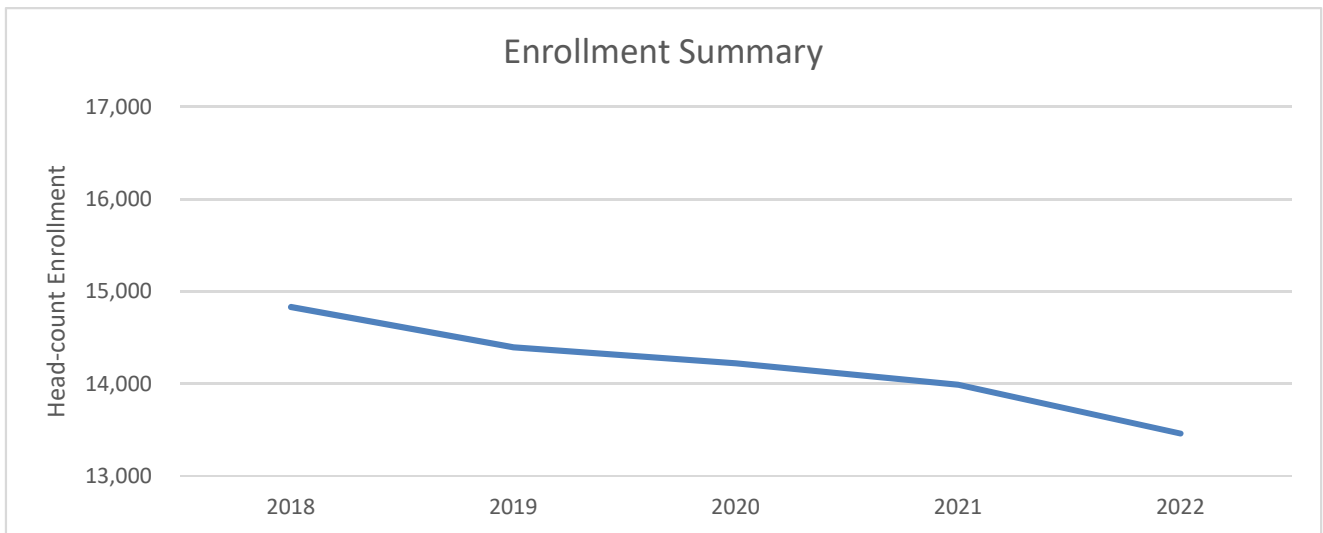
The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during 2023 or 2022. Moody's Investors

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Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the 2021 Bond issuance. Additional information regarding the University's debt is included in note 8.

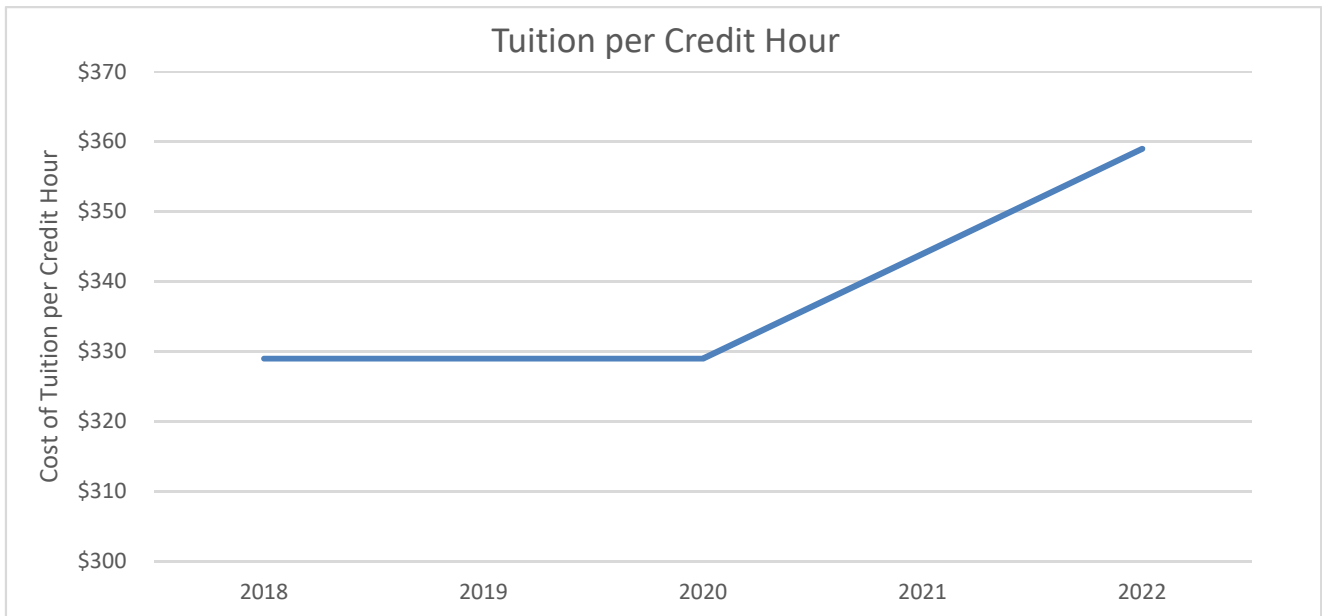
Economic Outlook

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% between Fall 2020 and Fall 2021 and an additional decline of 4% between Fall 2021 and Fall 2022, 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 2018 and 2022 is as follows:



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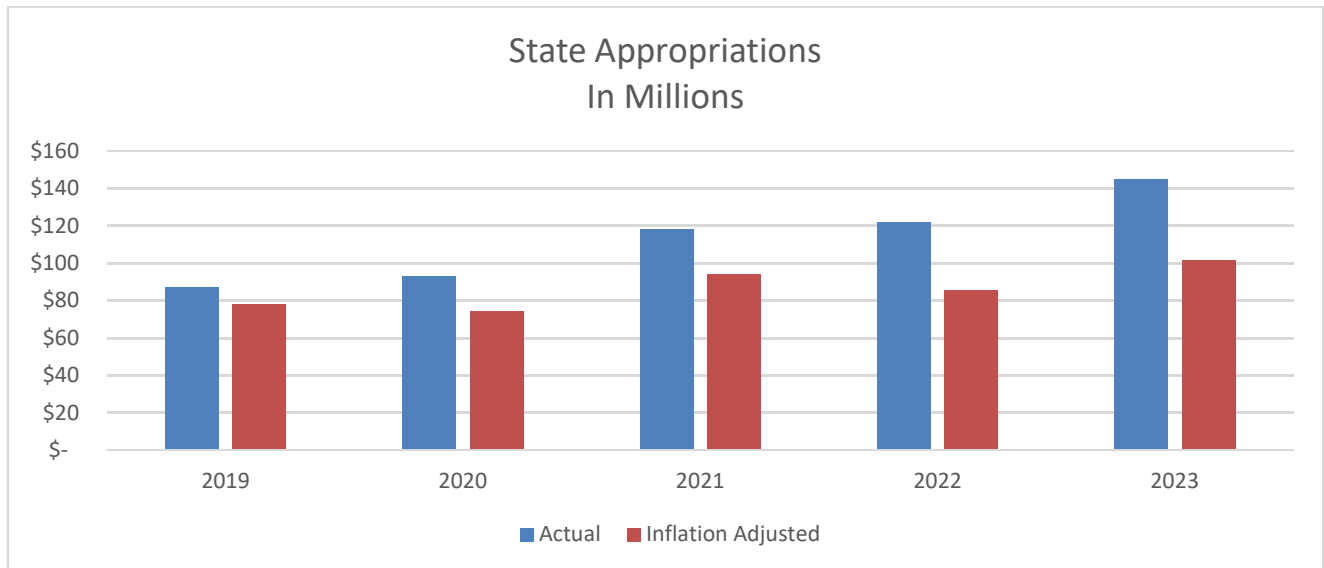
During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 4%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2018 and 2022 is as follows:



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A state appropriation in the amount of approximately \$140,714,000 and \$129,098,000 was authorized for the years ended September 30, 2023 and 2022, respectively. Additional appropriations of approximately \$39,173,000 and \$2,250,00 and \$4,111,000 and \$7,500,000 were received during fiscal years 2023 and 2022, respectively, for advancement and technology and certain academic and health care initiatives. A state appropriation in the amount of approximately \$150,375,000, representing an increase of approximately 6.87%, has been authorized for the year ending September 30, 2024. While no announcement has been made, the University is aware that reductions in the 2023 appropriation are possible.

The five-year trend of state appropriations 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, 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 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 June 30, 2023, the University (including USA Health) has been awarded \$102,498,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$3,244,000 was awarded in the nine months ended June 30, 2023. Of the total amount awarded \$9,088,000 has been recognized as nonoperating revenue in the statements of revenues, expenses and changes in net position for the nine months ended June 30, 2023

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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 2023 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 Kristen Roberts; Chief Financial Officer; University of South Alabama Administration Building Room 380; Mobile, Alabama 36688.

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

Statement of Net Position

June 30, 2023

(In thousands)

Current assets:	
Cash and cash equivalents	\$ 215,148
Investments	46,842
Patient receivables (net of allowance for doubtful accounts of \$127,806)	58,154
Accounts receivable, other	94,093
Notes receivable, net	1,141
Prepaid expenses, inventories, and other	16,484
Lease receivable, current portion	<u>702</u>
Total current assets	<u>432,564</u>
Noncurrent assets:	
Restricted cash and cash equivalents	19,970
Restricted investments	275,316
Investments	89,438
Other noncurrent assets and accounts receivable	28,200
Lease receivable, less current portion	1,315
Capital assets, net	<u>894,527</u>
Total noncurrent assets	<u>1,308,766</u>
Total assets	1,741,330
Deferred outflows	<u>242,607</u>
Total assets and deferred outflows	<u>1,983,937</u>
Current liabilities:	
Accounts payable and accrued liabilities	82,453
Unrecognized revenues	100,727
Deposits	4,487
Current portion of other long-term liabilities	4,709
Current portion lease and subscription obligations	18,509
Current portion of long-term debt	<u>25,775</u>
Total current liabilities	<u>236,660</u>
Noncurrent liabilities:	
Long-term debt, less current portion	414,150
Lease and subscription obligations, less current portion	31,329
Net pension liability	375,894
Net other postemployment benefits liability	53,421
Other long-term liabilities, less current portion	<u>81,774</u>
Total noncurrent liabilities	<u>956,568</u>
Total liabilities	1,193,228
Deferred inflows	<u>312,575</u>
Total liabilities and deferred inflows	<u>1,505,803</u>
Net position:	
Net investment in capital assets	412,393
Restricted, nonexpendable:	
Scholarships	44,475
Other	33,629
Restricted, expendable:	
Scholarships	31,304
Other	63,943
Unrestricted deficit	<u>(107,610)</u>
Total net position	<u>\$ 478,134</u>

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Nine months ended June 30, 2023

(In thousands)

Operating revenues:	
Tuition and fees (net of scholarship allowances of \$22,145)	\$ 103,912
Patient service revenues (net of provision for bad debts of \$82,046)	587,982
Federal grants and contracts	21,037
State grants and contracts	9,184
Private grants and contracts	11,573
Auxiliary enterprises (net of scholarship allowances of \$685)	17,944
Other operating revenues	41,670
Total operating revenues	<u>793,302</u>
Operating expenses:	
Salaries and benefits	476,175
Supplies and other services	321,802
Scholarships and fellowships	9,209
Utilities	13,917
Depreciation and amortization	58,449
Total operating expenses	<u>879,552</u>
Operating loss	<u>(86,250)</u>
Nonoperating revenues (expenses):	
State appropriations	144,735
Net investment gains	39,541
Interest expense	(13,639)
Other nonoperating revenues	31,151
Other nonoperating expenses	(32,101)
Net nonoperating revenues	<u>169,687</u>
Income before other changes in net position	83,437
Other changes in net position	
Capital appropriations	9,809
Capital contributions and grants	15,267
Additions to endowment	8,433
Total other changes in net position	<u>33,509</u>
Increase in net position	116,946
Net position:	
Beginning of year, before cumulative effect of change in accounting principle	361,188
End of year	<u>\$ 478,134</u>

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Nine months ended June 30, 2023

(In thousands)

