UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

FREDERICK P. WHIDDON ADMINISTRATION BUILDING
SUITE 130, BOARD ROOM

* ***Revision***

AUGUST 30, 2018
1:30 P.M.

AUDIT COMMITTEE Jimmy Shumock, Chair

Roll Call
Approve: Minutes
7 Report: KPMG Auditors
8 Report: Independent Audit of the USA Foundation Consolidated Financial Statements and Disproportionate Share Hospital Funds Combined Financial Statements, June 30, 2018 and 2017

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

Roll Call
Approve: Minutes
9 Report: Endowment and Investment Performance * J.P. Morgan
10 Recommendation to Approve: Commendation of Melinda and Louis Mapp
11 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE Steve Furr, M.D., Chair

Roll Call
* Approve: Revised Agenda
Approve: Minutes
12 Recommendation to Approve: USA Hospitals Medical Staff Credentials for May, June and July 2018
* **13** Recommendation to Approve: Renaming University of South Alabama Hospitals and Clinics
14 Report: USA Health and College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Scott Charlton, M.D., Chair

Roll Call
Approve: Minutes
15 Report: Academic Affairs
16 Report: Student Affairs
17 Report: Research and Economic Development

BUDGET AND FINANCE COMMITTEE Tom Corcoran, Chair

Roll Call
Approve: Minutes
18 Report: Quarterly Financial Statements, Nine Months Ended June 30, 2018
19 Recommendation to Approve: University Total Budget for 2018-2019

LONG-RANGE PLANNING COMMITTEE Chandra Brown Stewart, Chair

Roll Call
20 Report: 2018 Scorecard

COMMITTEE OF THE WHOLE Ken Simon, Chair

Roll Call
Approve: Minutes
21 Approve: Executive Session

BOARD OF TRUSTEES
AUGUST 31, 2018
10:30 A.M.

Roll Call
* Approve: Revised Agenda
1 Approve: Minutes
2 Report: Board of Trustees Scholar
3 Present: Certificate of Appreciation
4 Report: University President
5 Report: Faculty Senate President
6 Report: Student Government Association President

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SPECIAL ACKNOWLEDGEMENT

10 Approve: Commendation of Melinda and Louis Mapp
* **10.A** Approve: Tribute to the Mitchell Family

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

THURSDAY, AUGUST 30, 2018:

1:30 p.m.	**Committee Meetings (Consecutive)**	**Administration Bldg., Rm. 130**

FRIDAY, AUGUST 31, 2018:

10:30 a.m.	**Board of Trustees Meeting**	**Administration Bldg., Rm. 130**

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

STANDING COMMITTEES
2016-2019

EXECUTIVE COMMITTEE:

Kenneth O. Simon, **Chair *pro tempore***
James H. Shumock, **Vice Chair**
Arlene Mitchell, **Secretary**
Chandra Brown Stewart
E. Thomas Corcoran
Steven P. Furr, M.D.
James A. Yance

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

Katherine Alexis Atkins
Scott A. Charlton, M.D., **Chair**
Steven P. Furr, M.D., **Vice Chair**
William Ronald Graham
Lenus M. Perkins
Margie Malone Tuckson
Michael P. Windom

AUDIT COMMITTEE:

Katherine Alexis Atkins, **Vice Chair**
Scott A. Charlton, M.D.
William Ronald Graham
Robert D. Jenkins III
James H. Shumock, **Chair**

BUDGET AND FINANCE COMMITTEE:

E. Thomas Corcoran, **Chair**
William Ronald Graham
Arlene Mitchell
Lenus M. Perkins
Steven H. Stokes, M.D.
James A. Yance, **Vice Chair**

DEVELOPMENT, ENDOWMENT & INVESTMENTS CTE.:

Chandra Brown Stewart
E. Thomas Corcoran
Robert D. Jenkins III, **Vice Chair**
Steven H. Stokes, M.D.
Margie Malone Tuckson
Michael P. Windom
James A. Yance, **Chair**

EVALUATION AND COMPENSATION COMMITTEE:

Katherine Alexis Atkins
E. Thomas Corcoran
Steven P. Furr, M.D.
Arlene Mitchell
James H. Shumock, **Vice Chair**
Michael P. Windom, **Chair**

HEALTH AFFAIRS COMMITTEE:

Katherine Alexis Atkins
Chandra Brown Stewart
Scott A. Charlton, M.D.
Steven P. Furr, M.D., **Chair**
Arlene Mitchell
Steven H. Stokes, M.D., **Vice Chair**
Tony G. Waldrop, Ph.D., *ex officio*
John V. Marymont, M.D., *ex officio*
Sabrina G. Bessette, M.D., *ex officio*

LONG-RANGE PLANNING COMMITTEE:

Chandra Brown Stewart, **Chair**
Robert D. Jenkins III
Lenus M. Perkins
James H. Shumock
Steven H. Stokes, M.D.
Michael P. Windom, **Vice Chair**

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AGENDA

MINUTES

UNIVERSITY OF SOUTH ALABAMA
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SPECIAL ACKNOWLEDGEMENT
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UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

Date:
August 21, 2018

To:
USA Board of Trustees

From:
Arlene Mitchell Arlene Mitchell
Secretary, Board of Trustees

Subject:
Meeting Minutes

Included herein are the unapproved minutes of meetings of the Board of Trustees and standing committees held on May 31 and June 1, 2018. Please review these documents for amendment or approval at the August 30 and 31 meetings of the Board of Trustees.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

June 1, 2018
10:30 a.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Judge Ken Simon, Chair *pro tempore*, on Friday, June 1, 2018, at 10:37 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Ken Simon, Steve Stokes, Mike Windom and Jim Yance.
Members Absent:	Chandra Brown Stewart, Tom Corcoran, Kay Ivey and Margie Tuckson.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, Zorrya Kelley (BSU), John Marymont, Abe Mitchell, Mike Mitchell, Grace Newcombe (SGA), Matthew Reichert (Faculty Senate), John Smith, Jean Tucker, Tony Waldrop, Scott Weldon and Doug Whitmore (NAA).
Media:	Nicole Fierro and Alyssa Newton (WPMI), Dale Liesch (*Lagniappe*), Richard Narramore (*Vanguard*), Nicolette Schleisman and Arnell Hamilton (WKRG), Creg Stephenson (*al.com*), and Kati Weis and Ron Gaines (WALA).

The meeting came to order and the attendance roll was called. Chairman Simon expressed pride in the University's commitment to excellence. He recognized Ms. Arlene Mitchell, the late Mayer Mitchell and Mr. Abe Mitchell for their receipt of the prestigious Distinguished Friend of Education Award from the Council for Advancement and Support of Education (CASE). He recognized Dr. Furr for his receipt of the Paul W. Burleson Award from the Medical Association of the State of Alabama.

Chairman Simon called for adoption of the revised agenda. On motion by Mr. Shumock, seconded by Dr. Stokes, the revised agenda was adopted unanimously.

Chairman Simon called for consideration of the minutes of the March 2, 2018, meeting of the Board of Trustees, **ITEM 1**. On motion by Mr. Yance, seconded by Mr. Shumock, the minutes were adopted unanimously.

Chairman Simon called for a report from the Budget and Finance Committee. Mr. Yance, Vice Chair, said the Committee voted unanimously during its meeting on May 31 to recommend Board approval of **ITEM 23.A** as follows, and he moved for approval of the resolution. President Waldrop discussed the benefits of an on-campus stadium for the community and student life. He noted the University would rely on private philanthropy and public funding, and stressed that academic dollars would not be used for the project. Dr. Erdmann commented on a statement of support from the City of Mobile. SGA President Ms. Grace Newcombe and

Black Student Union (BSU) President Ms. Zorrya Kelley shared enthusiasm for the proposed stadium and the positive impact to students. Mr. Shumock seconded and the Board voted unanimously to approve the resolution:

RESOLUTION
AUTHORIZATION OF THE PRESIDENT TO EXECUTE A CONTRACT
FOR SITE WORK FOR CONSTRUCTION OF AN ON-CAMPUS FOOTBALL STADIUM

WHEREAS, the University of South Alabama is contemplating the construction of an on-campus football stadium with a seating capacity of approximately 25,000 and an estimated total cost of approximately $72 million, and

WHEREAS, the University has committed that the funding for the stadium, and resulting debt service on bonded indebtedness incurred to construct the stadium, will come from a combination of the athletic department, auxiliary enterprises, and public/private funding, and

WHEREAS, the University further commits that no funding for the stadium will be derived from student tuition, fees or other levies placed on students, and

WHEREAS, the University is in discussions with the City of Mobile and Mobile County to assist with funding for the payment of debt service on the stadium, and

WHEREAS, the University is attempting to raise additional funds from private and corporate support, and

WHEREAS, the University has determined that the total funding from the athletic department, auxiliary enterprises, City/County and private/corporate support will be sufficient to pay anticipated debt on funds borrowed to construct the stadium, and

WHEREAS, the University desires to complete construction by the Fall 2020 football season and, if desired by the bowls, to make the stadium available for the Reese's Senior Bowl, the Dollar General Bowl and other events as agreed upon by the University, and

WHEREAS, in order to complete the stadium in time for the 2020 football season, site work must begin during July 2018,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby authorizes the University President to carry out all necessary steps to execute a contract for site work for the construction of an on-campus football stadium. This contract will be awarded to the lowest qualified, responsible and responsive bidder for the work, pursuant to the bid process as required by applicable Alabama law. This contract will be subject to the bid being within the budgeted funds available for this project and the determination by University administration that funding has been identified to adequately fund this site work.