Cash flows from operating activities:	
Receipts related to tuition and fees	\$ 76,007
Receipts from and on behalf of patients and third-party payers	553,668
Receipts from grants and contracts	39,878
Receipts related to auxiliary enterprises	13,107
Payments to suppliers and vendors	(317,994)
Payments to employees and related benefits	(501,802)
Payments for scholarships and fellowships	(9,209)
Other operating receipts	<u>58,163</u>
Net cash used in operating activities	<u>(88,182)</u>
Cash flows from noncapital financing activities:	
State appropriations	144,755
Endowment gifts	8,433
Agency funds received	2,537
Agency funds disbursed	(1,434)
Student loan program receipts	70,588
Student loan program disbursements	(70,279)
Other nonoperating revenues	30,346
Other nonoperating expenses	<u>(29,210)</u>
Net cash provided by noncapital financing activities	<u>155,736</u>
Cash flows from capital and related financing activities:	
Capital appropriations	9,809
Capital contributions and grants	15,267
Purchases of capital assets	(53,061)
Proceeds from sales of capital assets	78
Proceeds from issuance of capital debt	485
Principal payments on capital debt	(25,021)
Interest payments on capital debt	<u>(19,885)</u>
Net cash used in capital and related financing activities	<u>(72,328)</u>
Cash flows from investing activities:	
Interest and dividends on investments	10,049
Purchases of investments	(49,010)
Proceeds from sales of investments	<u>30,252</u>
Net cash provided by investing activities	<u>(8,709)</u>
Net decrease in cash and cash equivalents	(13,483)
Cash and cash equivalents (unrestricted and restricted):	
Beginning of year	<u>248,601</u>
End of year	<u>\$ 235,118</u>

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

Statement of Cash Flows

Nine months ended June 30, 2023

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (86,250)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	58,449
Changes in assets and liabilities, net:	
Student receivables	(52,488)
Net patient receivables	(7,547)
Grants and contracts receivables	1,165
Other receivables	(11,121)
Prepaid expenses, inventories, and other	560
Accounts payable and accrued liabilities	(18,175)
Unrecognized revenues	27,225
Net cash used in operating activities	<u>\$ (88,182)</u>
Noncash investing, noncapital financing, and capital and related financing transactions:	
Net increase in fair value of investments recognized as a component of investment gains	\$ 27,044
Addition of lease and subscription obligations	32,418
Increase in accounts payable related to capital assets	2,133

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 Financial Position

March 31, 2023

(In thousands)

Assets	
Cash and cash equivalents	\$ 1,430
Investments:	
Equity securities	209,658
Timber and mineral properties	174,230
Real estate	9,019
Other	5,809
Other assets	<u>551</u>
Total assets	<u>\$ 400,697</u>
Liabilities and Net Assets	
Liabilities:	
Other liabilities	<u>554</u>
Total liabilities	<u>554</u>
Net assets:	
Without donor restrictions	61,004
With donor restrictions	<u>339,139</u>
Total net assets	<u>400,143</u>
Total liabilities and net assets	<u>\$ 400,697</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

Nine months ended March 31, 2023

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, losses and other support:			
Net realized and unrealized gains (losses) on investments	\$ 1,269	18,133	19,402
Rents, royalties and timber sales	2,713	174	2,887
Interest and dividends	1,379	750	2,129
Gifts	1	37	38
Required match of donor contributions	(4)	4	—
Interfund interest	(510)	510	—
Other income	2	—	2
Net assets released from program restrictions	6,391	(6,391)	—
Total revenues, gains, losses and other support	11,241	13,217	24,458
Expenditures:			
Program services:			
Faculty support	1,479	—	1,479
Scholarships	807	—	807
Other academic programs	4,670	—	4,670
Total program service expenditures	6,956	—	6,956
Management and general	2,019	—	2,019
Other investment expense	898	—	898
Depreciation and depletion expense	3,040	—	3,040
Total expenditures	12,913	—	12,913
Change in net assets	(1,672)	13,217	11,545
Net assets – beginning of year	62,676	325,922	388,598
Net assets – end of year	\$ 61,004	339,139	400,143

See accompanying notes to basic financial statements.

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

Statement of Net Position

June 30, 2023

(In thousands)

Assets:

Current assets:

Unrestricted cash and cash equivalents	\$	2,188
Lease receivable, current portion		2,241
Prepaid expenses and other current assets		44
Accrued interest receivable		51
		4,524
Total current assets		4,524

Noncurrent assets:

Intangible assets, net		184
Capital assets, net		18,168
Lease receivable, less current portion		9,316
		27,668
Total noncurrent assets		27,668

Deferred outflows

		645
Total assets and deferred outflows		32,837

Liabilities:

Current liabilities:

Deposits, other current liabilities, and accrued expenses		218
Unrecognized rent revenue		376
Notes payable, current portion		1,115
		1,709
Total current liabilities		1,709

Noncurrent liabilities:

Notes payable, less current portion		17,226
Total noncurrent liabilities		17,226

Deferred inflows

		11,186
Total liabilities and deferred inflows		30,121

Net position:

Net investment in capital assets		423
Unrestricted		2,293
		2,716
Total net position	\$	2,716

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Nine months ended June 30, 2023

(In thousands)

Operating revenues	\$ <u>3,256</u>
Operating expenses:	
Building management and operating expenses	875
Depreciation and amortization	984
Legal and administrative fees	382
Insurance	<u>48</u>
Total operating expenses	<u>2,289</u>
Operating income	<u>967</u>
Nonoperating revenues (expenses):	
Interest expense	(658)
Other	<u>335</u>
Net nonoperating expenses	<u>(323)</u>
Change in net position	<u>644</u>
Net position:	
Beginning of year	2,072
Cumulative effect of change in accounting principle	<u> </u>
Beginning balance, as adjusted	<u>2,072</u>
End of year	<u><u>\$ 2,716</u></u>

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

Statement of Net Position

June 30, 2023

(In thousands)

Assets:

Current assets:

Cash and cash equivalents	\$	5,724
Investments		457
Patient receivables (net of allowance for doubtful accounts of \$1,724)		2,735
Inventories		81
Lease receivable, current portion		314
Other current assets		2,057
		11,368
Total current assets		11,368

Noncurrent assets:

Capital assets, net		42,625
Lease receivable, less current portion		2,835
		45,460
Total noncurrent assets		45,460
Total assets	\$	56,828

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	\$	3,644
Accrued salaries and wages		2,544
Current portion lease and subscription obligations		606
		6,794
Total current liabilities		6,794

Noncurrent liabilities:

Lease and subscription obligations, less current portion		24,937
		24,937
Total noncurrent liabilities		24,937

Deferred inflows

		3,078
		3,078
Total liabilities and deferred inflows	\$	34,809

Net position:

Net investment in capital assets		16,438
Unrestricted (deficit)		5,581
		11,857
Total net position	\$	22,019

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Nine months ended June 30, 2023

(In thousands)

Operating revenues:	
Patient service revenues (net of provision for bad debts of \$248)	\$ 34,319
Other operating revenues	3,353
Total operating revenues	<u>37,672</u>
Operating expenses:	
Salaries and benefits	36,570
Building and equipment expenses	4,091
Medical and surgical supplies	3,372
Other expenses	13,996
Depreciation and amortization	3,345
Total operating expenses	<u>61,374</u>
Operating loss	<u>(23,702)</u>
Nonoperating revenues:	
Investment income	105
Support from University of South Alabama	30,600
Interest expense	(791)
Other nonoperating revenues	<u>—</u>
Total nonoperating revenues	<u>29,914</u>
Increase in net position	6,212
Net position at beginning of year	<u>15,807</u>
Net position at end of year	<u>\$ 22,019</u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
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(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, 2023, the University reports University of South Alabama Foundation (USA Foundation), USA Research and Technology Corporation (the Corporation) and University of South Alabama Health Care Authority (HCA) as discretely presented component units. Each of these entities issue separate audited financial statements, which can be obtained by contacting Kristen Roberts, Chief Financial Officer, University of South Alabama Administration Building 380, Mobile, Alabama 36688.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast), the University of South Alabama Foundation for Research and Commercialization (FRAC), Jaguar Athletic Fund (JAF), and the USA Presidential 1963 Fund. 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
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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 between 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 PLTF 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 GLTF 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 19 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, payroll activities related to 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

Over the last few years, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC, USA Health Reference Lab Billing Services, LLC, USA Health MCI Business Services, LLC, USA Health Children's and Women's Provider Based Clinics, LLC and USA Health Community Providers, LLC as 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, a free-standing emergency department, a cancer treatment center, and various health clinics.

(e) University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of 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. HCA presents its financial statements in accordance with GASB.

HCA is the sole member of the following companies: Mobile Heart USA, LLC, USA HCA OBGYN Services, LLC, USA HCA PBC, LLC, USA Health HCA Industrial Medicine Clinic, LLC, USA Health Daphne Family Practice, LLC, USA Health IPA, LLC and USA Health HCA Providence Hospital, LLC.

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HCA also owns 51% of USA BC ASC Holdco, LLC. This entity owns 100% of an entity formed in December 2019, USA Baldwin County ASC, LLC. Upon syndication of the ambulatory surgery center, USA Baldwin County ASC, LLC ownership will change. At that time, USA BC ASC Holdco, LLC will own 51% of USA Baldwin County ASC, LLC and the remaining 49% will be owned by an unrelated third party.

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 year ended September 30, 2022.

In March 2022, HCA obtained an equity interest in USA Fairhope Physician Investors, LLC (FPI), a limited liability company that will develop and own real property to be used in the operation of the Baldwin County ambulatory surgery center. FPI is considered a component unit of HCA under the provisions of GASB Statements Nos. 14 and 61. However, HCA does not consider the operations of this entity to be significant enough to warrant inclusion of the discrete component unit financial statements within these financial statements. HCA's equity interest in FPI is presented within other noncurrent assets on the statement of net position.

Since inception, the HCA's operations have been partially funded by the University, with total support amounting to \$ 30,600,000 during the nine months ended June 30, 2023. This support is reported in nonoperating expenses on the University's statement 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 statement of net position and statement of revenues, expenses, and changes in net position for HCA as of and for the nine months ended June 30, 2023 are discretely presented.

(f) University of South Alabama Foundation

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 USA Foundation, USA Foundation is considered a component unit of the University. The Board of Directors of USA Foundation is not appointed or controlled by the University. The University receives distributions from USA Foundation primarily for scholarship, faculty and other support. Total distributions received or accrued by the University for the nine months ended June 30, 2023 were \$20,644,000 and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statement of revenues, expenses, and changes in net position. USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). USA Foundation is reported in separate financial statements because of the difference in the financial reporting framework since USA Foundation follows FASB rather than GASB. 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 USA Foundation's statements for the nine months ended March 31, 2023 in the University's financial statements as of June 30, 2023. The accompanying consolidated statement of financial position and consolidated statement of activities and changes in net assets for USA Foundation as of and for the quarter ended March 31, 2023 are discretely presented.

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(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. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for the Corporation as of and for the nine months ended June 30, 2023 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. Restricted cash and cash equivalents share the same definitions and maturities of unrestricted cash and cash equivalents but are designated by external parties for specified purposes such as collateral requirements, designated gifts, or bond proceeds.

(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

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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 losses.

(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, 2023, the University had two hedging derivative instruments in the form of interest rate swap, 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 statement 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, gain on the refunding of certain bond amounts and the value of contractual rights to lease revenue in future reporting periods.

(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.

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(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) Lease Receivable

Lease receivable and current portion thereof on the statement of net position represents the University's contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. Lease receivables are recognized at the commencement date based on the present value of lease payments to be received over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is either when the lessee takes possession of the asset or, in the case of real estate leases, when the landlord makes the building or office space available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the lessee will exercise that option. Interest revenue is recognized as a component of the lease payments received and is included in other nonoperating revenues on the statement of revenues, expenses and changes in net position.

(q) 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.

(r) 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 statement 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.

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Lease and subscriptions are included in capital assets as right of use assets on the statement of net position. Right of use assets represent the University's right to use an underlying asset for the specified term and are comprised of leased equipment, buildings, office space, and subscription-based information technology arrangements. Lease and subscription right of use assets are recognized at the commencement date based on the present value of the payments over the agreement term discounted using the lessor interest rate or an appropriate incremental borrowing rate. The commencement date is either when the University takes possession of the asset or when the asset becomes available for use. Amortization of right of use assets is recognized on a straight-line basis over the agreement term or useful life of the asset, whichever is shorter.

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 nine months ended June 30, 2023, no impairments were identified.

(s) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are billed in advance and initially recorded as a component of unrecognized revenues in the statement of net position and then recognized in revenue over the applicable portion of each school term.

(t) 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 component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

(u) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other postemployment 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 Annual Comprehensive Financial Report.

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(v) 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.

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.

(w) 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 statement 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.

(x) 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

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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.

(y) 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; sales and services of auxiliary enterprises, net of scholarship allowances; and lease revenue.

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

(z) 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.

(aa) 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.

(bb) 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 health care 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.

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(cc) Compensated Absences

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

(dd) Recently Adopted Accounting Pronouncements

In 2023, the University adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. 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 issuer, and improve note disclosures. In addition, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which 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. Additionally, the University adopted the provisions of GASB Statement No. 99, *Omnibus 2022*, related to public-private and public-public partnership arrangements (PPP) and SBITA. The objective of this statement is 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.

(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 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, 2022, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$16.8 billion. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of \$235,118,000 at June 30, 2023.

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At June 30, 2023, restricted cash and cash equivalents consist of \$3,597,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, \$7,600,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$7,183,000 related to restricted donations related to certain capital projects, and \$1,590,000 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 requirements. Additionally, certain investments of the University’s component units, both blended and discretely presented, are subject to 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.

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Investments and restricted investments of the University, by type, at fair value at June 30, 2023 (in thousands) are as follows:

U.S. treasury securities	\$	14,987
U.S. federal agency notes		93,406
Commingled equity funds		101,723
Commingled fixed income funds		49,438
Marketable equity securities		60,406
Marketable debt securities		14,355
Private credit alternative fixed income investments		5,246
Private REIT alternative real estate investments		5,648
Private equity alternative investments		18,505
Real estate		8,479
Managed income alternative investments (low-volatility multi-strategy funds of funds)		39,403
	\$	<u>411,596</u>

At June 30, 2023, 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 June 30, 2023, \$33,608,000 of cumulative increase in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statement of net position.

The University invests in several private equity and private credit funds. At June 30, 2023, the University had outstanding capital commitments to those funds of \$20,434,000.

(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.

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.

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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.

The University’s exposure to credit risk and concentration of credit risk at June 30, 2023 is as follows:

	<u>Credit rating</u>	<u>Percentage of total investments</u>
Federal National Mortgage Association	AAA	1.0 %
Federal Home Loan Mortgage Corporation	AAA	6.7
Federal Home Loan Banks	AAA	12.2
Federal Farm Credit Banks Funding Corporation	AAA	2.9
Common Fund Bond Fund	Various	4.1
PIMCO Pooled Bond Fund	AA+/A-	7.6
Blackrock Credit Strategies Income Fund	Various	0.3
US Treasury securities	AAA	3.6
Marketable debt securities	Various	3.5

(ii) *Interest Rate Risk*

At June 30, 2023, the maturity dates of the University’s fixed income investments are as follows (in thousands):

	<u>Fair value</u>	<u>Years to maturity</u>			
		<u>Less than 1</u>	<u>1–5</u>	<u>6–10</u>	<u>More than 10</u>
.S. treasury securities	\$ 14,987	2,443	5,730	6,542	272
.S. federal agency notes	93,406	4,764	82,262	177	6,203
arketable debt securities	14,355	5,764	5,187	3,404	—
ommingled fixed income funds	49,438	—	27,940	4,698	16,800
	<u>\$ 172,186</u>	<u>12,971</u>	<u>121,119</u>	<u>14,821</u>	<u>23,275</u>

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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 that 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 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

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certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the NAV 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 statement of net position.

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value at June 30, 2023 (in thousands):

Description	Asset fair value measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
U.S. treasury securities	\$ 14,987			14,987
U.S. federal agency notes		93,406		93,406
Commingled equity funds	99,348	2,375		101,723
Commingled fixed income funds	45,633	3,805		49,438
Marketable equity securities	60,406			60,406
Marketable debt securities	14,355			14,355
Private credit alternative fixed income	5,246			5,246
Private REIT alternative real estate investments	5,648			5,648
Private equity alternative investments			16,370	16,370
Real estate			8,479	8,479
Total investments at fair value	\$ 245,623	99,586	24,849	370,058
Investments measured at NAV:				
Private equity funds				2,135
Managed income alternative investments (low volatility multi-strategy funds of funds)				39,403
Total investments				\$ 411,596

Description	Liability fair value measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	\$ 166	14,870		15,036

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A rollforward schedule for Level 3 financial instruments for the nine months ended June 30, 2023 is as follows (in thousands):

Beginning balance	\$	16,379
Purchases		8,490
Net realized/unrealized gains (losses)		145
Sales		(165)
Adjustment		—
Ending balance	\$	<u>24,849</u>

(b) Health Care Authority

HCA has a 2.5% interest in USA Fairhope Physician Investors LLC (FPI), a multi-member limited liability company that was formed to invest in the entity that will develop and lease an ambulatory surgical center. For the nine months ended June 30, 2023 HCA's capital account balance is \$15,000 and is recorded on the statement of net position as a joint venture investment.

HCA has a 51% interest in USA Baldwin County ASC, LLC, a multi-member limited liability company formed to invest in the entity that will own a majority share of USA Baldwin County ASC, LLC. USA Baldwin County ASC was formed to operate the Ambulatory Surgery Center Operations on the USA MAPP Campus. There has been no financial activity to date for USA Baldwin County ASC, LLC. For the nine months ended June 30, 2023 HCA's capital account balance is \$442,560 and is recorded on the statement of net position as an investment.

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(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the nine months ended June 30, 2023 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated or amortized:						
Land and other	\$ 32,261	141	—	—	—	32,402
Construction-in-progress	68,240	26,539	(15,374)	—	—	79,405
	<u>100,501</u>	<u>26,680</u>	<u>(15,374)</u>	<u>—</u>	<u>—</u>	<u>111,807</u>
Capital assets being depreciated or amortized:						
Land improvements	76,801					76,801
Buildings, fixed equipment, and infrastructure	1,013,480	887	14,742	15,732	(119)	1,044,722
Other equipment	235,963	5,433	632	300	(5,837)	236,491
Library materials	92,340	5	—	—	—	92,345
Right of use assets	40,234	32,418	—	—	(2,721)	69,931
	<u>1,458,818</u>	<u>38,743</u>	<u>15,374</u>	<u>16,032</u>	<u>(8,677)</u>	<u>1,520,290</u>
Less accumulated depreciation and amortization for:						
Land improvements	(34,155)	(2,839)	—	—	—	(36,994)
Buildings, fixed equipment, and infrastructure	(397,002)	(23,169)	—	254	113	(419,804)
Other equipment	(176,004)	(14,798)	—	(254)	5,420	(185,636)
Library materials	(71,812)	(3,024)	—	—	—	(74,836)
Right of use assets	(8,360)	(14,588)	—	—	2,648	(20,300)
	<u>(687,333)</u>	<u>(58,418)</u>	<u>—</u>	<u>—</u>	<u>8,181</u>	<u>(737,570)</u>
Capital assets being depreciated, net	<u>771,485</u>	<u>(19,675)</u>	<u>15,374</u>	<u>16,032</u>	<u>(496)</u>	<u>782,720</u>
Capital assets, net	<u>\$ 871,986</u>	<u>7,005</u>	<u>—</u>	<u>16,032</u>	<u>(496)</u>	<u>894,527</u>

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A summary of the University's net right of use assets, which are included in capital assets on the statement of net position, activity categorized by classification for the nine months ended June 30, 2023 follows (in thousands):

		Ending Balance
		<u> </u>
Right of use assets:		
Automobile	\$	15
Buildings		7,956
Equipment		26,577
Office space		5,597
Software Subscription		29,786
		<u>69,931</u>
Less accumulated amortization for right of use assets:		
Automobile		(10)
Buildings		(2,232)
Equipment		(9,642)
Office space		(1,736)
Software Subscription		(6,680)
		<u>(20,300)</u>
Right of use assets, net	\$	<u><u>49,631</u></u>

Depreciation and amortization of capital assets for the nine months ended June 30, 2023 was \$58,418,000 for the University.

At June 30, 2023, the University had commitments of approximately \$35,087,000 related to various construction projects.

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(b) USA Research and Technology Corporation

Changes in capital assets for the nine months ended June 30, 2023 are as follows (in thousands):

	<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	\$ 223	—	—	—	223
Construction-in-progress	20	—	—	—	20
	<u>243</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>243</u>
Capital assets being depreciated:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,641	116	—	—	28,757
Tenant improvements	2,653	98	—	(34)	2,717
Other equipment	391	23	—	(3)	411
Right-of-use assets	—	2	—	—	2
	<u>33,670</u>	<u>239</u>	<u>—</u>	<u>(37)</u>	<u>33,872</u>
Less accumulated depreciation for:					
Land improvements	(1,689)	(71)	—	—	(1,760)
Buildings	(11,732)	(583)	—	—	(12,315)
Tenant improvements	(1,282)	(260)	—	34	(1,508)
Other equipment	(357)	(10)	—	3	(364)
Right-of-use assets	—	—	—	—	—
	<u>(15,060)</u>	<u>(924)</u>	<u>—</u>	<u>37</u>	<u>(15,947)</u>
Capital assets being depreciated, net	<u>18,610</u>	<u>(685)</u>	<u>—</u>	<u>—</u>	<u>17,925</u>
Capital assets, net	<u>\$ 18,853</u>	<u>(685)</u>	<u>—</u>	<u>—</u>	<u>18,168</u>

Depreciation expense totaled \$925,000 for the nine months ended June 30, 2023.

The Corporation's total right-of-use assets of \$2,000 consist of software subscriptions.

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(c) Health Care Authority

A summary of HCA's capital assets activity for the nine months ended June 30, 2023 follows (in thousands):

	2023				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Capital assets not being depreciated:					
Construction in progress	\$ 12,199	1,802	(11,411)	(2)	2,588
Works of art	1	—	—	—	1
	<u>12,200</u>	<u>1,802</u>	<u>(11,411)</u>	<u>(2)</u>	<u>2,589</u>
Capital assets being depreciated:					
Buildings	—	371	10,783	—	11,154
Leasehold improvements	2,683	13	3	—	2,699
Equipment	4,094	115	32	(27)	4,214
Computer software	129	5	5	—	139
Right-of-use asset	13,575	15,596	—	(71)	29,100
	<u>20,481</u>	<u>16,100</u>	<u>10,823</u>	<u>(98)</u>	<u>47,306</u>
Less accumulated depreciation for:					
Buildings	—	(275)	—	—	(275)
Leasehold improvements	(194)	(276)	(1)	—	(471)
Equipment	(1,815)	(378)	1	22	(2,170)
Computer software	(45)	(22)	—	—	(67)
Right-of-use asset	(1,964)	(2,394)	—	71	(4,287)
	<u>(4,018)</u>	<u>(3,345)</u>	<u>—</u>	<u>93</u>	<u>(7,270)</u>
Capital assets being depreciated, net	<u>16,463</u>	<u>12,755</u>	<u>10,823</u>	<u>(5)</u>	<u>40,036</u>
Capital assets, net	<u>\$ 28,663</u>	<u>14,557</u>	<u>(588)</u>	<u>(7)</u>	<u>42,625</u>

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A summary of HCA's right-of-use assets activity for the nine months ended June 30, 2023 follows (in thousands):

	Balance as of June 30, 2023
Buildings	\$ 11,569
Equipment	42
Software Subscriptions	—
Right of use assets, net	11,611

Depreciation and amortization of capital assets for the nine months ended June 30, 2023 was \$3,345,000 for HCA.

At June 30, 2023, HCA had commitments of \$25,000 related to various construction projects.

(6) Noncurrent Liabilities

(a) University of South Alabama

A summary of the University's noncurrent liability activity for the nine months ended June 30, 2023 follows (in thousands):

	Adjusted Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	\$ 458,916	485	(19,537)	439,864	25,714	414,150
Notes payable from direct borrowings	618	—	(557)	61	61	—
Lease and subscription obligations	31,964	32,442	(14,568)	49,838	18,509	31,329
Total long-term debt	491,498	32,927	(34,662)	489,763	44,284	445,479
Other noncurrent liabilities:						
Net pension liability	237,578	138,316	—	375,894	—	375,894
Net OPEB liability	205,378	—	(151,957)	53,421	—	53,421
Other long-term liabilities	81,663	14,398	(9,578)	86,483	4,709	81,774
Total other noncurrent liabilities	524,619	152,714	(161,535)	515,798	4,709	511,089
Total noncurrent liabilities	\$ 1,016,117	185,641	(196,197)	1,005,561	48,993	956,568

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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.

In 2018, the University converted a 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, 2023 is \$61,000, and is reported as long-term debt (and current portion thereof) in the statement of net position.

Lease and Subscription Obligations

The University determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether the University obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right of use asset under capital assets and lease and subscription obligation. Lease and subscription right of use assets and related obligations are recognized at the commencement date based on the present value of the payments over the agreement term discounted using an appropriate incremental borrowing rate. Amortization of right of use assets is recognized on a straight-line basis over the specified term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease or subscription payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right of use asset and the reduction in liability balance related to principal payments will result in a difference between the net right of use asset and related lease and subscription obligation.

The University leases various automobiles, buildings, equipment, office space, and software subscriptions under leases expiring at various dates through 2042. Aggregate future minimum lease and subscription payments under noncancelable agreements as of June 30, 2023, by year, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,466	634	6,100
2024	18,038	1,806	19,844
2025	12,377	1,054	13,431
2026	4,361	602	4,963
2027	2,517	439	2,956
2028 - 2032	6,348	827	7,175
2033 - 2037	726	79	805
2038 - 2042	5	—	5
Lease and subscription obligations	<u>\$ 49,838</u>	<u>5,441</u>	<u>55,279</u>

These amounts are included in lease and subscription obligations and the current portion thereof in the accompanying statement of net position. The University has no commitments under leases and subscriptions for which the lease term has not commenced as of June 30, 2023. The University leases space from the Corporation and HCA. See additional details in the following sections.