Mr. Yance stated the Committee voted unanimously to recommend Board approval of **ITEM 23** as follows and he moved for approval. Mr. Graham seconded and the Board voted unanimously to approve the resolution:

RESOLUTION
A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A RENT SUPPLEMENT AGREEMENT FROM THE UNIVERSITY OF SOUTH ALABAMA RESPECTING NOT TO EXCEED $14,000,000 PROMISSORY NOTE FROM USA RESEARCH AND TECHNOLOGY CORPORATION

BE IT RESOLVED by the Board of Trustees (herein called the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (herein called the "University") as follows:

Section 1. (a) Findings. The Board has determined and hereby finds and declares that the following facts are true and correct:

(a) The Board heretofore provided for the incorporation of an Alabama non-profit corporation under the name USA Research and Technology Corporation ("RTC") for the purpose of furthering the educational, research and technology mission of the University; and

(b) The Board heretofore approved a Ground Lease Agreement dated December 17, 2003, as amended by a First Amendatory Ground Lease dated June 21, 2007 (collectively, the "Ground Lease") between the University and RTC pursuant to which the University has leased certain real property to RTC to enable it to develop and construct facilities useful in connection with the mission of RTC as heretofore approved by the University, and included thereon are various facilities including without limitation two known as "Building II" and "Building III" (collectively, the "Buildings") for use and operation by RTC in furtherance of its mission and in support of the operations and mission of the University; and

(c) In connection with its acquisition and development of the Buildings, RTC obtained an $18,000,000 loan (the "2007 Wells Loan") from Wells Fargo Bank, N.A., as successor to Wachovia Bank, National Association ("Wells Fargo"), the repayment of which is evidenced by a Promissory Note dated July 17, 2007 (the "2007 Wells Promissory Note") in the original principal amount of $18,000,000 and outstanding as of June 1, 2018 in the amount of $11,622,438.47; and

(d) The 2007 Wells Promissory Note bears interest at a variable rate, and RTC and Wells Fargo (as successor to Wachovia Bank, National Association) heretofore entered that certain ISDA Master Agreement and that certain Schedule to the Master Agreement, each dated as of December 22, 2006, along with a Swap Transaction Confirmation, copies of which are attached as <u>Exhibit A</u> hereto (collectively, the "2007 RTC Swap") in order to "synthetically fix" the interest rate on the 2007 Wells Promissory Note; and

(e) In order to protect the continued use of the Buildings for the purposes set forth in the Ground Lease and to protect the integrity of the use of the property described in the Ground Lease, the University entered a Rent Supplement Agreement dated July 17, 2007 (the "2007 Rent Supplement Agreement") with Wells Fargo (as successor to Wachovia Bank, National Association), pursuant to which the University agreed to make payments to RTC necessary to bring RTC's net operating income for any fiscal year to equal debt service payments owed by RTC under the 2007 Wells Loan for such fiscal year, which, among other things, enables the University to prevent any disposition or use of the property by persons or entities other than RTC, or those occupying space in the Buildings pursuant to leases or other arrangements approved by RTC, and to assure continued control and use of the property described in the Ground Lease; and

(f) RTC has determined it to be necessary, wise and in its interest to refinance the Promissory Note by obtaining a new, fixed rate loan (the "2018 Loan") and, in connection therewith, cause the 2007 RTC Swap to be terminated, and that proceeds of the 2018 Loan would be used to (i) refinance the 2007 Wells Loan, (ii) pay the fee to break the 2007 RTC Swap, and (iii) pay the costs of issuance of the 2018 Promissory Note (defined below) for the 2018 Loan and the other transactions costs incurred by RTC and the University in negotiating and finalizing all other instruments and agreements relating to the 2018 Loan; and

(g) RTC, with the advice and assistance of PFM Financial Advisors, LLC, contacted various financial institutions for proposals for the 2018 Loan and determined that PNC Bank, National Association ("2018 Lender") submitted the bid that presented the lowest cost of financing, and best financing terms, for RTC; and

(h) The obligation of RTC to repay the 2018 Loan shall be evidenced by a promissory note from RTC to the 2018 Lender in a principal amount of not to exceed $14,000,000 and in substantially the form attached hereto as Exhibit B, revised to reflect principal and interest amortized on a mortgage style basis over a period from the closing through June 1, 2038, with a final maturity on or around June 1, 2028 (*i.e.*, all principal amortized after June 1, 2028 will become due and payable on June 1, 2028), and with such other changes and modifications as shall be agreed to by RTC (the "2018 Promissory Note"), which shall be issued pursuant to a Loan Agreement between the 2018 Lender and RTC in substantially the form attached hereto as Exhibit C, revised to reflect principal and interest amortized on a mortgage style basis over a period from the closing through June 1, 2038, with a final maturity on or around June 1, 2028 (*i.e.*, all principal amortized after June 1, 2028 will become due and payable on June 1, 2028), and with such other changes and modifications as shall be agreed to by RTC (the "2018 Loan Agreement");

(i) In connection with the 2018 Loan, the University will need to enter a Rent Supplement Agreement with the 2018 Lender in substantially the form attached hereto as Exhibit D, with such changes and modifications as shall be agreed to by the President of the University (the "2018 Rent Supplement Agreement"), pursuant to which the University shall agree to make such payments to RTC as shall be necessary to enable RTC to timely pay debt service on the 2018 Promissory Note and other amounts due under the 2018 Loan Agreement to the 2018 Lender, along with debt service due on any other RTC obligations secured by a similar rent supplement agreement; and

(j) The 2007 RTC Swap provides that the fee to terminate the same is not computed or determined until the day immediately preceding the date of termination (as the same is based upon then prevailing rates of interest), and as such it is necessary that the Board proceed to approve and authorize execution of the 2018 Rent Supplement Agreement prior to such time as RTC approves the 2018 Loan, the 2018 Promissory Note, the 2018 Loan Agreement, and any additional agreements incident to the 2018 Loan.

Section 2. Authorization. The President of the University is hereby authorized and directed to execute and deliver, on behalf of the University, the 2018 Rent Supplement Agreement presented to the meeting at which this resolution is adopted, which is hereby adopted in all respects as if set out in full in this resolution, with such changes, completions, modifications, additions and deletions as may in each case be approved by the President.

Section 3. General Authorization. The President of the University, the Vice President for Finance and Administration of the University, and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents, containing such terms as such officer shall approve, and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution and to the end that the 2018 Rent Supplement Agreement may be executed and delivered by the University, and that the 2018 Loan Agreement may entered into and delivered, and the 2018 Promissory Note may be issued and delivered, by RTC. The Secretary or any Assistant Secretary of the Board is hereby authorized and directed to affix the official seal of the Board to such instruments and to attest the same, and to the 2018 Rent Supplement Agreement and to attest the same.

Mr. Yance said Mr. Weldon reported on the quarterly financial statements for the six months ended March 31, 2018, during the May 31 Committee meeting.

Chairman Simon called for consideration of **ITEM 2** as follows. On motion by Mr. Shumock, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolution:

RESOLUTION
BOARD MEETING SCHEDULE, 2018-2019

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, August 31, 2018
Friday, December 7, 2018
Friday, March 15, 2019
Thursday, June 6, 2019

FURTHER, BE IT RESOLVED that the date of June 6, 2019, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2018-2019.

Chairman Simon addressed **ITEM 3** as follows. On motion by Dr. Stokes, seconded by Mr. Shumock, the Board voted unanimously to approve the resolution:

RESOLUTION
AMENDED BYLAWS OF THE BOARD OF TRUSTEES

WHEREAS, Article VIII of the Bylaws of the University of South Alabama Board of Trustees provides that "the bylaws may be amended or repealed at any meeting of the

Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal shall have been given at a previous meeting or notice in writing of the substance of the proposed change shall have been served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change. However, by unanimous consent of the entire Board, the requirements for such notice may be waived," and

WHEREAS, a copy of the proposed amended bylaws was mailed to each member of the Board on May 2, 2018, and

WHEREAS, the proposed amended bylaws (a copy of which is attached hereto and incorporated by reference herein) are presented for the Board's consideration of approval, a vote of eight members being necessary to adopt such amendments, and

WHEREAS, the foregoing actions comply with the notice requirements of Article VIII, pertaining to amendment of the bylaws, and

WHEREAS, the Board, after due consideration and deliberation, has determined that the proposed amendments are in the best interest of the efficient operation of the Board in carrying out its role and responsibilities to the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees approves and adopts the Bylaws of the Board of Trustees as amended.

Chairman Simon called for presentation of **ITEM 4**, the President's Report. President Waldrop recognized Honorary Trustee Mr. Abe Mitchell, USA National Alumni Association President Mr. Doug Whitmore and recently elected BSU President Ms. Zorrya Kelley.

President Waldrop called on Neonatal Intensive Care Unit (NICU) Nurse Manager Ms. Renee Rogers, who gave information on the 98-bed NICU that serves as the regional transport referral center to outlying hospitals for a 150-mile radius. She advised that the NICU admits close to 1,000 patients annually with 20 percent referred by the transport team. She spoke about the expensive equipment and demonstrated some of the special supplies needed to treat patients. Mr. Bailey discussed a chart showing the survival rates of premature babies treated at the USA Children's & Women's Hospital NICU were greater than those of hospitals featured in a 2014 Time magazine article.