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(b) USA Research and Technology Corporation

(i) Notes Payable

Notes payable from direct borrowings consisted of the following at June 30, 2023 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	\$	10,866
University of South Alabama, 3.00%, payable through 2023		103
Hancock Whitney promissory note, 3.08%, payable through 2031		7,372
		18,341
	\$	18,341

The promissory note payable to PNC Bank has a 10-year term and amortization is based on a 10-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 promissory note payable to the University of South Alabama has a 4-year term and amortization is based on a 4-year term.

The promissory note payable to Hancock Whitney Bank has 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 both 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. As of September 30, 2023, the Corporation's debt service coverage ratio was 2.10 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 that 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.

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

At June 30, 2023, total future debt service by year is as follows (in thousands):

	Debt service on notes		
	Principal	Interest	Total
2023	\$ 352	176	528
2024	1,022	676	1,698
2025	1,061	637	1,698
2026	1,101	597	1,698
2027	1,144	554	1,698
2028–2031	13,661	710	14,371
Total	\$ 18,341	3,350	21,691

(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 statement 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. As of June 30, 2023, the unamortized balance in deferred outflows was \$645,000.

(c) **Health Care Authority**

HCA determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether HCA obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets with a related lease and subscription obligation. Right of use assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. Amortization of right of use assets is recognized on a straight-line basis over the lease term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right of use asset and the reduction in liability balance related to principal payments will result in a difference between the net right of use asset and related lease and subscription liability.

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HCA leases various buildings, equipment, and software subscriptions under leases expiring at various dates through 2042. Aggregate future minimum lease payments under noncancelable financing leases at June 30, 2023, by year, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 606	254	860
2024	2,475	952	3,427
2025	2,553	852	3,405
2026	2,401	752	3,153
2027	2,475	655	3,130
2028 - 2032	7,904	2,162	10,066
2033 - 2037	7,129	764	7,893
Lease and suscription obligations	<u>\$ 25,543</u>	<u>6,391</u>	<u>31,934</u>

These amounts are included in financing lease obligations and current portion thereof in the accompanying statement of net position.

HCA has no lease commitments for which the lease term has not commenced as of June 30, 2023.

(7) Deferred Outflows and Inflows

Deferred outflows of resources are consumption of net assets that are applicable to a future reporting period. In 2016, the University issued its Series 2016 Bond. The proceeds from this series were used to partially defease the Series 2008 Bonds resulting in a loss of the difference between the acquisition price of the new debt and the net carrying amount of the old debt. In accordance with GASB Statement Nos. 63 and 65, this loss was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. Additionally, in accordance with GASB Statements Nos. 68 and 75, changes in assumptions, changes in the proportion of total net liabilities relative to other plan participants, differences between employer contributions and the proportionate share of contributions, and employer contribution subsequent to the measurement date of the net pension liability but prior to the end of the fiscal year are presented as a deferred outflow of resources.

The components of deferred outflows of resources as of June 30, 2023 are summarized below (in thousands):

<u>Deferred Outflows</u>	
Loss on refunding of 2016 bonds	\$ 5,207
Pension	122,755
OPEB	<u>114,645</u>
	<u>\$ 242,607</u>

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Deferred inflows of resources are net asset acquisitions that are applicable to a future reporting period. In 2016, the University issued its 2016-B, C & D Bonds. In accordance with GASB Statement Nos. 63 and 65, the proceeds from these series refunded the remaining outstanding 2006 bonds and the resulting gain is being amortized over the remaining life of the Series 2016-B, C & D Bonds as a deferred inflow of resources. Additionally, the University is a party to two derivatives in which the change in fair value is reported as a deferred outflow. Additionally, in accordance with GASB Statement Nos. 68 and 75, the difference between the expected and actual experience and the net difference between projected and actual earnings on investments are presented as a deferred inflow of resources. Finally, in accordance with GASB Statement No. 87, the deferred inflow of resources attributable to leases is recognized on a straight-line basis over the respective lease terms.

The components of deferred inflows of resources as of June 30, 2023 are summarized below (in thousands):

Deferred Inflows	
Gain on refunding of 2016 Series B, C & D bonds	\$ 3,045
Interest Rate Swaps	17,802
Pension	29,230
OPEB	260,679
Financing leases	1,819
	\$ 312,575

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(8) Bonds Payable

Bonds payable consisted of the following at June 30, 2023 (in thousands):

University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	\$ 19,776
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033	4,944
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028	4,499
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of one month LIBOR plus .73%, (2.848% at September 30, 2022), payable through March 2024	8,455
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030	3,000
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037	71,300
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 79% of one month LIBOR plus .72%, (3.203% at September 30, 2022), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 79% of one month LIBOR plus .77%, (3.253% at September 30, 2022), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2028	35,000
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 79% of one month LIBOR plus .83%, (3.313% at September 30, 2022), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2031	45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	30,880
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 2049	47,750
University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 2033	14,615

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University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	\$ 12,874
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	34,035
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041	38,045
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032	14,128
University Facilities Revenue Bonds, Series 2023-A variable rate payable at 80% adjusted term SOFR plus 0.45% payable through April 19, 2024	485
	404,786
Plus unamortized premium	36,404
Less unamortized debt extinguishment costs	(1,326)
	\$ 439,864

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 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 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 in April 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds began maturing in April 2021 and are redeemable beginning April 2030. Series 2021 Bonds will begin maturing in April 2022 and are redeemable beginning April 2041. The Series 2021-B Bonds will begin maturing in August 2022 and are not subject to redemption.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-A, with a face value of \$85,605,000. The proceeds from the Series 2016-A 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 is included in the accompanying statement 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-A Bonds. The balance of the related deferred outflow totaled \$5,207,000, at June 30, 2023. The principal outstanding on all defeased bonds is \$71,300,000 at June 30, 2023.

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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. The balance of the related net deferred inflow at June 30, 2023 totaled \$3,045,000.

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 the 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.

On March 5, 2021, the FCA announced the final publication date for US LIBOR is June 30, 2023. Loans maturing after the end of LIBOR will be reviewed to determine if appropriate language, referred to as fallback language, is used to provide for the replacement of LIBOR with an alternative index. The ARRC has recommended the SOFR as an alternative to replace LIBOR.

Approximately \$27,780,000 of proceeds from the issuance of the Series 2021 Bonds remained unspent at June 30, 2023 and are included in restricted cash and cash equivalents on the 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 June 30, 2023, no amounts were due or recorded in the financial statements.

In April 2023, the University issued its University Facilities Revenue Bond (Draw-Down Loan) 2023-A, which can be drawn up to \$80,000,000, and University Facilities Revenue Bond (Draw-Down Loan) 2023-B, which can be drawn upon up to \$20,000,000. An initial draw of \$485,000 was made on 2023-A at the inception of the bond. The monies from both 2023-A and 2023-B can be drawn down at any time through the advance period which ends in April 19, 2024, at which the full principal drawn is due. The principal outstanding at June 30, 2023 for 2023-A is \$485,000 and is reported as current portion of long-term debt in the statement of net position. At June 30, 2023, the unused portion of 2023-A and 2023-B was \$79,515,000 and \$20,000,000, respectively.

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

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Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by year is as follows as of June 30, 2023 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2023	\$ 4,321	968	61	—	5,350
2024	23,777	13,555			37,332
2025	21,290	12,962	—	—	34,252
2026	22,190	12,343	—	—	34,533
2027	23,095	11,701	—	—	34,796
2028-2032	121,199	47,207			168,406
2033-2037	125,409	26,508			151,917
2038-2042	41,380	9,885			51,265
2043-2047	15,950	3,928			19,878
2048-2052	6,175	468			6,643
2049–2053					—
Subtotal	404,786	\$ 139,525	61	—	544,372
Plus (less):					
Unamortized bond premium	36,404		—		
Unamortized debt extinguishment costs	(1,326)		—		
Total	\$ 439,864		61		

(9) Lease Receivables

(a) University of South Alabama

The University leases land, buildings, and suites to various lessees expiring at various dates through 2042. For the nine months ended June 30, 2023, the University recognized a total of \$631,000 of inflows of resources from leases, of which \$569,000 was recognized as lease revenue as other operating revenue and interest of \$63,000 was recognized as a component of investment income in the statement of revenues, expenses, and changes in net position.

(b) USA Research and Technology Corporation

The Corporation leases land, buildings, and suites to various lessees expiring at various dates through 2057. In Building I, space is leased under five lease agreements. The first lease has a 5 year initial term expiring in October 2023 with two 5 year renewal options. The second lease has a 1 year initial term expiring in December 2023 with no renewal options. The third lease has a 5-year initial term expiring in August 2024 with one 5 year renewal option. The fourth and fifth lease both have 5-year terms and no renewal options with the fourth lease expiring in April 2024 and the fifth lease in July 2024.

Space in Buildings II and III is leased to the University and various other tenants. The leases have remaining terms varying from month to month to seven years.

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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).

Space under lease to the University was 78,123 square feet at June 30, 2023.

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 10 years, expiring in March 2030, 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.

The Corporation, as lessor, had three ground leases in place at June 30, 2023. One lease is for a 40-year initial term expiring in October 2046 with two renewal options, the first for 20 years and the second for 15 years. 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 two renewal options, the first for 20 years and the second for 15 years.

The terms and conditions of each lease agreement vary by tenant with some including early termination options. Of the existing lease agreements, three have early termination options. One tenant in Building I and two tenants in Building II have options to terminate their lease agreement early if notice is given within the stated timeframe and all, if any, monetary obligations have been met.

In 2023, a tenant in Building I exercised an early termination option that required payment of the unamortized portion of tenant improvement costs incurred by the Corporation. This payment totaled \$164,218 and was recognized as a component of rental income and is recorded as such in the statement of revenues, expenses, and changes in net position.

For the nine months ended June 30, 2023, the Corporation recognized a total of \$3,048,682 of inflows of resources from leases, of which \$2,767,028 was recognized as lease revenue and \$281,654 was recognized as interest income in other nonoperating revenues.

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The following table provides future minimum lease revenue by year that is included in the measurement of the lease receivable (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 785	90	875
2024	1,762	312	2,074
2025	926	272	1,198
2026	836	243	1,079
2027	665	219	884
2028 - 2032	2,342	805	3,147
2033 - 2037	1,099	577	1,676
2038 - 2042	1,398	386	1,784
2043 - 2047	1,451	148	1,599
2048 - 2052	131	36	167
2053 - 2057	162	13	175
Financing lease obligations	<u>\$ 11,557</u>	<u>3,101</u>	<u>14,658</u>

(c) Health Care Authority

HCA subleases buildings and suites to the University of South Alabama under leases expiring at various dates through 2032. For the nine months ended June 30, 2023, HCA recognized a total of \$401,000 of inflows of resources from leases, of which \$304,000 was recognized as lease revenue under other operating revenue and the interest of \$98,000 was recognized as investment income. Lease revenue is included within other operating revenues and interest income is included within investment income on the statement of revenues, expenses, and changes in net position.

(10) Derivative Transactions – Interest Rate Swaps

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. The income associated with the derivatives is a component of investment income and the corresponding expense is a component of interest expense. The terms of the derivatives require the University to post collateral when certain criteria are met. Such amounts as of June 30, 2023 totaled \$21,226,000.

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 related 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 73 basis points.

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 related 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 25

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basis points. 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 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 swap as other long-term liabilities in the amount of \$166,000 in the statement of net position at June 30, 2023. The change in the fair value of the swap of \$128,000, during the nine months ended June 30, 2023, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statement 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 \$519,000 at June 30, 2023.

The 2016 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 swap as other long-term liabilities in the amount of \$14,870,000 in the statement of net position at June 30, 2023. The change in the fair value of the swap of \$2,907,000 during the nine months ended June 30, 2023, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statement of net position at June 30, 2023 since the interest rate swap is a hedging derivative instrument. Net deferred inflows and outflows of resources for the 2016 swap totaled \$17,284,000 at June 30, 2023.

The fair values of the interest rate swaps are 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 related 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 related bonds.

Credit risk: As of June 30, 2023, 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 June 30, 2023.

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, 2023 and calculating interest for

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subsequent years using forward rates of one-month LIBOR, debt service requirements for the 2014 swap payments, by 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>		
2023	\$ —	65	156	221
2024	8,455	123	108	8,686
Total	<u>\$ 8,455</u>	<u>188</u>	<u>264</u>	<u>8,907</u>

Debt service requirements for the 2016 swap payments, by 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>		
2023	\$ —	774	(638)	136
2024	—	2,849	2,691	5,540
2025	5,600	2,440	2,937	10,977
2026–2030	32,610	9,389	12,380	54,379
2031–2035	41,880	4,916	6,575	53,371
2036–2039	19,910	382	708	21,000
Total	<u>\$ 100,000</u>	<u>20,750</u>	<u>24,653</u>	<u>145,403</u>

(11) 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 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, 2017.

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USA Health Children’s & Women’s Hospital’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2020.

Revenues from the Medicare program accounted for approximately 13% of USA Health’s patient service revenues for the year ended September 30, 2022.

Blue Cross Blue Shield – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon Medicare Severity Diagnosis Related Groups. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on Blue Cross Enhanced Ambulatory Patient Groups.

Revenues from the Blue Cross program accounted for approximately 27% of USA Health’s patient service revenues for the year ended September 30, 2022.

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 certainty 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 23% of USA Health’s patient service revenues for the year ended September 30, 2022.

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.

The composition of patient service revenues for the nine months ended June 30, 2023 follows (in thousands):

Gross patient service revenues	\$	1,552,932
Less:		
Provision for contractual and other adjustments		(882,904)
Provision for bad debts		(82,046)
		<u>587,982</u>
	\$	<u>587,982</u>

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(12) 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.

(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 60 with 10 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 62 with 10 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.

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Tier 2 covered members of the TRS contribute 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rates are 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 percentage 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 for fiscal year 2023 will be updated when available.

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

At June 30, 2023, the University reported a liability of \$375,894,000.00 for its proportionate share of the collective net pension liability. At June 30, 2023, the collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion of contributions to the pension plan was 2.418758%, which was a decrease of 0.103213% from its proportion measured as of September 30, 2021 of 2.521971%.

For the quarter ended June 30, 2023, the University recognized pension expense of approximately \$11,079,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At June, 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 8,263	9,122
Changes of assumptions	17,057	—
Net difference between projected and actual earnings on pension plan investments	75,430	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	20,108
Employer contributions subsequent to measurement date	*	—
	<u>\$ *</u>	<u>29,230</u>

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At June 30, 2023, approximately \$22,005,000 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, 2024. Contributions subsequent to measurement date for fiscal year 2023 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:	
2024	\$ (16,985)
2025	(14,957)
2026	(11,588)
2027	(27,990)
	\$ (71,520)
	\$ (71,520)

(e) Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63-67) and for females (112% ages < 69, 98% > age 74, phasing down 69-74), projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019.

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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:

	<u>Target allocation</u>	<u>Long-term expected rate of return*</u>
Fixed income	15.0 %	2.8 %
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	9.0
Real estate	10.0	6.5
Cash equivalents	5.0	2.5
	<u>100.0 %</u>	

* Includes assumed rate of inflation of 2.00%

(f) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023 was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, 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.

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(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):

	June 30, 2023		
	1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	\$ 486,391	375,894	282,821

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022 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, 2022. The auditors' report dated January 17, 2023 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, 2022 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(13) 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 \$400,000 in 2022, representing 177 employees for 2022 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 \$7,459,000 in 2022, representing 2,294 employees, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan.

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All other employees do not vest until they have held employment with HCM for 36 months; at which time they become 100% vested in the plan.

Effective April 1, 2022, HCM adopted a deferred compensation retirement plan. All nonstudent employees are eligible to defer receipt of a portion of their salary until a later date. 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. Under this plan, contributions by eligible employees are not matched by HCM. Through September 30, 2022, 69 employees are participating in this plan. All eligible employees are fully vested in their accounts under this plan immediately upon contributing.

(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 statement of net position include accruals for vacation pay and paid time off of approximately \$12,085,000 at September 30, 2022. 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.

(14) 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 health care 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.

(b) *Benefits Provided*

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents

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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, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

(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 \$5,859,000 for the year ended September 30, 2022. Contributions for fiscal year 2023 will be updated when available.

(d) OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the University reported a liability of \$53,421,000 for its proportionate share of the net OPEB liability. At June 30, 2023, the net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion of contributions to the OPEB plan was 3.06585999%, which was a decrease of 0.90909001% from its proportion measured as of September 30, 2021 of 3.974950%.

For the quarter ended June 30, 2023, the University recognized OPEB contra-expense of approximately \$31,049,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

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At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 2,450	108,013
Changes of assumptions	43,332	77,758
Net difference between projected and actual earnings on OPEB plan investments	6,718	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,285	74,908
Employer contributions subsequent to the measurement date	*	—
	<u>\$ *</u>	<u>260,679</u>

At June 30, 2023, approximately \$5,859,000 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, 2024. Contributions subsequent to measurement date for fiscal year 2023 will be available later this year.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB income (expense) as follows (in thousands):

Year ending September 30:	
2024	\$ (35,828)
2025	(35,176)
2026	(10,386)
2027	(16,525)
2028	(32,491)
Thereafter	<u>(21,486)</u>
	<u>\$ (151,892)</u>

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(e) Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation performed as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Projected salary increases*	3.25-5.00 %
Long-term investment rate of return**	7.00 %
Municipal bond index rate at the measurement date	4.40 %
Municipal bond index rate at prior measurement date	2.29 %
Projected year for fiduciary net position to be depleted	N/A
Single equivalent interest rate at the measurement date	7.00 %
Single equivalent interest rate at prior measurement date	3.97 %
Health care cost trend rate	
Pre-medicare eligible	6.50 %
Medicare eligible	***
Ultimate trend rate	
Pre-medicare eligible	4.50 %
Medicare eligible	4.50 %
Year of ultimate trend rate	
Pre-medicare eligible	2031
Medicare eligible	2027

* Includes 2.75% wage inflation

** Compounded annually, net of investment expense, and includes inflation

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

Mortality rates were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63-67) and for females (112% ages < 69, 98% > age 74, phasing down 69-74), projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the TRS on September 13, 2021. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) of the total OPEB liability were based on the September 30, 2021 valuation.

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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:

	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
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
	<u>100 %</u>	

* Geometric mean, includes 2.50% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2022 was 7.00%. 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. 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022. It is assumed that the 15.257% 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 \$800 with inflation at 2.5% starting in 2027. 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 2120.

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(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 using 1-percentage point lower 3.50% or 1-percentage point higher 5.50% than the current rate (in thousands):

	June 30, 2023		
	1% Decrease (3.50)%	Current rate (4.50)%	1% Increase (5.50)%
University's proportionate share of collective net OPEB liability	\$ 40,509	53,421	69,256

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 6.00% or 1-percentage point higher 8.00% than the current rate (in thousands):

	June 30, 2023		
	1% Decrease (6.00)%	Current rate (7.00)%	1% Increase (8.00)%
University's proportionate share of collective net OPEB liability	\$ 66,047	53,421	42,822

(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, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

(15) 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.

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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 nine months ended June 30, 2023. 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 \$2,613,000 in 2022. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from health care 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 nine months ended June 30, 2023 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

Balance, beginning of year	\$	50,015
Liabilities incurred and other additions		62,485
Claims, administrative fees paid and other reductions		<u>(53,636)</u>
Balance, end of year	\$	<u>58,864</u>

These amounts are included in other long-term liabilities in accounts payable and accrued liabilities in the accompanying statement of net position.

(16) 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, 2022, SAMSF had total assets of \$10,652,000, net assets of \$10,627,000, and total revenues of \$1,509,000 for the year then ended.

(17) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2022, the University had been awarded approximately \$82,936,000 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 that 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.

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(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 statement 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, 2022, no amounts were payable pursuant to these agreements.

(d) USA Research and Technology Corporation Leases

The University has commitments under lease receivables with the Corporation. Space under lease to the University was 78,123 square feet at September 30, 2022. See note 9 for additional details.

(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 nine months ended June 30, 2023 as follows (in thousands):

Current assets	\$	14,800
Noncurrent assets		62,217
Total assets		77,017
Current liabilities		15,953
Noncurrent liabilities		55,919
Total liabilities		71,872
Net position	\$	5,145

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Operating revenues	\$	287,973
Operating expenses		(293,477)
		(5,504)
Nonoperating revenues		6,122
Nonoperating expenses		—
		618
Change in net position	\$	618

(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 was 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 provided by Statement No. 95.

In April 2022, the GASB issued Statement No. 99, *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 Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement Nos. 53 and 63 effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 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—an amendment of GASB Statement No. 62*. The statement, effective for periods beginning after June 15, 2023, requires changes in accounting principles and error corrections be reported retroactively by restating prior periods, 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*, which 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. 99, 100 and 101 on the University has not yet been determined.

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(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.

The 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 health care providers for purposes of covering costs incurred and lost revenues due to the pandemic. Through June 30, 2023, the University (including USA Health) has been awarded \$102,498,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount \$3,244,000 was awarded during the nine months ended June 30, 2023. Of the total amounts awarded \$9,088,000 has been recognized as nonoperating revenue in the statement of revenues, expenses, and changes in net position for the quarter ended June 30, 2023



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Vice President for Research and Economic Development

DATE: August 24, 2023

TO: President Jo Bonner

A handwritten signature in black ink that reads "Lynne Chronister".

FROM: Lynne Chronister, Vice President, Research and Economic Development

SUBJECT: Agenda Item for the University of South Alabama Board of Trustees Meeting on September 8, 2023

I recommend the attached resolution be presented to the USA Board of Trustees at the September 8, 2023 meeting. The USA Foundation for Research and Commercialization has adopted this resolution by unanimous consent.

Attachment

A handwritten signature in black ink that reads "Jo Bonner".

RESOLUTION

**REVISED AMENDED AND RESTATED BYLAWS OF THE
UNIVERSITY OF SOUTH ALABAMA
FOUNDATION FOR RESEARCH AND COMMERCIALIZATION**

WHEREAS, Section 3.2 of the Amended and Restated Bylaws of the University of South Alabama Foundation for Research and Commercialization (“USAFRAC”) provides that the University of South Alabama’s (“USA”) Vice President for Financial Affairs serves as an ex-officio member of the USAFRAC Board of Directors, and

WHEREAS, USA’s Division of Finance and Administration, formerly known as the Division of Financial Affairs, was recently reorganized, eliminating the position of Vice President for Finance and Administration and creating of the position of Chief Financial Officer, and

WHEREAS, the USAFRAC Board of Directors has approved the revised Amended and Restated Bylaws of USAFRAC, attached hereto and incorporated herein by reference (the “amended and restated bylaws”), in which “Vice President for Financial Affairs” in Section 3.2 (a) (iii) has been replaced with “Chief Financial Officer,” and

WHEREAS, the USAFRAC Board has presented the revised amended and restated bylaws to the USA Board of Trustees for consideration and approval,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the revised amended and restated bylaws of USAFRAC as submitted.

AMENDED AND RESTATED
BYLAWS OF THE
UNIVERSITY OF SOUTH ALABAMA FOUNDATION
FOR
RESEARCH AND COMMERCIALIZATION

an Alabama nonprofit
corporation

Adopted August 24, 2023

AMENDED AND
RESTATED BYLAWS
OF THE
UNIVERSITY OF SOUTH ALABAMA FOUNDATION
FOR RESEARCH AND COMMERCIALIZATION

ARTICLE I

Name and Location

Section 1.1 Name. The name of the corporation is University of South Alabama Foundation for Research and Commercialization, which shall be referred to in these Bylaws as the "USAFRC."

Section 1.2 Location. The principal office of the USAFRC is located at 307 University Boulevard, Mobile, Alabama, 36688. The USAFRC may have such other office or offices within the State of Alabama as the Board of Directors may determine or as the business or activities of the USAFRC may require. The registered office of the USAFRC may, but need not be, the same as its principal office. The address of the registered office may be changed from time to time by the Board of Directors of the USAFRC in the manner prescribed by the Alabama Nonprofit Corporation Act.

ARTICLE II

Purposes and Scope of Activity

Section 2.1 Purposes. The purposes of the USAFRC are as set forth in its Articles of Incorporation.

Section 2.2 Scope of Activity. The USAFRC shall be organized and operated exclusively for any one or more of the charitable purposes enumerated in Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended from time to time (the "Code"). The USAFRC shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Code. No part of the net earnings of the USAFRC shall inure to the benefit of any private individual. No substantial part of the activities of the USAFRC shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the USAFRC shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE III

Board of Directors

Section 3.1 General Powers. The duly elected or appointed Board of Directors of the USAFRC (hereinafter referred to as the "Board") shall have control and management of the affairs, business, property, and funds of the USAFRC and shall have the

authority to fashion and implement the policy, goals, and purposes of the USAFRC. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the USAFRC as the Board may deem appropriate, not inconsistent with federal or state law or these Bylaws. The Board, by resolution thereof, shall from time to time enumerate the duties, obligations, and responsibilities of the directors, including their attendance at meetings of the Board and their participation in the activities of the USAFRC.

Section 3.2 Number, Qualification, and Tenure.