President Waldrop talked about a new employee program that allows staff one day of leave per year to volunteer with any agency affiliated with the United Way of Southwest Alabama. He also reported on a number of visits by the President's Council and the Faculty Senate and SGA presidents to regional corporations and agencies. Photos highlighting a recent tour of Holman Correctional Facility and a snapper research fishing trip from Dauphin Island Sea Lab were shown. He correlated these activities with the strategic priority for strengthening University-Community Engagement.

President Waldrop asked Dr. Marymont and Mr. Bailey to report on administrative searches. Dr. Marymont discussed the responsibilities for the role of chief medical officer for USA Health and advised of the recruitment of Dr. Michael Chang following a national search. Mr. Bailey stated that a finalist for the position of chief information officer for USA Health would be on campus for a second visit the following week. Dr. Marymont announced that Associate Professor of Surgery Dr. Jon Simmons was recently appointed as director of the Division of Trauma/Critical Care at USA Health.

President Waldrop advised of the promotion of Mr. Haskins to Vice President for Marketing and Communications. Mr. Haskins shared enthusiasm for the positive momentum of the University and the work of his team.

President Waldrop called on Dr. Erdmann, who introduced new Head Coach for Men's Basketball Mr. Richie Riley. Coach Riley shared excitement for the opportunity to join South Alabama.

Dr. Erdmann reported that USA Athletics achieved a six-year, department-wide goal over the 2018 spring semester in having approximately 400 student athletes earn a 3.0 or greater grade point average (GPA). He discussed impressive academic progress rate (APR) data for 2016-2017 and advised that South Alabama Athletics was awarded the Sun Belt Conference's Vic Bubas Cup for a fourth successive year. He credited the coaches and student athletes for their hard work.

President Waldrop asked Associate Vice President for Facilities Management Mr. Randy Moon and Dr. Erdmann to give an update on campus facilities. Mr. Moon and Dr. Erdmann presented a video featuring the progress made on the Jaguar Training Center, the intramural fields and Camellia Hall.

Dr. Smith was recognized for his service as South's Faculty Athletic Representative for 10 years and was presented a framed commemorative Jaguar jersey. Dr. Smith conveyed pride for the academic accomplishments of student athletes.

Chairman Simon introduced recently elected Faculty Senate and SGA presidents Dr. Matthew Reichert and Ms. Grace Newcombe, respectively. Both delivered reports on the activities under way and planned for their organizations for the upcoming academic year, **ITEM 5** and **ITEM 6**, respectively.

Chairman Simon called for consideration of consent agenda **ITEMS 9, 11, 12, 13** and **22** as follows, noting all were unanimously recommended for Board approval by the respective committees that met on May 31, 2018. On motion by Mr. Yance, seconded by Ms. Mitchell, the resolutions were approved unanimously:

RESOLUTION
DIRECTOR OF THE JAGUAR ATHLETIC FUND, INC.

WHEREAS, pursuant to the Amended Bylaws of the Jaguar Athletic Fund, Inc. ("USAJAF"), the Board of Trustees of the University of South Alabama ("University") shall approve the USAJAF slate of officers and directors, and

WHEREAS, the University and USAJAF have a history of interaction and cooperation that has served the interests of the University, and

WHEREAS, the Board of Directors of the USAJAF, through its Nominating Committee, is authorized to nominate directors and officers consistent with the aforesaid for consideration and approval by the Board of Trustees of the University, and

WHEREAS, the Nominating Committee of the Board of Directors and the Board of Directors of the USAJAF have nominated Mrs. Shirley Brown for a three-year term representing women's golf pending the approval of the Board of Trustees of the University,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama does hereby approve Mrs. Shirley Brown as a member of the Board of Directors of the USAJAF with a three-year term beginning June 2018 and ending June 2021.

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR FEBRUARY, MARCH AND APRIL 2018

WHEREAS, the Medical Staff appointments and reappointments for February, March and April 2018 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

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

RESOLUTION
USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS
REVISIONS OF APRIL 10, 2018

WHEREAS, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the April 10, 2018, Medical Staff meeting and attached hereto, are recommended for approval by the Medical Executive Committees, General Medical Staff and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama approves the revisions as submitted.

RESOLUTION
UNIVERSITY DISTINGUISHED PROFESSORS - COLLEGE OF MEDICINE

WHEREAS, the University of South Alabama seeks to honor exceptional faculty who have distinguished themselves in academic and scholarly productivity throughout their careers, and

WHEREAS, Edward Panacek, M.D., a full professor and Chair of the Department of Emergency Medicine in the College of Medicine, is an alumnus of the college, has had a distinguished career in academic emergency medicine prior to and since returning to the University of South Alabama as chair in 2015, contributes broadly to the leadership and initiatives of a number of national professional societies, has received numerous awards for his service and research achievements, has published more than 200 articles, book chapters and invited reviews, and is committed to the development of a new academic residency program in emergency medicine at the University of South Alabama, and

WHEREAS, William Richards, M.D., a full professor and Chair of the Department of Surgery in the College of Medicine, is an expert in laproscopic surgery, has published more than 170 articles, book chapters and invited reviews, serves as editor for three prominent surgical journals, has had significant research funding over his career, and has mentored numerous residents, clinical fellows and junior faculty to develop their research careers in surgery, and

WHEREAS, Lisa Spiryda, M.D., Ph.D., a full professor and Chair of the Department of Obstetrics and Gynecology in the College of Medicine, has had a significant record of publication and research funding, has served as a research mentor and/or thesis advisor for more than 60 high school students, undergraduate honors students, nursing students, Ph.D. students, medical students and residents throughout her career, serves as editor or editorial board member for a number of prominent journals in surgical research, clinical obstetrics and gynecology, and has been a keen advocate for integrated M.D./Ph.D. training,

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees of the University of South Alabama recognizes these contributions and bestows upon Drs. Edward Panacek, William Richards, and Lisa Spiryda the title *University Distinguished Professor* for the 2018-2019 academic year.

RESOLUTION
DIRECTORS OF THE UNIVERSITY OF SOUTH ALABAMA
RESEARCH AND TECHNOLOGY CORPORATION

WHEREAS, pursuant to the bylaws of the University of South Alabama Research and Technology Corporation ("USARTC"), the Board shall elect USARTC directors who are not officers, employees, or trustees of the University, and

WHEREAS, the following individuals have been nominated as USARTC directors and have agreed to serve four-year, renewable terms beginning September 2018 and expiring September 2022:

APPOINTMENT:
Mr. Jim Spafford

REAPPOINTMENT:
Mr. Danny Patterson
Ms. Cheryl Coleman Williams

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama does hereby elect the aforementioned individuals to serve as members of the USARTC Board of Directors as set forth.

Chairman Simon called for a report from the Audit Committee. Mr. Shumock, Committee Chair, stated, at a meeting on May 31, Mr. Berry discussed risk assessment, technology assessment and audit planning for the University. He said the assessment process is ongoing and results are expected by the end of the calendar year. He said Mr. Berry would engage with the Committee in the weeks ahead to deliver information of significance to the University.

Chairman Simon called for a report from the Development, Endowment and Investments Committee. Mr. Yance, Committee Chair, stated, at a meeting on May 31, presentations on endowment performance were made by Mr. Albano and Mr. Pitman, and by Mr. Tom Van Zant of Commonfund. He said the Committee was advised that $10 million in profits was liquidated from equity holdings due to market volatility. He stated Dr. Stokes, Upward & Onward Campaign Co-chair, and Associate Vice President for University Development Mr. Josh Cogswell reported campaign highlights as of May 28 and shared information on the success of the SouthFund employee drive and the inaugural social media-driven USA Day of Giving, and on upcoming development events.

Chairman Simon called for a report from the Health Affairs Committee. Dr. Stokes, Committee Vice Chair, said, at a meeting on May 31, medical student Ms. Supraja "Sippy" Sridhar discussed USA's Donor to Diner program; Dr. Errol Crook talked about USA Health's Boxing Out Hunger program; Mr. Bailey discussed the virtual high school graduation of a USA Children's & Women's Hospital patient which received national media attention.

President Waldrop called on Dr. Marymont and Mr. Bailey, who shared information on a recent luncheon hosted for local legislative delegation members, elected officials and community leaders, at which USA Health was awarded an Alabama legislative resolution signed by Governor Ivey declaring the importance of USA Health to the regional community. They thanked Mr. Fulford and Mr. Lawkis for their involvement. Mr. Yance said the program which showcased the excellence of the University's medical system was outstanding.

Chairman Simon called for a report from the Academic and Student Affairs Committee. Dr. Charlton, Chair, said, at a meeting on May 31, the Committee voted unanimously to recommend **ITEM 16** as follows. He moved approval of the resolution and Mr. Yance seconded. 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, college dean, and by the Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President, and of those faculty considered, 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 following individuals effective August 15, 2018.

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Promotion to Senior Instructor:
Melton Dale Smith

COLLEGE OF ARTS AND SCIENCES:

Tenure:
Mia L. Anderson
Huybrechts Bindele
E. Claire Cage
Joseph M. Currier
Lesley A. Gregoricka
Christina K. Lindeman
Patrick J. Shaw
Larry Yet

Promotion to Associate Professor:
Mia L. Anderson
Huybrechts Bindele
E. Claire Cage
Joseph M. Currier
Lesley A. Gregoricka
Christina K. Lindeman
Richard A. O'Brien
Larry Yet

Promotion to Senior Instructor:
Leslie E. Whiston

Promotion to Professor:
Ruth H. Carmichael
C. Diane Gibbs
Ellen B. Harrington

MITCHELL COLLEGE OF BUSINESS:

Tenure:
Carol E. Vann

Promotion to Associate Professor:
Carol E. Vann

MITCHELL CANCER INSTITUTE:

Promotion to Research Assistant Professor:
Sanjeev Srivastava

Promotion to Associate Professor:
Komaraiah Palle

COLLEGE OF ENGINEERING:

Tenure:
John C. Cleary
T. Grant Glover
Min-Wook Kang
Saami Yazdani

Promotion to Associate Professor:
John C. Cleary
T. Grant Glover
Min-Wook Kang
Saami Yazdani

MARX LIBRARY:

Promotion to Senior Librarian:
Muriel Nero

COLLEGE OF MEDICINE:

Promotion to Professor:
Andrea Kahn
Juan Ochoa

Promotion to Associate Professor:
Haidee Custodio
Leander Grimm

COLLEGE OF NURSING:

Tenure:
Bettina H. Riley

Promotion to Associate Professor:
Pamela T. Johnson
Sherry M. Lawrence
Bettina H. Riley

Dr. Charlton summarized **ITEM 17** as follows, noting a thorough discussion and unanimous vote recommending Board approval by the Committee. Chairman Simon asked Ms. Newcombe, SGA President, to comment. Ms. Newcombe expressed support for the increases in order that the University could continue to fund quality programs and state-of-the-art facilities for students. Chairman Simon asserted that academic revenue would not be used for the on-campus stadium project. On motion by Dr. Charlton, seconded by Ms. Mitchell, the Board voted unanimously to approve the resolution:

RESOLUTION
TUITION, FEES, HOUSING AND DINING RATES, 2018-2019

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

WHEREAS, the University experienced a significant decline in student enrollment for the 2017-2018 academic year, resulting in a budget impact of $8.3 million, and faces the possibility of a further decline in 2018-2019, and

WHEREAS, USA has faced over $300 million in accumulated reductions in state appropriations since 2007-2008, and

WHEREAS, tuition and required fees charged by the University are significantly less than tuition and fees charged by peer institutions in the state, and

WHEREAS, the University's academic building and technology infrastructure has been under continued pressure due to increasingly limited financial resources, and

WHEREAS, after extensive analysis of the University's financial needs for 2018-2019 and beyond, the University Administration and the Budget Council have determined that increases in tuition, fees, housing, and dining rates are necessary to maintain the standard of academic quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition, fees, housing, and dining rates for 2018-2019, as set forth in the attached schedules, such costs at the University 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 approves the tuition, required student fees, housing and dining rates for the 2018-2019 academic year as set forth in the attached schedules.

Dr. Charlton reported that Dr. Smith introduced South's new Chief Compliance Officer Mr. Chris Hansen to the Committee on May 31 and reported that Barnes & Noble College would assume management of the Bookstore; Dr. Mitchell introduced new Director of the Counseling and Testing Center Dr. John Friend; Dr. Krista Harrell presented information on the Global Student Leader Network; Ms. Chronister introduced Dr. Reid Cummings and Ms. Jana Stupavsky, Director and Assistant Director of USA's Center for Real Estate and Economic Development (CREED), respectively, for an overview on CREED operations; Dr. Johnson introduced Director of TeamUSA Dr. Julie Estis, who gave a presentation on team-based learning, and Associate Vice

President for Institutional Effectiveness Dr. Angela Coleman, who advised of a new SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) standard related to Board self-assessment.

Chairman Simon asked retired Dean of the College of Nursing Dr. Debra Davis to join him and President Waldrop. He talked about the progress of the College of Nursing under Dr. Davis' leadership and read **ITEM 15** as follows. On motion by Ms. Mitchell, seconded Mr. Windom, the Board voted unanimously to approve the resolution. Dr. Davis credited great mentors and faculty members for the College's success and she thanked the Board of Trustees for their support and recognition:

RESOLUTION
COMMENDATION OF DR. DEBRA C. DAVIS

WHEREAS, Dr. Debra C. Davis served as Dean of the College of Nursing for 19 years, and

WHEREAS, under Dr. Davis' leadership as Dean, the College of Nursing founded the first Doctor of Nursing Practice program in Alabama and,

WHEREAS, Dr. Davis served on the Board of Commissioners for the Commission on Collegiate Nursing Education, and

WHEREAS, Dr. Davis was recognized by the Governor of the State of Alabama for leadership, dedication and professionalism in service to the Alabama State Board of Nursing in 2005 and 2009, and

WHEREAS, since 1998, Dr. Davis helped facilitate more than $40 million in grant awards for the College of Nursing at the University, and

WHEREAS, Dr. Davis was awarded grants to begin the first Clinical Nurse Leader Program in combination with an accelerated Bachelor of Science in Nursing Program, and

WHEREAS, under the leadership of Dr. Davis the student enrollment increased from 964 to 4,227 and the number of faculty increased from 40 to 106, and

WHEREAS, Dr. Davis was inducted into the Alabama Nursing Hall of Fame in 2015,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its appreciation to Dr. Debra C. Davis for her many contributions and offers its best wishes upon her retirement.

There being no further business, the meeting was adjourned at 12:10 p.m.

Attest to:	Respectfully submitted:
____________________________	____________________________
Arlene Mitchell, Secretary	Kenneth O. Simon, Chair *pro tempore*

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

May 31, 2018
1:30 p.m.

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair, on Thursday, May 31, 2018, at 1:45 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Scott Charlton, Ron Graham, Ron Jenkins and Jimmy Shumock.
Other Trustees:	Steve Furr, Arlene Mitchell, Lenus Perkins, Ken Simon, Steve Stokes, Mike Windom and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Matthew Reichert (Faculty Senate), John Smith, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Mr. Shumock called upon Mr. Berry for a report on the activities of the Office of Internal Audit, **ITEM 7**. Mr. Berry discussed premises relating to information security and internal audit functions and advised of efforts under way to ascertain areas of risk for the academic and health care components of the University. He said assessment results would be reported to the Board in December. President Waldrop conveyed confidence with the progress being made by Mr. Berry.

Mr. Shumock called for consideration of the minutes of the meeting held on March 1, 2018. On motion by Ms. Atkins, seconded by Dr. Charlton, the Committee voted unanimously to adopt the minutes.

Mr. Shumock briefly remarked that an educational session for Committee members would be held in the weeks ahead.

There being no further business, the meeting was adjourned at 2:01 p.m.

Respectfully submitted:

James H. Shumock, Chair

KPMG

University of South Alabama report to the audit committee

Audit plan and strategy for the year ending September 30, 2018

August 30, 2018

Introduction

To the Audit Committee of University of South Alabama

We are pleased to have the opportunity to meet with you on August 30, 2018 to discuss our audit of the University of South Alabama as of and for the year ending September 30, 2018.

The audit of the basic financial statements, prepared in accordance with U.S. generally accepted accounting principles, will be conducted in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States.

We plan to issue an auditors' report on the basic financial statements of the University of South Alabama and its aggregate discretely presented component units. Other planned audit deliverables include reports issued in connection with Uniform Guidance, debt covenant compliance report, debt agreed-upon procedures report, NCAA agreed-upon procedures report, material written communications between KPMG and Management, and required communications between KPMG and the Audit Committee.

This document, which outlines our risk assessment and planned audit strategy, is being provided to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

We believe the contents of this document should provide a good platform for our discussions when we do meet. We will be pleased to elaborate further on matters covered in this document at the meeting.

Agenda

Scope

Scope of work	Audits of the: — University of South Alabama basic financial statements — Federal Financial Awards in accordance with Uniform Guidance — South Alabama Medical Science Foundation financial statements — USA Research and Technology Corporation financial statements — Gulf Coast TotalCare financial statements — University of South Alabama Health Care Authority financial statements
Applicable financial reporting framework	— U.S. Generally Accepted Accounting Principles — Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
Applicable auditing standards	— U.S. Generally Accepted Auditing Standards — Government Auditing Standards
Other terms of engagement	— Debt covenant compliance report — Debt agreed-upon procedures report — NCAA agreed-upon procedures report

Client service team

Team member	Title	Focus
Mark Peach	Engagement Partner	University
Ashley Willson	Engagement Partner	Healthcare
Lori Nissen	Concurring Review Partner	University and Healthcare
Melinda Gratwick	Engagement Senior Manager	University
Cristina Bull	Engagement Manager	University and Uniform Guidance
Amanda Price	Engagement Manager	Healthcare
Brad Phillips	Director	Technology Systems & Controls
Dee Rich	Partner	Exempt Organization Tax Matters

Materiality

— Professional standards require that we exercise professional judgment when we consider materiality and its relationship with audit risk when determining the nature, timing, and extent of our audit procedures, and when evaluating the effect of misstatements.

— Information is material if its misstatement or omission could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

— Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

— Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

— Judgments about the size of misstatements that will be considered material provide a basis for

a) Determining the nature and extent of risk assessment procedures;

b) Identifying and assessing the risks of material misstatement; and

c) Determining the nature, timing, and extent of further audit procedures.