(a) The number of directors comprising the Board shall be the sum of (i) four (4) ex-officio directors (as described below) who are affiliated with the University of South Alabama (the "University") and (ii) five (5) directors who are not officers, employees, or trustees of the University. The ex-officio directors shall consist of those individuals holding the following positions at the University:

- (i) Chair *Pro Tempore* of the Board of Trustees of the University;
- (ii) President of the University;
- (iii) Chief Financial Officer; and
- (iv) Vice President for Research and Economic Development of the University.

(b) The Board of Trustees of the University shall elect five (5)-directors to serve on the Board from a slate presented by the Board of the USAFRC. These directors shall serve staggered terms as described in (c) below. The Board of Trustees of the University shall have the absolute right, in its sole discretion, to decline to elect any one or more of the director nominees included in the slate presented to it by the Board of the USAFRC and to request that a substitute slate be presented with different nominees. This process shall be repeated, if necessary, until the Board of Trustees of the University has selected directors to fill any directorships the term of which has expired or will expire at the next annual meeting of the Board.

(c) The term of office of the five (5) directors who are elected to serve on the Board in the manner described in (b) above shall be four consecutive years; provided, however, that at the meeting at which the adoption of these Bylaws took place, certain directors will be elected to serve a two (2) year term expiring in September, 2015, such that these four (4) directors serve staggered terms with two (2) of these directors' terms expiring in September 2015 and three (3) of these directors' terms expiring in September 2017. Thereafter, each term of the directors elected by the Board of Trustees of the University in accordance with (b) above shall expire four (4) years after said director's appointment. Directors shall hold office until their successors have been duly elected and qualified or until their deaths or until they shall resign or shall have been removed from office in the manner provided in these Bylaws. Directors need not be residents of the State of Alabama.

Section 3.3 Resignation. Any director may resign at any time by giving written notice of such resignation to the Chair or Vice Chair of the Board and to the Chair Pro Tempore of the Board of Trustees of the University.

Section 3.4 Vacancies. In the event of a vacancy in the Board of Directors resulting from a vacancy of any of the positions at the University described in Section 3.2(a)(i) through (iii), the vacancy in the Board shall be filled at such time as the vacancy of such position at the University is filled; provided; however, that persons appointed as "acting" positions

described in Section 3.2(a)(i) through (iii) shall serve on this Board consistent with said "acting" appointment at the University. In the event of a vacancy in the Board with respect to either of the four directors elected by the Board of Trustees of the University in accordance with Section 3.2(b) above, such vacancy shall be filled using the procedures set forth therein with the replacing board member serving the remainder of the term associated with the vacant position.

Section 3.5 Annual and Regular Meetings. A regular meeting of the Board, which shall be the annual meeting thereof, shall be held in September of each year, commencing in 2013, unless the Board shall determine to hold its annual meeting at some other time. At the annual meeting, the Board shall appoint the officers of the USAFRC for the coming year and shall transact such other business as shall come before the directors at such meeting. Additional regular meetings of the Board shall be held at such times and places as may be determined by the Chair or Vice Chair of the Board. There shall be at least two (2) regular meetings of the Board, including the annual meeting thereof, during each calendar year.

Section 3.6 Special Meetings. A special meeting of the Board may be called by the Chair or Vice Chair of the Board or the President, or upon written request of two directors.

Section 3.7 Notice of Meetings. Written notice stating the place, date, and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and the name or names of the person or persons by whom or at whose direction the special meeting is called shall, except in extraordinary situations, be given each director not less than five (5) days before the date of any annual or regular meeting and not less than two (2) business days before the date of any special meeting, either personally, by mail, by facsimile or by electronic mail, by or at the direction of the Chair or the Vice Chair of the Board, the President, or the Secretary. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at such member's address as it appears in the records of the USAFRC, with postage thereon prepaid. If by facsimile or electronic mail, such notice shall be deemed to be delivered upon confirmation to the sender that such facsimile transmission or electronic mailing is complete. Each director shall be responsible for keeping the Secretary informed as to such director's proper mailing address and e-mail address. A director may waive his or her right to notice of the annual or a special meeting.

Section 3.8 Meeting by Telephone. Members of the Board or any committee designated thereby may participate in a meeting of the Board or a committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 3.9 Quorum. The presence of a majority of the directors then serving on the Board at the annual or any regular or special meeting thereof shall constitute a quorum for the conduct of business. If less than a majority of the directors is present at a meeting of the Board, a majority of the directors present may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed. Directors present at a duly organized meeting thereof may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.10 Chair and Vice Chair. At all meetings of the Board, the Chair, or in the absence of the Chair, the Vice Chair, or in the absence of both the Chair and the Vice Chair, an acting chair chosen by the directors, shall preside over the meeting.

Section 3.11 Acts of the Board. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 3.12 Action Without a Meeting. Any action required or permitted to be taken by the Board or a committee thereof at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote of the directors or the members of such committee.

Section 3.13 Conflicts of Interest. The Board shall adopt a Conflict of Interest Policy that applies to all Board members and shall ensure that both current and new Board members agree to abide by its terms.

Section 3.14 Removal. A director may be removed or suspended at any time with or without cause by a majority vote of the Board of Trustees of the University, acting in its sole and absolute discretion.

ARTICLE IV

Officers

Section 4.1 Positions and Terms of Office. The officers of the USAFRC shall consist of Chair and Vice Chair of the Board, President, one or more Vice Presidents, Secretary, Treasurer, and such other officers with such powers not inconsistent with these Bylaws as may be appointed by the Board. The Chair of the Board shall be the Chair *Pro Tempore* of the Board of Trustees of the University. The President of the USAFRC shall be the President of the University. Any two or more offices of the USAFRC, except those of the Chair and Vice Chair and the President and Secretary, may be held by the same person.

Section 4.2 Election and Term of Office. The Vice Chair shall be appointed by the Board from among its number. The officers of the USAFRC authorized herein shall be elected by the Board, except the Chair of the Board and the President of the USAFRC, and need not be members thereof at the time of their appointment. Unless otherwise determined by the Board, each officer, except the Chair of the Board and the President of the USAFRC, shall hold office for a three year term commencing with the date of such officer's appointment by the Board unless such officer is earlier removed from office by the Board in the manner hereinafter provided or until the death, retirement, resignation, or other event resulting in such officer ceasing to hold office. The Chair of the Board and President of the USAFRC shall remain as Chair of the Board and President of the USAFRC so long as each remains Chair *Pro Tempore* of the Board of Trustees of the University and President of the University respectively.

Section 4.3 Vacancies. In case any office of the USAFRC becomes vacant by death, resignation, retirement, disqualification, or any other cause, such vacancy shall be filled by the Board, and the officer so elected shall hold office and serve until the appointment and qualification of his or her successor, except that the Chair of the Board must be the person acting as Chair *Pro Tempore* of the Board of Trustees of the University and the President of the USAFRC must be the person acting as President of the University.

Section 4.4 Removal. Any officer, except the Chair of the Board and the President of the USAFRC, may be removed from office by the Board at any regular or special meeting called for that purpose.

Section 4.5 Duties of Officers. The officers of the USAFRC, if and when elected by the Board, shall have the following duties:

(a) Chair of the Board. The Chair of the Board, subject to the direction of the Board, shall supervise and control the business and affairs of the USAFRC. The Chair shall preside at all meetings of the Board and may call special meetings as provided herein. He/she shall serve as Chair of the Executive Committee, and shall appoint such committees as may be authorized by these Bylaws, or as he/she may deem desirable, fill vacancies which will occur on such committees, and give final approval to the agenda for the Board meeting. In general, the Chair shall perform all duties incident to the office of Chair of the Board and such other duties as may be prescribed by the Board.

(b) Vice Chair of the Board. At the request of the Chair, or in the absence of the Chair, the Vice Chair shall perform the duties and possess and exercise the powers of the Chair and, to the extent authorized by applicable law and these Bylaws, the Vice Chair shall have such other powers as the Board may determine, and shall perform such other duties as may be assigned to the Vice Chair by the Board;

(c) President. The President shall be the chief executive officer of the USAFRC and he/she shall serve as a member of the Executive Committee. He/she shall have in his or her charge the general and active management of its affairs and of such areas and divisions of the business of the USAFRC as may be designated by the Board. In the absence of the Chair and the Vice Chair or in the event of each their deaths or inability to act, the President shall perform the duties of the Chair and the Vice Chair, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chair and the Vice Chair. With appropriate authorization by the Board, the President may sign deeds, mortgages, bonds, contracts or other instruments on behalf of the USAFRC except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the USAFRC. In general, the President shall perform all duties incident to the offices of President and Chief Executive Officer and such other duties as may be prescribed by the Board.

(d) Vice Presidents. In the absence of the President or in the event of the President's death or inability to act, the Vice President (or in the event there be more than one vice president, the Vice Presidents in the order determined by the Board) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such duties as from time to time may be assigned to him/her by the Chair, the President or the Board.

(e) Secretary. The Secretary shall keep the minutes of the proceedings of the Board and any committees appointed by the Board in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the USAFRC: see that the seal of the USAFRC is affixed to all documents, the execution of which on behalf of the USAFRC under its seal is duly authorized; keep a register of the post office address of each member which shall be furnished to the Secretary by such member: and in general

perform all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chair, the President or the Board. If there is no Treasurer of the USAFRC, the Secretary shall assume the authority and duties of Treasurer.

(f) Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the USAFRC, receive and give receipts for moneys due and payable to the USAFRC from any source whatsoever, and deposit all such moneys in the name of the USAFRC in such banks, trust companies or other depositories as may be designated by the Board, and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chair or Vice Chair, the President, or the Board. With the approval of the Board, the Treasurer shall have the authority to cause all stocks, bonds, securities, and other financial instruments not constituting readily available funds that are received by the USAFRC to be sold in such a manner as to not result in any diminution in the value thereof and the proceeds therefrom to be deposited to one or more accounts of the USAFRC. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine.

(g) Assistant Secretaries and Assistant Treasurers. The Assistant Secretary, or if there shall be more than one, the Assistant Secretaries in the order determined by the Board, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. The Board may require any Assistant Treasurer to give a bond for the faithful discharge of his or her duties in such sums and with such surety or sureties as the Board shall determine. The Assistant Secretaries and Assistant Treasurers shall all perform such other duties as shall be assigned to them by the Secretary and Treasurer, respectively, or by the Chair or Vice Chair, the President, or the Board.

ARTICLE V

Committees

Section 5.1 Committees of Directors. The Board, by resolution adopted by a majority of the directors at a duly called meeting thereof, may designate one or more committees, which committees, to the extent provided in such resolution, shall have and exercise the authority of the Board in the management of the USAFRC, except that no such committee shall have the authority of the Board in reference to amending, altering or repealing these Bylaws; electing, appointing or removing any member of any such committee or any director or officer of the USAFRC; amending the Articles of Incorporation of the USAFRC, restating the Articles of Incorporation of the USAFRC, adopting a plan of merger or adopting a plan of consolidation with another organization; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the USAFRC; authorizing the voluntary dissolution of the USAFRC or revoking proceedings therefor; adopting a plan for the distribution of the assets of the USAFRC; or amending, altering or repealing any action or resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by such committee. Each committee so designated by the Board shall be comprised of two or more directors and such other persons as are appointed to the committee by the Board. The Board may at any time, in its sole and absolute discretion, terminate the existence of any committee designated pursuant to this Section 5.1.

Section 5.2 Executive Committee. The USAFRC shall have an Executive Committee which shall be comprised of the Chair of the Board, the President of the USAFRC, and any other directors appointed by the Board from time to time to serve on the Executive Committee. Except as provided in Section 5.1 above, the Executive Committee shall possess and may exercise all the powers and functions of the Board in the management and direction of the affairs of the USAFRC in all cases in which specific directions shall not have been given by the Board.

Section 5.3 Standing Committees. The Chair shall have authority to appoint standing committees and to designate the chairperson of each such committee. Each standing committee of the USAFRC shall be chaired by a member of the Board, but may have as part of its membership persons not presently serving as a director of the USAFRC. A written statement of the purposes and responsibilities of each standing committee shall be prepared by the Chair thereof and submitted to the Executive Committee for its approval. Each standing committee shall keep records of its activities and shall, at such time as requested by the Executive Committee or Board of the USAFRC, submit a report on work done by the said committee. No standing committee shall enter into any contract or incur any indebtedness or financial obligation of any kind for or on behalf or in the name of the USAFRC except as expressly authorized by the Executive Committee or the Board.

Section 5.4 Other Committees. It is anticipated that from time to time ad hoc committees will be appointed and approved by the Board.

Section 5.5 Committee Governance. Subject to approval by the Board or the Executive Committee, each committee of the USAFRC shall have the power to adopt such rules and procedures as may be necessary for the effective conduct of the work entrusted to it.