Deliverables and timeline

01/15/2019	09/30/18	11/15/2018	12/31/2018

By 01/15/19
- Issue NCAA Agreed upon procedures
- Debrief on audit process

By 12/31/18
- Attend Audit Committee meeting and perform required communications

By 09/30/18
- Perform risk assessment procedures and identify risks
- Determine audit approach
- Evaluate entity level controls
- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls including general IT controls, where applicable.
- Coordination with Internal Audit
- Meetings with management to discuss key issues
- Perform interim substantive audit procedures
- Present audit plan to Audit Committee

By 11/15/18
- Perform analytical or other procedures to roll forward account balances to year end
- Perform remaining audit procedures
- Discuss key issues and deficiencies identified with management
- Review of financial statement disclosures
- Obtain written representation from management
- Issue audit opinion on financial statements

Deliverables and timeline (continued)

Planning and interim procedures	
— Pre-audit planning meeting with University senior management	June 6, 2018
— Pre-audit planning meeting with Healthcare senior management	April 20, 2018
— Planning and risk assessment procedures, evaluation and compliance tests of internal controls, and interim substantive testing- University	August 6 – August 31, 2018
— Planning and risk assessment procedures, evaluation and compliance tests of internal controls, and interim substantive testing- Healthcare	June 2018 – July 2018
— Single Audit fieldwork– Student Financial Aid	June 2018 – October 2018
Final procedures	
— Final audit field work dates – University	October 15 – November 15, 2018
— Final audit field work dates – Healthcare	October 22 – November 15, 2018
— Final Single Audit procedures	September 24 – November 15, 2018
— Delivery of draft University financial statements to auditors	October 26, 2018
— Delivery of University and Single Audit reports	November 15, 2018
— Post-audit meetings with senior management	January 2019

Involvement of others

Financial statement audit substantive procedures

- Internal Audit- will provide direct assistance with expense testing, employee payroll testing, certain inventory observations and price testing.
- Specialists needed to perform planned audit procedures or evaluate the audit results related to significant risks
  - Information Resource Management (IRM) team will evaluate general information technology controls and certain application level controls
  - Alternative investment specialist will evaluate procedures planned over the valuation of alternative investments
  - Tax specialist will obtain and document an understanding of the University's tax status, considering applicable tax laws and regulations, the University's operations and/or changing in design that could cause the University to lose its tax status.
- Pension actuary will evaluate the pension and other postretirement benefit obligations
- Self-insurance actuary will evaluate the medical malpractice self-insurance liabilities

Risk assessment

Based on our risk assessment procedures, the following are significant risks/financial statement level risks that may result in a material misstatement (due to fraud or error) in the financial statements and our planned audit approach in response to such significant risks:

Significant Risks/financial statement level risks:

Due to Error

— Certain accounts with significant estimates which are based on management assumptions

  - Valuation of self-insurance reserves
  - Valuation of patient receivables

Due to Fraud

— Risk of management override of controls – *Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.*

Risk assessment (continued)

Significant audit areas	Significant estimates	Significant unusual transactions/other items	Information technology matters
— Investments — Due to/from third-party payors — Accounts receivable reserves — Professional and general liability costs and reserves — Interest rate swaps — GASB 68: Accounting and Financial Reporting for Pensions — GASB 72: Fair Value Measurement and Application — GASB 75: Accounting and Financial Reporting for Postretirement Benefits other than Pensions — Net Patient Revenue — Tuition and fees	— Valuation of alternative investments — Valuation of self-insurance liabilities — Valuation of swaps — Valuation of General and Professional Liability Trust Funds — Valuation of patient accounts receivable — Third party settlement assets and liabilities	— Implementation of new accounting pronouncements – GASB 75	— General information technology environment — Application controls relevant to the financial statement audit and audit performed in accordance with the Uniform Guidance — Revenue system implementation at hospitals

Objectives of an audit

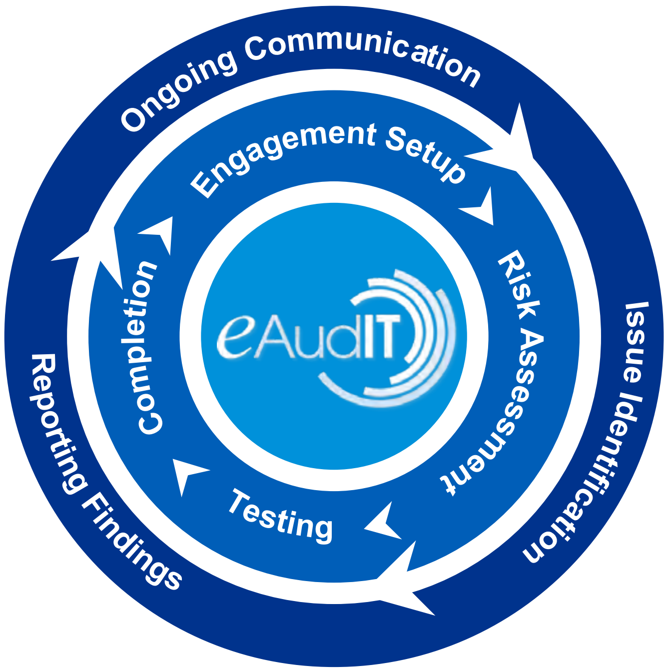
- The objective of an audit of financial statements is to enable the auditor to express an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles (GAAP).
- We plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Although not absolute assurance, reasonable assurance is a high level of assurance.
- Our audit includes:
  - Performing tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion.
  - Assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

KPMG’s audit approach and methodology

Technology-enabled integrated audit work flow

Engagement Setup
- Tailor the eAudIT work flow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

Completion
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Audit Committee communications
- Debrief audit process



Risk Assessment
- Understand your business and financial processes
- Identify significant risks
- Plan involvement of specialists and others including experts, internal auditors, service organizations and other auditors
- Determine audit approach
- Evaluate design and implementation of internal controls, if applicable

Testing
- Test effectiveness of internal controls, if applicable
- Perform substantive tests

KPMG independence quality controls

KPMG maintains a comprehensive system of quality controls designed to maintain our independence and to comply with regulatory and professional requirements.

- Submission of all worldwide engagements through Sentinel, a KPMG independence and conflict checking system (includes services for/relationships with the audit client, its affiliates, and its affiliated persons)
- Tracking partner rotation requirements using **PRS (Partner Rotation System),** the firm's automated partner rotation tracking system
- Automated investment tracking system used by all KPMG member firms (KICS)
- Training and awareness programs, including a required annual independence training deployed globally
- Annual independence confirmation required for all existing partners and employees and for all new individuals who subsequently join the firm
- Compliance testing programs
- Formal disciplinary policy and process
- Annual reporting to the Audit Committee regarding independence

Independence of mind and in appearance

Independence consists of independence of mind and in appearance. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party who has knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of the firm or members of the audit engagement team is compromised.

Close personal relationships between firm personnel and audit client personnel can impact the appearance of independence or an auditor's independence of mind.

KPMG has issued reminders and conducted training regarding KPMG's existing policies that require interactions between firm personnel and audit client personnel (including client entertainment) be directly related to a business purpose, reasonable, and infrequent (i.e., generally no more than four times a year). Additionally, firm policies prohibit the receipt or granting of any gift with a value in excess of $100 between firm and audit client personnel.

Breaches of independence

KPMG policies regarding breaches of independence:

— For any breaches of the Independence rules, as soon as practicable KPMG will:
  - Assess the impact of the breach
  - Identify the actions performed or to be performed to address the consequences of the breach
  - Communicate in writing and discuss the breach and actions to address the breach with the Audit Committee
  - Obtain concurrence from the Audit Committee on the auditor’s conclusion regarding the breach (i.e., that the actions taken satisfactorily address the consequences of the breach and the impact of the breach on KPMG’s objectivity and impartiality with respect to the audit)
  - Document the details of the breach, the actions described above and the result

In depth insights. In time to matter.

ACI programs

— Audit Committee Roundtable Series
  - Approximately 25 cities each Spring/Fall

— Quarterly Audit Committee Webcast
  - A quarterly Webcast providing updates and insights into issues affecting Audit Committee/board oversight—from key accounting and regulatory changes to developments in risk oversight.

— 15th Annual Audit Committee Issues Conference
  - January 7-9, 2019, Orlando, Florida

Suggested publications (available for download at www.kpmg.com/aci)

— Directors Quarterly

— Global Boardroom Insights

— On the 2018 Audit Committee and Board Agendas

— Global Audit Committee Survey

Resources

— ACI Web site: www.kpmg-institutes.com/institutes/aci.html

— ACI mailbox: auditcommittee@kpmg.com

— ACI hotline: 1-877-KPMG-ACI

— *Audit Committee Insights – U.S. and International editions (biweekly electronic publications):* www.kpmginsights.com

Appendix – Responsibilities

Management responsibilities – Financial statements	— Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP — Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
Management responsibilities – ICOFR	— 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
Management responsibilities – Other	— To provide the auditor with: (1) access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters; (2) additional information that the auditor may request from management for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence — Identifying and ensuring that the University complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations — Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management's: (1) disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the University's financial reporting (2) acknowledgement of their responsibility for the design and implementation, and maintenance of internal controls to prevent and detect fraud
Audit Committee responsibilities	— Oversight of the financial reporting process and ICOFR — Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud
Management and the Audit Committee responsibilities	— Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards — Ensuring that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements.

The audit does not relieve management or the Audit Committee of their responsibilities.

Appendix – Responsibilities (continued)

KPMG – Audit objectives	— Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are prepared, in all material respects, in accordance with U.S. GAAP
KPMG responsibilities – Audit	— Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement — Performing an audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting
KPMG responsibilities – Other information in documents containing financial statements	— The auditors' report on the financial statements does not extend to other information in documents containing audited financial statements, excluding required supplementary information — The auditor's responsibility is to make appropriate arrangements with management or the Audit Committee to obtain information prior to the report relevant date and to read the other information to identify material inconsistencies with the audited financial statements or misstatement of facts — Any material inconsistencies or misstatement of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in KPMG modifying or withholding the auditors' report or withdrawing from the engagement — We have performed the following procedures with respect to other information: - Reading information in the Annual Financial Report for consistency with audited financial statements

Appendix – Responsibilities (continued)

KPMG responsibilities – Communications	— Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matters to communicate to the Audit Committee — Communicating if we suspect or identify noncompliance with laws and regulations exist, unless matters are clearly inconsequential — Communicating to management and the Audit Committee in writing all significant deficiencies and material weaknesses in internal control identified during the audit, including those that were remediated during the audit and reporting to management in writing all deficiencies noted during our audit that, in our professional judgment, are of sufficient importance to merit management's attention. The objective of our audit of the financial statements is not to report on the University's internal control — Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy — Communicating to the Audit Committee circumstances, if any, that affect the form and content of the auditors' report — Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal — Communicating to the Audit Committee if we conclude no reasonable justification for a change to the audit engagement exists and we are not permitted by management to continue the original audit engagement — Communicating to the Board of Directors in writing any conclusion(s) that the Audit Committee's oversight of external financial reporting and internal control over financial reporting is ineffective — When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement — Communicating if we have identified or suspect fraud involving; (a) management, (b) employees who have a significant role in internal control, (c) others, when the fraud results in a material misstatement in the financial statements, and (d) other matters related to fraud that are, in the auditors' professional judgment, relevant to the responsibilities of the Audit Committee — Communicating significant findings and issues arising during the audit in connection with the entity's related parties.

Appendix – Interaction with the audit committee

Audit Committee inquiries	— Is the Committee aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws and regulations? — What are the Committee's views about fraud risks in the University? — Does the Committee have knowledge of fraud, alleged fraud, or suspected fraud affecting the University? — Who is the appropriate person (Audit Committee chair or full committee) for communication of audit matters during the audit? — How are responsibilities allocated between management and the Audit Committee? — What are the entity's objectives and strategies and related business risks that may result in material misstatements? — Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken? — Is the Committee aware of any significant communications with regulators? — What are the Committee's attitudes, awareness, and actions concerning (a) the entity's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud? — Is the Committee aware of any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters? — Have there been any actions taken based on previous communications with the auditor?

On the 2018 Higher Education Audit Committee Agenda *

Drawing on insights from our 2018 Global Audit Committee Pulse Survey as well as interactions over the last year with audit committees and senior management of higher education organizations, we have highlighted four items that audit committees should keep in mind as they consider and carry out their 2018 agendas:

i. **Core responsibilities: Financial reporting, internal control, and external/internal auditors**

ii. **Enterprise risk management (ERM)**

***** Full publication available on the KPMG Government Institutes website: http://www.kpmg-institutes.com/institutes/government-institute/articles/2018/03/on-the-2018-higher-education-audit-committee-agenda.html

Presenters' contact details

Mark Peach
Partner

188 E Capitol Street
Suite 1100
Jackson, MS 39201
601-714-7452
mpeach@kpmg.com

Ashley Willson
Partner

188 E Capitol Street
Suite 1100
Jackson, MS 39201
601-714-7446
awillson@kpmg.com

Questions?

For additional information and Audit Committee resources, including Director Roundtable Series in approximately 25 cities each Spring, a Quarterly webcast, and suggested publications, please visit KPMG’s Audit Committee Institute (ACI) at www.kpmg.com/ACI.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the
Years Ended June 30, 2018 and 2017, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

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Deloitte.

Deloitte & Touche LLP
Suite 2400
420 N. 20th Street
Birmingham, AL 35203
USA

Tel: +1 205 321 6000
Fax: +1 205 322 2828
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of South Alabama Foundation:

We have audited the accompanying consolidated financial statements of the University of South Alabama Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the results of its activities, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

August 9, 2018

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017
(Dollars in thousands)

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	$ 1,099	$ 556
INVESTMENTS AT FAIR VALUE:		
Equity securities	137,722	129,674
Timber and mineral properties	160,949	160,351
Real estate	69,163	69,186
Other	5,805	5,808
OTHER ASSETS	450	473
TOTAL	$375,188	$366,048
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 184	$ 101
Other liabilities	794	704
Total liabilities	978	805
NET ASSETS:		
Unrestricted	97,487	99,678
Temporarily restricted	105,955	95,856
Permanently restricted	170,768	169,709
Total net assets	374,210	365,243
TOTAL	$375,188	$366,048

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, 2018
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	$ 4,059	$ 15,887	$ -	$ 19,946
Rents, royalties, and timber sales	3,499	145	12	3,656
Interest and dividends	743	1,377	4	2,124
Gifts	75	3	1,039	1,117
Required match of donor contributions	(6)	2	4	-
Interfund interest	(367)	367		-
Other income	31			31
Net assets released from program restrictions (Note 8)	7,682	(7,682)		-
Total revenues, gains, losses, and other support	15,716	10,099	1,059	26,874
EXPENDITURES:				
Program services:				
Faculty support	2,242			2,242
Scholarships	1,139			1,139
Other academic programs	6,507			6,507
Total program services	9,888	-	-	9,888
Management and general	2,118			2,118
Other investment expense	1,752			1,752
Depletion expense	4,072			4,072
Depreciation expense	77			77
Total expenditures	17,907	-	-	17,907
(DECREASE) INCREASE IN NET ASSETS	(2,191)	10,099	1,059	8,967
NET ASSETS—Beginning of year	99,678	95,856	169,709	365,243
NET ASSETS—End of year	$ 97,487	$ 105,955	$ 170,768	$ 374,210

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, 2017
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	$ 5,054	$ 17,582	$ -	$ 22,636
Rents, royalties, and timber sales	3,786	130	8	3,924
Interest and dividends	740	1,280	4	2,024
Gifts		4	54	58
Required match of donor contributions	(16)	(37)	53	-
Interfund interest	(252)	252		-
Other income	2			2
Net assets released from program restrictions (Note 8)	8,054	(8,054)		-
Total revenues, gains, losses, and other support	17,368	11,157	119	28,644
EXPENDITURES:				
Program services:				
Faculty support	2,230			2,230
Scholarships	1,136			1,136
Other academic programs	6,405			6,405
Total program services	9,771	-	-	9,771
Management and general	1,952			1,952
Other investment expense	1,583			1,583
Depletion expense	3,414			3,414
Depreciation expense	85			85
Total expenditures	16,805	-	-	16,805
INCREASE IN NET ASSETS	563	11,157	119	11,839
NET ASSETS—Beginning of year	99,115	84,699	169,590	353,404
NET ASSETS—End of year	$ 99,678	$ 95,856	$ 169,709	$ 365,243

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Dollars in thousands)

	2018	2017
OPERATING ACTIVITIES:		
Increase in net assets	$ 8,967	$ 11,839
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(19,946)	(22,636)
Depletion	4,072	3,414
Depreciation	77	85
Changes in operating assets and liabilities:		
Other assets	(15)	16
Accounts payable	97	11
Other liabilities	76	55
Net cash used in operating activities	(6,672)	(7,216)
INVESTING ACTIVITIES:		
Purchase of equity securities	(1,748)	(581)
Sale of equity securities	9,100	8,300
Acquisition of timberland	(25)	(560)
Proceeds from sale of timberland		343
Reforestation of timber property	(107)	(98)
Other	(5)	
Net cash provided by investing activities	7,215	7,404
NET INCREASE IN CASH AND CASH EQUIVALENTS	543	188
CASH AND CASH EQUIVALENTS—Beginning of year	556	368
CASH AND CASH EQUIVALENTS—End of year	$ 1,099	$ 556

See notes to consolidated financial statements.

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. 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 using three classifications: permanently restricted, temporarily restricted, and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.

- Unrestricted net assets 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 "unrestricted."

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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted net assets to restricted net assets.

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 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 net asset value 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 unrestricted net assets, unless the income or loss is restricted by donor or law, in which case, it is classified as temporarily or permanently restricted, as appropriate. 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and improves the scope of accounting guidance for contributions received and contributions made with the objectives of assisting entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new guidance is effective for reporting periods beginning after December 15, 2019, and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The Foundation did not early adopt this guidance as of year-end. The Foundation's management is currently assessing the impact of ASU 2018-18 on the disclosures in its consolidated financial statements.

In 2016, the FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For- Profit Entities*. ASU 2016-14 amends existing guidance for financial reporting by not for profit entities with the objectives of reducing complexity and improving the utility of financial reporting for users of financial statements produced by not for profit entities. The principal changes required by ASU 2016-14 include eliminating the distinction between temporarily and permanently restricted net assets and enhancing quantitative and qualitative disclosures related to financial performance and the entity's liquidity and use of resources. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with earlier application permitted. The Foundation did not early adopt this guidance as of year-end. The Foundation's management is currently evaluating the effects of ASU 2016-14 on its consolidated financial statements.