ARTICLE VI

Financial Reporting and Compensation

Section 6.1 Financial Reports and Audits. The USAFRC shall cause to be prepared and delivered to the Board of Trustees of the University an annual report containing a summary of operations of the USAFRC for the immediately preceding year and financial and other information for such year similar to that which is required to be reported on an IRS Form 990 filed by tax-exempt organizations with the Internal Revenue Service. The Board of Trustees shall have the right at any time, and from time to time, to cause an audit of the USAFRC's financial records to be performed at the expense of the USAFRC.

Section 6.2 Compensation. Directors, officers and committee members are expected to serve without compensation. A director, officer or committee member shall be reimbursed for properly substantiated expenses incurred in connection with the fulfillment of that director's, officer's or committee member's authorized duties or responsibilities or which are otherwise directly related to the business or affairs of the USAFRC and which are deemed to be reasonable in amount by an officer of the USAFRC.

ARTICLE VII

Contracts: Commitments

Unless expressly authorized by the Board or Executive Committee of the USAFRC, and except as provided in these Bylaws, no officer, agent, employee or other person or persons having any relationship or affiliation with the USAFRC shall have any power or authority to cause the USAFRC to enter into any contract or commitment or to undertake any obligation or incur any liability for any purpose whatsoever.

ARTICLE VIII

Exculpation of Directors

Section 8.1 Acts of Director. No director shall be liable to anyone for any acts on behalf of the USAFRC or any omissions with respect to the USAFRC committed by such director, except for his or her own willful neglect or default.

Section 8.2 Acts of Other Directors. No director shall be liable to anyone for any act of neglect or default on the part of any one or more of the other directors in the absence of specific knowledge on the part of such director of such neglect or default.

Section 8.3 Indemnification of Directors, Officers and Others. The USAFRC shall indemnify any member of the Board or officer or former member of the Board or former officer, or any person who is serving or who has served at the request of the USAFRC as a director or officer of another entity, whether such other entity be for profit or not for profit, in which the USAFRC owns shares of capital stock or of which it is a creditor, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of his being or having been such director or officer, except in relation to matters as to which he shall have been adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his duty with respect to the matter in which indemnity is sought. By order of the Board, the USAFRC may, under comparable terms and limitations, indemnify employees and agents of the USAFRC with respect to activities within the scope of their services.

Section 8.4 Insurance. Nothing herein provided shall limit or otherwise affect the power of the USAFRC to purchase and maintain insurance on behalf of any person who is or was a director, trustee, officer, employee or agent of the USAFRC or is or was serving at the request of the USAFRC in any of such capacities with respect to another USAFRC, against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his status as such, whether or not the USAFRC would have the power or would be required to indemnify him/her against such liability under the provisions of these Bylaws or any applicable law.

ARTICLE IX

General

Section 9.1 Fiscal Year. The USAFRC shall operate on the basis of a fiscal year ending on September 30 of each year.

Section 9.2 Checks. All checks or demands for money and notes of the USAFRC shall be signed by any two of the following: Chair of the Board, President of the USAFRC, Treasurer of the USAFRC, or any other employees of USAFRC or the University of South Alabama designated in writing by the Board of Directors of USAFRC and communicated to the USAFRC Secretary.

Section 9.3 Deposits. All funds of the USAFRC shall be deposited from time to time to the credit of the USAFRC in one or more banks, trust companies or other depositories as the Board or the Executive Committee may from time to time designate, upon such terms and conditions as shall be fixed by the Board or the Executive Committee. The Board or the Executive Committee may from time to time authorize the opening and keeping, with any such depository as it may designate, of general and special bank accounts and may make such special rules and regulations with respect thereto, not inconsistent with the provisions of these Bylaws, as it may deem necessary.

Section 9.4 Corporate Seal. The Board shall select a corporate seal which shall have inscribed thereon the name of the USAFRC, the words "Alabama" and "Corporate Seal," and such seal may include the date of incorporation of the USAFRC. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 9.5 Voting of USAFRC's Securities. Unless otherwise ordered by the Board, the Chair or Vice Chair of the Board, the President or any Vice- President, or such other officer as may be designated by the Board to act in the absence of the Chair or Vice Chair of the Board, the President or any Vice President, shall have full power and authority on behalf of the USAFRC to attend and to act and to vote, and to execute a proxy or proxies empowering others to attend and to act and to vote, at any meetings of security holders of any entity in which the USAFRC may hold securities, and at such meetings the Chair of the board, or such other officer of the USAFRC, or such proxy, shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the USAFRC might have possessed and exercised, if present. The Secretary or any Assistant Secretary may affix the corporate seal to any such proxy or proxies so executed by the Chair of the Board, or such other officer, and attest the same. The Board by resolution from time to time may confer like powers upon any other person or persons.

Section 9.6 Gifts. The Board may accept on behalf of the USAFRC any contribution, gift, bequest or devise for and consistent with the general purposes, or for and consistent with any specific purpose, of the USAFRC.

Section 9.7 Limitation on Pecuniary Obligations. With the exception of grants made or moneys paid by USAFRC to the University, pecuniary obligation of more than Twenty- Five Thousand Dollars (\$25,000.00) shall be undertaken by the USAFRC or any director, officer or employee thereof, without sanction by resolution of the Board or the Executive Committee adopted at a duly called meeting thereof or by an action by written consent signed by all the members thereof.

Section 9.8 Additional Organizations. The Board may authorize the formation of such subsidiary, auxiliary, associated and affiliated organizations as will in the opinion of the Board assist in effecting the purposes of the USAFRC. The organizational and governing

documents and instruments of any subsidiary, auxiliary, associated or affiliated organization so authorized shall be subject to the approval of the Board or the Executive Committee. Each such authorization shall, regardless of its terms, be revocable at any time in the sole discretion of the Board.

ARTICLE X

Amendment of Bylaws

Any amendment of the provisions of these Bylaws shall require the joint approval of the Board and the Board of Trustees of the University. No amendment to these Bylaws may be made so as to avoid any limitations imposed by the Articles of Incorporation of the USAFRC as they may at any time exist.

The foregoing were adopted as the Amended and Restated Bylaws of University of South Alabama Foundation for Research and Commercialization, a nonprofit corporation organized pursuant to the Alabama Nonprofit Corporation Act, by unanimous written consent of its Board of Directors on August 24, 2023.

Vice Chair: Lynne Chronister
Date:

STATE OF ALABAMA
COUNTY OF MOBILE

The undersigned authority hereby certifies that whose name as Vice Chair for the University of South Alabama Foundation for Research & Commercialization (USAFRC) is signed to the foregoing document, and who is known to me, acknowledged before me on this date that, being informed of the contents of the foregoing document, the Amended and Restated Bylaws of USAFRC, as such officer and with full authority, executed the same voluntarily for and as the act of USAFRC.

Given under my hand the ____ day of _____, 2023.

Notary Public:

My Commission Expires: _____



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: August 31, 2023

TO: President Jo Bonner

FROM: Peter Susman

A handwritten signature in black ink that reads "Peter F. Susman".

SUBJECT: Resolution for University of South Alabama Fiscal Year 2024 Budget

On August 31, 2023, the Budget Council voted to submit the University of South Alabama Fiscal Year 2024 Budget for your consideration, and the Resolution is attached.

With your approval, we will place this item on the agenda for the September 8, 2023, Board of Trustees meeting.

Attachment

A handwritten signature in black ink that reads "Jo Bonner".

RESOLUTION

UNIVERSITY OF SOUTH ALABAMA FISCAL YEAR 2024 BUDGET

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the University of South Alabama Fiscal Year 2024 Budget, and

BE IT FURTHER RESOLVED, that the University of South Alabama Board of Trustees approves the University of South Alabama Fiscal Year 2024 Budget as a continuation for Fiscal Year 2025 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning Fiscal Year 2025.



**UNIVERSITY OF SOUTH ALABAMA
FISCAL YEAR 2024
BUDGET**

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**UNIVERSITY OF SOUTH ALABAMA
FISCAL YEAR 2024 BUDGET SUMMARY
TOTAL CURRENT FUNDS**

	2024 BUDGET			2023 BUDGET
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 166,155,685	\$ -	\$ 166,155,685	\$ 157,142,487
STATE APPROPRIATIONS	150,374,562	-	150,374,562	140,713,869
FEDERAL GRANTS AND CONTRACTS	4,995,768	46,800,000	51,795,768	54,445,768
STATE AND LOCAL GRANTS AND CONTRACTS	846,209	62,500,000	63,346,209	10,016,209
PRIVATE GIFTS, GRANTS AND CONTRACTS	5,826,552	10,500,000	16,326,552	13,701,552
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	9,365,000	-	9,365,000	9,064,000
USA HEALTH	1,030,270,668	-	1,030,270,668	889,461,972
AUXILIARY SERVICES	23,239,977	-	23,239,977	21,869,999
OTHER SOURCES	11,337,153	7,800,000	19,137,153	18,450,777
TOTAL REVENUES	1,402,411,574	127,600,000	1,530,011,574	1,314,866,633
EXPENDITURES AND MANDATORY TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	119,080,168	28,400,000	147,480,168	121,750,672
RESEARCH	9,182,075	41,500,000	50,682,075	31,118,663
PUBLIC SERVICE	3,293,235	6,700,000	9,993,235	9,729,198
ACADEMIC SUPPORT	33,840,228	5,900,000	39,740,228	32,510,270
STUDENT SERVICES	37,999,393	2,500,000	40,499,393	36,462,204
INSTITUTIONAL SUPPORT	31,590,568	11,700,000	43,290,568	35,045,901
OPERATION AND MAINTENANCE OF PLANT	39,657,689	-	39,657,689	37,672,219
SCHOLARSHIPS	31,597,499	30,900,000	62,497,499	58,447,327
EDUCATIONAL AND GENERAL EXPENDITURES	306,240,855	127,600,000	433,840,855	362,736,454
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	19,454,006	-	19,454,006	20,300,458
LOAN FUND MATCHING GRANTS	150,000	-	150,000	150,000
TOTAL EDUCATIONAL AND GENERAL	325,844,861	127,600,000	453,444,861	383,186,912
USA HEALTH:				
EXPENDITURES	1,010,137,534	-	1,010,137,534	867,791,376
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	18,072,038	-	18,072,038	21,170,617
TOTAL USA HEALTH	1,028,209,572	-	1,028,209,572	888,961,993
AUXILIARY SERVICES:				
EXPENDITURES	16,295,218	-	16,295,218	15,073,085
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	4,981,053	-	4,981,053	5,442,017
TOTAL AUXILIARY SERVICES	21,276,271	-	21,276,271	20,515,102
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	1,375,330,704	127,600,000	1,502,930,704	1,292,664,007
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
RENEWALS AND REPLACEMENTS	(5,910,995)	-	(5,910,995)	(5,910,995)
OTHER TRANSFERS	(21,169,875)	-	(21,169,875)	(16,291,631)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -

**UNIVERSITY OF SOUTH ALABAMA
FISCAL YEAR 2024 BUDGET SUMMARY
RESTRICTED CURRENT FUNDS**

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	USA HEALTH	2024 BUDGET	2023 BUDGET
REVENUES:					
FEDERAL GRANTS AND CONTRACTS	\$ 35,600,000	\$ 11,200,000	\$ -	\$ 46,800,000	\$ 49,000,000
STATE AND LOCAL GRANTS AND CONTRACTS	6,900,000	55,600,000	-	62,500,000	9,200,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	7,700,000	2,100,000	700,000	10,500,000	8,100,000
OTHER	4,900,000	2,900,000	-	7,800,000	7,300,000
TOTAL REVENUES	55,100,000	71,800,000	700,000	127,600,000	73,600,000
EXPENDITURES:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	7,200,000	21,200,000	-	28,400,000	9,900,000
RESEARCH	14,400,000	26,400,000	700,000	41,500,000	22,000,000
PUBLIC SERVICE	4,100,000	2,600,000	-	6,700,000	6,500,000
ACADEMIC SUPPORT	-	5,900,000	-	5,900,000	-
STUDENT SERVICES	900,000	1,600,000	-	2,500,000	900,000
INSTITUTIONAL SUPPORT	500,000	11,200,000	-	11,700,000	5,700,000
SCHOLARSHIPS	28,000,000	2,900,000	-	30,900,000	28,600,000
TOTAL EXPENDITURES	55,100,000	71,800,000	700,000	127,600,000	73,600,000
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
OTHER TRANSFERS	-	-	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -

**UNIVERSITY OF SOUTH ALABAMA
OPERATIONS AND MAINTENANCE
FISCAL YEAR 2024 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>2024 BUDGET</u>	<u>2023 BUDGET</u>
REVENUES:		
TUITION AND FEES	\$ 154,855,685	\$ 146,197,487
ALLOCATION OF STATE APPROPRIATIONS	92,516,895	86,666,876
FEDERAL GRANTS AND CONTRACTS	1,495,768	1,445,768
STATE GRANTS AND CONTRACTS	608,461	578,461
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,776,552	3,751,552
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	8,965,000	8,714,000
OTHER SOURCES	9,112,153	9,100,777
TOTAL REVENUES	<u>271,330,514</u>	<u>256,454,921</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	95,368,572	87,513,821
RESEARCH	3,507,075	3,363,663
PUBLIC SERVICE	2,201,412	2,167,692
ACADEMIC SUPPORT	26,714,609	25,741,779
STUDENT SERVICES	37,580,983	35,151,022
INSTITUTIONAL SUPPORT	27,173,004	24,621,222
OPERATION AND MAINTENANCE OF PLANT	32,928,773	30,197,365
SCHOLARSHIPS	29,515,999	27,815,827
EDUCATIONAL AND GENERAL EXPENDITURES	<u>254,990,427</u>	<u>236,572,391</u>
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	19,454,006	20,300,458
LOAN FUND MATCHING GRANTS	150,000	150,000
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>274,594,433</u>	<u>257,022,849</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	(730,000)	(730,000)
OTHER TRANSFERS	3,993,919	1,297,928
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
COLLEGE OF MEDICINE
FISCAL YEAR 2024 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>2024</u>	<u>2023</u>
	<u>BUDGET</u>	<u>BUDGET</u>
REVENUES:		
TUITION AND FEES	\$ 11,300,000	\$ 10,945,000
ALLOCATION OF STATE APPROPRIATIONS	39,637,680	37,131,315
FEDERAL GRANTS AND CONTRACTS	3,500,000	4,000,000
STATE GRANTS AND CONTRACTS	237,748	237,748
PRIVATE GIFTS, GRANTS AND CONTRACTS	2,050,000	1,850,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	400,000	350,000
OTHER SOURCES	<u>2,225,000</u>	<u>2,050,000</u>
TOTAL REVENUES	<u>59,350,428</u>	<u>56,564,063</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	23,711,596	24,336,851
RESEARCH	5,675,000	5,755,000
PUBLIC SERVICE	1,091,823	1,061,506
ACADEMIC SUPPORT	7,125,619	6,768,491
STUDENT SERVICES	418,410	411,182
INSTITUTIONAL SUPPORT	4,417,564	4,724,679
OPERATION AND MAINTENANCE OF PLANT	6,728,916	7,474,854
SCHOLARSHIPS	<u>2,081,500</u>	<u>2,031,500</u>
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	<u>51,250,428</u>	<u>52,564,063</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	(4,000,000)	(4,000,000)
OTHER TRANSFERS	<u>(4,100,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
USA HEALTH
FISCAL YEAR 2024 BUDGET
UNRESTRICTED CURRENT FUNDS**

	2024 BUDGET	2023 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	\$ 2,251,179,738	\$ 2,018,493,012
CONTRACTUAL ADJUSTMENTS	1,258,615,412	1,147,251,607
OTHER ADJUSTMENTS	7,420,610	16,010,860
TOTAL DEDUCTIONS FROM REVENUES	<u>1,266,036,022</u>	<u>1,163,262,467</u>
NET PATIENT REVENUES	<u>985,143,716</u>	<u>855,230,545</u>
ALLOCATION OF STATE APPROPRIATIONS	18,219,987	16,915,678
MOBILE COUNTY HOSPITAL BOARD	19,041,822	18,925,481
MOBILE COUNTY INDIGENT CARE BOARD	495,679	464,108
OTHER REVENUES	<u>25,589,451</u>	<u>14,841,838</u>
TOTAL REVENUES	<u>1,048,490,655</u>	<u>906,377,650</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
NURSING SERVICES	281,166,258	257,070,277
PROFESSIONAL SERVICES	211,346,908	176,483,734
GENERAL DIVISION	32,082,495	25,653,576
ADMINISTRATIVE DIVISION	88,481,875	107,362,477
MEDICAL EDUCATION	29,419,197	25,275,204
AMBULATORY CLINICS	252,471,222	170,300,714
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>115,169,579</u>	<u>105,645,394</u>
TOTAL EXPENDITURES	<u>1,010,137,534</u>	<u>867,791,376</u>
MANDATORY TRANSFERS FOR:		
PRINCIPAL AND INTEREST	<u>18,072,038</u>	<u>21,170,617</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>1,028,209,572</u>	<u>888,961,993</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	<u>(20,281,083)</u>	<u>(17,415,657)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
AUXILIARY SERVICES
FISCAL YEAR 2024 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>HOUSING</u>	<u>DINING SERVICES</u>	<u>BOOKSTORE</u>	<u>2024 BUDGET</u>	<u>2023 BUDGET</u>
REVENUES:					
RENTAL INCOME	\$ 12,429,140	\$ -	\$ -	\$ 12,429,140	\$ 11,980,174
SALES	-	-	-	-	-
COMMISSION INCOME	-	9,484,709	866,483	10,351,192	9,431,265
OTHER INCOME	327,645	130,000	2,000	459,645	458,560
TOTAL REVENUES	<u>12,756,785</u>	<u>9,614,709</u>	<u>868,483</u>	<u>23,239,977</u>	<u>21,869,999</u>
EXPENDITURES:					
SALARIES AND WAGES	2,057,112	160,207	18,900	2,236,219	2,272,751
EMPLOYEE BENEFITS	458,597	64,083	7,560	530,240	544,042
OTHER EXPENDITURES	4,523,385	8,641,129	364,245	13,528,759	12,256,292
TOTAL EXPENDITURES	<u>7,039,094</u>	<u>8,865,419</u>	<u>390,705</u>	<u>16,295,218</u>	<u>15,073,085</u>
NET OPERATING INCOME	<u>5,717,691</u>	<u>749,290</u>	<u>477,778</u>	<u>6,944,759</u>	<u>6,796,914</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):					
MANDATORY TRANSFERS:					
PRINCIPAL AND INTEREST	(4,293,836)	(450,685)	(236,532)	(4,981,053)	(5,442,017)
NON-MANDATORY TRANSFERS:					
RENEWALS AND REPLACEMENTS	(830,871)	(262,605)	(87,519)	(1,180,995)	(1,180,995)
OTHER TRANSFERS	(592,984)	(36,000)	(153,727)	(782,711)	(173,902)
TOTAL TRANSFERS	<u>(5,717,691)</u>	<u>(749,290)</u>	<u>(477,778)</u>	<u>(6,944,759)</u>	<u>(6,796,914)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
STATE APPROPRIATIONS
EDUCATION TRUST FUND**

FISCAL YEAR 2024
\$ 150,374,562

FISCAL YEAR 2023
\$ 140,713,869

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



COMMITTEE OF THE WHOLE

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Committee of the Whole

June 1, 2023

3:26 p.m.

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Thursday, June 1, 2023, at 3:26 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, Scott Charlton, Tom Corcoran, Steve Furr, Ron Graham, Bill Lewis, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Margie Tuckson and Mike Windom were present, and Ron Jenkins participated remotely.

Members Absent: Kay Ivey and Jim Yance.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Monica Ezell, Kristin Dukes, Joel Erdmann, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Laura Schrott, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 32**, Chair Mitchell called for consideration of the minutes for a meeting held on March 2, 2023, **Item 33**. On motion by Mr. Corcoran, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Chair Mitchell called for consideration of **Item 34**, a resolution authorizing dates for regular meetings of the Board of Trustees for the 2023-2024 academic year. On motion by Ms. Atkins, seconded by Mr. Shumock, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Chair Mitchell turned to President Bonner to address **Item 35**, a resolution commending Ms. Polly Stokley for her dedication and service to the University. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on June 2, 2023.) President Bonner shared that Ms. Stokley was enjoying the first day of her retirement after a distinguished 25-year career with the University, which he noted culminated with her position as Vice President for Finance and Administration. On motion by Mr. Corcoran, seconded by Mr. Shumock, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Chair Mitchell presented **Item 36**, a resolution expressing the Board's appreciation to Ms. Tuckson for her devoted service as a member of the Board of Trustees and bestowing upon her the title of *Trustee Emeritus*. Chair Mitchell noted that Ms. Tuckson's term would end on September 30,

2023, and added that Ms. Tuckson would be missed on the Board. On motion by Judge Windom, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

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 pending or threatened litigation, **Item 37**. She stated that Ms. Dukes had submitted the required written declaration for the minutes and that adjournment of the meeting would be effected with the conclusion of the executive session. Judge Lewis seconded and, at 3:31 p.m., the Board voted unanimously to convene an executive session, as recorded below. The executive session began at 3:37 p.m.:

AYES:

- Ms. Atkins
- Ms. Brown Stewart
- Dr. Charlton
- Mr. Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Judge Lewis
- Chair Mitchell
- Mr. Perkins
- Mr. Shumock
- Dr. Stokes
- Ms. Tuckson
- Judge Windom

There being no further business, the meeting was adjourned at 4:09 p.m.

Respectfully submitted:

Arlene Mitchell, Chair *pro tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Long-Range Planning Committee

June 1, 2023

3:15 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, June 1, 2023, at 3:15 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members: Chandra Brown Stewart, Bill Lewis, Lenus Perkins, Steve Stokes and Mike Windom were present, and Ron Jenkins participated remotely.

Member Absent: Jim Yance.

Other Trustees: Alexis Atkins, Scott Charlton, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Jimmy Shumock and Margie Tuckson.

Administration & Guests: Delaware Arif (Faculty Senate), Owen Bailey, Joél Billingsley, Jo Bonner, Lynne Chronister, Angela Coleman, Monica Ezell, Kristin Dukes, Joel Erdmann, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan and Peter Susman.

Following the attendance roll call, **Item 28**, Ms. Brown Stewart called for consideration of the minutes for a meeting held on March 2, 2023, **Item 29**. On motion by Capt. Jenkins, seconded by Judge Windom, the Committee voted unanimously to adopt the minutes.

Ms. Brown Stewart called on Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, to address **Item 30**, a report on the University's decennial reaffirmation of accreditation by SACSCOC (Southern Association of Colleges and Schools Commission on Colleges). Dr. Coleman reviewed that the SACSCOC on-site team visited multiple campus sites in late March and provided a positive review without recommendations. She stated the final step for achieving reaffirmation of accreditation was approval by the SACSCOC Board of Trustees in early December, and noted that a fifth-year interim report would be required in 2029. Dr. Coleman received a round of applause for leading the process, and others who had significant roles were recognized as well.

Concerning **Item 31**, a report on the University's strategic plan and scorecard, Dr. Coleman indicated that President Bonner, Provost Kent and she were collaborating on strategic plan draft language reflective of the University's values, position as the *Flagship of the Gulf Coast*, and commitment to students. She detailed the work ahead and schedule for finalizing the strategic plan and scorecard drafts in order for the Board of Trustees to consider their authorization in December 2023.

There being no further business, the meeting was adjourned at 3:26 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

RESOLUTION

TRIBUTE TO THE LATE MR. DONALD L. LANGHAM, TRUSTEE EMERITUS

WHEREAS, Mr. Donald L. Langham served faithfully as a member of the Board of Trustees of the University of South Alabama from the time of his appointment in 1997 until 2010, including a three-year term as Chair Pro Tempore from 2004 until 2007, and

WHEREAS, in addition to Chair Pro Tempore, Mr. Langham served the Board as Secretary, Vice Chair, and as a member of the Budget and Finance Committee, the Health Affairs Committee, the Endowment and Investments Committee, the Long-Range Planning Committee and the Executive Committee, and

WHEREAS, Mr. Langham also served the University a member of the Board of Directors of the USA Research and Technology Corporation and as a member of the Board of Directors of the USA Foundation from 1998 to 2007, and

WHEREAS, Mr. Langham was a tireless advocate for improving people's lives through education and provided his time, talent and resources as a supporter and valued trustee of the University, and

WHEREAS, Mr. Langham's leadership provided insight and guidance critical to major University initiatives, and

WHEREAS, in addition to his service to the University, Mr. Langham dedicated more than 40 years to the organized labor industry, retiring as International Vice President from the United Steel, Paper, Chemical and Energy Workers International Union, and he also served on the Executive Committee as the North American Chair for the International Chemical, Energy and Mine Workers, a worldwide trade union, and

WHEREAS, Mr. Langham was a member of Trinity Episcopal Church, a member of the vestry and involved in numerous outreach projects, and he enjoyed membership in Mobile mystic societies, wildlife associations and Masonic organizations, and

WHEREAS, Mr. Langham's many good works will forever enhance the quality of life of countless citizens who benefit from USA's teaching, research and healthcare programs,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama acknowledges the legacy of Mr. Donald L. Langham and pays tribute to his memory for his many contributions and invaluable service to the Board, to the University of South Alabama community, and to the people of the State of Alabama, all of whom have benefitted from his wisdom, dedication, service and generosity, and

BE IT FURTHER RESOLVED, the Board extends heartfelt sympathy to his wife of 62 years, Alice Williamson Langham, and daughter, Katherine Pope, and to all members of the Langham family.