In 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using NAV per share as a practical expedient. The ASU also removes certain disclosure requirements for investments that are eligible to be measured at fair value using NAV per share as a practical expedient. Rather, those disclosures are limited to investment for which the entity has elected to measure fair value using that practical expedient. The new guidance is effective for reporting periods beginning after December 15, 2016, and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The Foundation adopted ASU 2015-07 as of June 30, 2018, and has applied the requirements retrospectively, as required. The Foundation presents the investment disclosures required by this new guidance in Note 4, Investments. There are no effects on the consolidated statements of financial position or the changes therein.

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 $84,072 and $78,517 at June 30, 2018 and 2017, respectively.

  Investments in Commonfund: Fair values are based on unit values, 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 $53,650 and $51,157 at June 30, 2018 and 2017, 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 "Company"), a timberland management company (see Note 4).

4. INVESTMENTS

Investment income includes not only realized gains (losses), but also unrealized gains (losses) in securities, timberland investments, and real estate.

Investment income for the years ended June 30, 2018 and 2017, consisted of the following:

	2018	2017
Unrealized gains	$ 15,736	$ 17,592
Realized gains	4,210	5,044
Net realized and unrealized gains on investments	19,946	22,636
Timber sales	2,921	3,230
Rents	646	624
Royalties	89	70
Rents, royalties, and timber sales	3,656	3,924
Interest and dividends	2,124	2,024
Total investment income	$ 25,726	$ 28,584

Investments consisted of participation in the Foundation's pooled investment funds. Investment-related expenses of $347 and $322 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, 2018 and 2017, 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, $23,000, would continue to 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.

As noted herein, at June 30, 2018, the fair market value appraisal of the Brookley Complex was $60,820. The Brookley Complex consists of 327 acres of land, with approximately 1.25 miles of waterfront on Mobile Bay, adjacent to the Mobile Airport Authority/Brookley Aeroplex, which is the location for the Airbus U.S. Manufacturing Facility for the Airbus 320 family of single-aisle aircraft. The appraised value is included in the land and land improvements—held for investment.

Real estate as of June 30, 2018 and 2017, consisted of the following property held:

	2018	2017
Land and land improvements—held for investment	$ 68,071	$ 68,074
Building and building improvements—held for investment	1,092	1,112
Total	$ 69,163	$ 69,186

Other—Investments at June 30, 2018 and 2017, include an equity interest in a timberland management company (the "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 recent accounting pronouncements, described in Note 2 and specifically ASU 2015-07, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the net asset value 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, 2018 and 2017 are summarized as follows:

	Fair Value Measurements at June 30, 2018			
Description	**Observable Inputs Based on Quoted Prices**	**Other Observable Inputs**	**Unobservable Inputs**	**Total**
Marketable equity securities	$ 84,072	$ -	$ -	$ 84,072
Timber and mineral properties			160,949	160,949
Real estate			69,163	69,163
Other investments			5,805	5,805
Total	$ 84,072	$ -	$ 235,917	319,989
Investment in Commonfund, measured at NAV				53,650
Total assets at fair value				$ 373,639

	Fair Value Measurements at June 30, 2017			
Description	**Observable Inputs Based on Quoted Prices**	**Other Observable Inputs**	**Unobservable Inputs**	**Total**
Marketable equity securities	$ 78,517	$ -	$ -	$ 78,517
Timber and mineral properties			160,351	160,351
Real estate			69,186	69,186
Other investments			5,808	5,808
Total	$ 78,517	$ -	$ 235,345	313,862
Investment in Commonfund, measured at NAV				51,157
Total assets at fair value				$ 365,019

For the year ended June 30, 2018, 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	$ 160,351	$ 69,186	$ 5,808	$ 235,345
Net unrealized gains (losses)	4,533	10	(3)	4,540
Additions	25	7		32
Reforestation	112			112
Sale of property				
Depreciation/depletion	(4,072)	(40)		(4,112)
Ending balance	$ 160,949	$ 69,163	$ 5,805	$ 235,917

For the year ended June 30, 2017, 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	$ 157,470	$ 69,070	$ 5,803	$ 232,343
Net unrealized gains	5,759	157	5	5,921
Additions	560			560
Reforestation	100			100
Sale of property	(124)			(124)
Depreciation/depletion	(3,414)	(41)		(3,455)
Ending balance	$ 160,351	$ 69,186	$ 5,808	$ 235,345

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 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, 2018, by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ 78,482	$ 105,955	$ 170,768	$ 355,205
Board-Designated Endowment Funds	19,005			19,005
Total	$ 97,487	$ 105,955	$ 170,768	$ 374,210

Endowment net asset composition as of June 30, 2017, by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ 79,665	$ 95,856	$ 169,709	$ 345,230
Board-Designated Endowment Funds	20,013			20,013
Total	$ 99,678	$ 95,856	$ 169,709	$ 365,243

Changes in endowment net assets during the year ended June 30, 2018, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	$ 79,665	$ 20,013	$ 95,856	$ 169,709	$ 365,243
Investment return:					
Investment income	4,204	38	1,522	16	5,780
Net unrealized and realized gains	3,587	472	15,887		19,946
Other income	31				31
Interfund interest	(378)	11	367		-
Total investment return	7,444	521	17,776	16	25,757
Gifts	9	66	3	1,039	1,117
Required match	(6)		2	4	-
Net assets released from restrictions	9,277	(1,595)	(7,682)		-
Expenditures	(17,907)				(17,907)
Net change	(1,183)	(1,008)	10,099	1,059	8,967
Ending balance	$ 78,482	$ 19,005	$ 105,955	$ 170,768	$ 374,210

Changes in endowment net assets during the year ended June 30, 2017, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	$ 78,589	$ 20,526	$ 84,699	$ 169,590	$ 353,404
Investment return:					
Investment income	4,491	35	1,410	12	5,948
Net unrealized and realized gains	4,525	529	17,582		22,636
Other income	2				2
Interfund interest	(260)	8	252		-
Total investment return	8,758	572	19,244	12	28,586
Gifts			4	54	58
Required match	(16)		(37)	53	-
Net assets released from restrictions	9,139	(1,085)	(8,054)		-
Expenditures	(16,805)				(16,805)
Net change	1,076	(513)	11,157	119	11,839
Ending balance	$ 79,665	$ 20,013	$ 95,856	$ 169,709	$ 365,243

5. 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, 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 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, for the benefit of the University's hospitals and clinics, and the other programs of 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. During the fiscal year ended June 30, 2018, in accordance with the intent of the Board of the Foundation, as expressed in the resolutions, the Board of the Foundation approved a total distribution of DSH Funds of $5,176, that included $3,470 for two daVinci surgical robots, $1,081 for the Clinical Support Fund, and $625 for the Hospital Equipment Fund.

During the period of five years from the date of closing the transaction, and any extensions thereof, the University retains ownership of all buildings and improvements on the Brookley Complex property and an exclusive easement over all of the land. Upon the payment of the note, ownership of such buildings and improvements transfers to BBFP at the conclusion of the five-year period unless the parties agree to extend use by the University. The BBFP and the University agreed to extend the use period to November 10, 2018.

6. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets were available for the following purposes:

	2018	2017
Instruction	$ 32,595	$ 30,026
Hospital, clinics, and related programs	48,463	42,909
College of medicine—other than instruction	16,028	14,246
Student aid	7,197	6,771
Other	1,672	1,904
Total	$ 105,955	$ 95,856

7. PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, only the income from the following permanently restricted net assets was permitted to be used for the purposes indicated:

	2018	2017
Hospital, clinics, and related programs	$ 131,586	$ 131,586
Instruction	20,838	19,801
Student aid	9,270	9,260
College of medicine—other than instruction	2,139	2,138
Other	6,935	6,924
Total	$ 170,768	$ 169,709

8. 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 from temporarily restricted to unrestricted during the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Instruction	$ 7,013	$ 6,893
Student aid	598	1,055
Other	71	106
Total	$ 7,682	$ 8,054

9. OTHER RELATED-PARTY TRANSACTIONS

At June 30, 2018 and 2017, 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 $180,050 and $174,497, respectively.

10. RETIREMENT PLANS

The Foundation sponsors a contributory defined-contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately $158 and $153 for the years ended June 30, 2018 and 2017, respectively.

11. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through August 9, 2018, 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, 2018, 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, 2018 and 2017, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS
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Deloitte.

Deloitte & Touche LLP
Suite 2400
420 N. 20th Street
Birmingham, AL 35203
USA

Tel: +1 205 321 6000
Fax: +1 205 322 2828
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of South Alabama Foundation:

We have audited the accompanying 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, 2018 and 2017, 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.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the DSH Funds as of June 30, 2018 and 2017, and the results of its activities, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

August 9, 2018

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017
(Dollars in thousands)

	2018	2017
ASSETS		
INVESTMENTS:		
New Investment Pool—interest in	$ 175,878	$ 170,356
Real estate	3,700	3,700
RECEIVABLE FROM AFFILIATES	472	441
TOTAL	$ 180,050	$ 174,497
NET ASSETS		
NET ASSETS:		
Unrestricted	$ -	$ -
Temporarily restricted	48,464	42,911
Permanently restricted	131,586	131,586
Total net assets	180,050	174,497
TOTAL	$ 180,050	$ 174,497

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, 2018
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	$ 12	$ 9,685	$ -	$ 9,697
Interest and dividends		813		813
Interfund interest		231		231
Net assets released from program restrictions	5,176	(5,176)		-
Total revenues, gains, and other support	5,188	5,553	-	10,741
EXPENDITURES:				
Program Services—other academic programs	5,176			5,176
Other investment expense	12			12
Total expenditures	5,188	-	-	5,188
INCREASE IN NET ASSETS	-	5,553	-	5,553
NET ASSETS AT BEGINNING OF YEAR		42,911	131,586	174,497
NET ASSETS AT END OF YEAR	$ -	$ 48,464	$ 131,586	$ 180,050

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, 2017
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	$ 12	$ 10,832	$ -	$ 10,844
Interest and dividends		727		727
Interfund interest		159		159
Net assets released from program restrictions	5,131	(5,131)		-
Total revenues, gains, and other support	5,143	6,587	-	11,730
EXPENDITURES:				
Program Services—other academic programs	5,131			5,131
Other investment expense	12			12
Total expenditures	5,143	-	-	5,143
INCREASE IN NET ASSETS	-	6,587	-	6,587
NET ASSETS AT BEGINNING OF YEAR		36,324	131,586	167,910
NET ASSETS AT END OF YEAR	$ -	$ 42,911	$ 131,586	$ 174,497

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, 2018 AND 2017
(Dollars in thousands)

	2018	2017
OPERATING ACTIVITIES:		
Increase in net assets	$ 5,553	$ 6,587
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net unrealized gains on investments	(8,940)	(9,718)
Gain on sale of investments	(757)	(1,126)
Changes in operating assets and liabilities:		
Receivable from affiliate	(31)	(21)
Net cash used in operating activities	(4,175)	(4,278)
INVESTING ACTIVITIES:		
Purchases of securities	(1,060)	(973)
Sale of securities	5,235	5,251
Net cash provided by investing activities	4,175	4,278
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year		
CASH AND CASH EQUIVALENTS—End of year	$ -	$ -

See notes to combined financial statements.

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. Further, the agreement recognized the Foundation as the lawfulholder 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, using three classifications: permanently restricted; temporarily restricted; and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets 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.

- Temporarily restricted net assets contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.

- Unrestricted net assets 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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from 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 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 net asset value 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 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 unrestricted net assets, unless the income or loss is restricted by donor or law, in which case it is classified as temporarily or permanently restricted, as appropriate. 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 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 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and improves the scope of accounting guidance for contributions received and contributions made with the objectives of assisting entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new guidance is effective for reporting periods beginning after December 15, 2019, and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The DSH Funds did not early adopt this guidance as of year-end. The Foundation's management, on behalf of the DSH Funds, is currently assessing the impact of ASU 2018-18 on the disclosures in its combined financial statements.

In 2016, the FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* ASU 2016-14 amends existing guidance for financial reporting by not for profit entities with the objectives of reducing complexity and improving the utility of financial reporting for users of financial statements produced by not for profit entities. The principal changes required by ASU 2016-14 include eliminating the distinction between temporarily and permanently restricted net assets, and enhancing quantitative and qualitative disclosures related to financial performance and the entity's liquidity and use of resources. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with earlier application permitted. The DSH Funds did not early adopt this guidance as of year-end. The Foundation's management, on behalf of the DSH Funds, is currently evaluating the effects of ASU 2016-14 on its combined financial statements.

In 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent),*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using NAV per share as a practical expedient. The ASU also removes certain disclosure requirements for investments that are eligible to be measured at fair value using NAV per share as a practical expedient. Rather, those disclosures are limited to investment for which the entity has elected to measure fair value using that practical expedient. The new guidance is effective for reporting periods beginning after December 15, 2016, and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The DSH Funds adopted ASU 2015-07 as of June 30, 2018, and has applied the requirements retrospectively, as required. The DSH Funds present the investment disclosures required by this new guidance in Note 4, Investments. There are no effects on the combined statements of financial position or the changes therein.

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 unit values, 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 for the years ended June 30, 2018 and 2017, consisted of the following:

	2018	2017
Unrealized gains	$ 8,940	$ 9,718
Realized gains	757	1,126
Interest and dividends	813	727
Interfund interest	231	159
	$ 10,741	$ 11,730

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 (hereinafter 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, $23,000, would continue to 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.

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 recent accounting pronouncements, described in Note 2 and specifically ASU 2015-07, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the net asset value 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, 2018 and 2017 are summarized as follows:

	Fair Value Measurements at June 30, 2018			
Description	**Observable Inputs Based on Quoted Prices**	**Other Observable Inputs**	**Unobservable Inputs**	**Total**
New Investment Pool interest in marketable equity securities	$ 84,072	$ -	$ -	$ 84,072
New Investment Pool interest in timber			113,000	113,000
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
Total	$ 84,072	$ -	$ 139,700	223,772
Investment in Commonfund, measured at NAV				53,650
Total assets at fair value				$ 277,422

	Fair Value Measurements at June 30, 2017			
Description	**Observable Inputs Based on Quoted Prices**	**Other Observable Inputs**	**Unobservable Inputs**	**Total**
New Investment Pool interest in marketable equity securities	$ 78,517	$ -	$ -	$ 78,517
New Investment Pool interest in timber			112,000	112,000
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
Total	$ 78,517	$ -	$ 138,700	217,217
Investment in Commonfund, measured at NAV				51,157
Total assets at fair value				$ 268,374

For the year ended June 30, 2018, 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	$ 112,000	$ 23,000	$ 3,700	$ 138,700
Total realized and unrealized gains	4,093			4,093
Reforestation	32			32
Depletion	(3,125)			(3,125)
Ending balance	$ 113,000	$ 23,000	$ 3,700	$ 139,700

For the year ended June 30, 2017, 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	$ 109,100	$ 23,000	$ 3,700	$ 135,800
Total realized and unrealized gains	4,684			4,684
Reforestation	59			59
Depletion	(1,843)			(1,843)
Ending balance	$ 112,000	$ 23,000	$ 3,700	$ 138,700

The DSH Funds hold a proportionate interest in the value of the Foundation's Investment Pool. On June 30, 2018, the value of DSH Funds units in the Pool was $175,878 and at June 30, 2017, the value of DSH Funds units in the Pool was $170,356.

5. RELATED-PARTY TRANSACTIONS

At June 30, 2018 and 2017, receivables from affiliated entities totaled $472 and $441, 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 $231 and $159 for the years ended June 30, 2018 and 2017, 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 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, for the benefit of the University's hospitals and clinics, and the other programs of 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. During the fiscal year ended June 30, 2018, in accordance with the intent of the Board of the Foundation, as expressed in the resolutions, the Board of the Foundation approved a total distribution of DSH Funds of $5,176, that included $3,470 for two daVinci surgical robots, $1,081for the Clinical Support Fund, and $625 for the Hospital Equipment Fund.

During the period of five years from the date of closing the transaction, and any extensions thereof, the University retains ownership of all buildings and improvements on the Brookley Complex property and an exclusive easement over all of the land. Upon the payment of the note, ownership of such buildings and improvements transfers to BBFP at the conclusion of the five-year period, unless the parties agree to extend use by the University. The BBFP and the University agreed to extend the use period to November 10, 2018.

6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets of $48,464 and $42,911, respectively, were available for the support of hospitals, clinics, and related programs of the University.

7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, permanently restricted net assets of $131,586 and $131,586, respectively, are restricted to investments in perpetuity, the income from which may be used for the support of hospitals, clinics, and related programs of the University.

8. 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 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.

9. SUBSEQUENT EVENTS

The DSH Funds evaluated subsequent events through August 9, 2018, 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, 2018, that would require disclosure in or would be required to be recognized in the combined financial statements.

* * * * * *

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

May 31, 2018
2:01 p.m.

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair, on Thursday, May 31, 2018, at 2:01 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Ron Jenkins, Steve Stokes, Mike Windom and Jim Yance.
Members Absent:	Chandra Brown Stewart, Tom Corcoran and Margie Tuckson.
Other Trustees:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Graham, Arlene Mitchell, Lenus Perkins, Jimmy Shumock and Ken Simon.
Administration and Others:	Terry Albano, Owen Bailey, Robert Berry, Lynne Chronister, Josh Cogswell, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Norman Pitman, Matthew Reichert (Faculty Senate), Tom Van Zant (Commonfund), John Smith, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Mr. Yance called for consideration of the minutes of the meeting held on March 1, 2018. On motion by Mr. Windom, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Mr. Yance called on Mr. Albano to discuss endowment and investment performance for the period October 1, 2017, through March 31, 2018, **ITEM 8**. Mr. Albano reported a return of 2.96 percent vs. the relative index of 2.45 percent, an outperformance of .51 percent. He detailed manager performance and asset allocation. Mr. Pitman provided insight on market conditions and manager underperformance. Mr. Albano stated the annualized performance since inception was 5.36 percent vs. the relative index of 4.38 percent, an outperformance of .98 percent. He advised of the divestment of close to $10 million in investment profits due to market volatility, as was discussed previously. He introduced Mr. Tom Van Zant of Commonfund, who discussed portfolio results for the period October 1, 2017, through April 30, 2018, and shared perspective on market expectations.

Mr. Yance asked Dr. Erdmann to present **ITEM 9**, a resolution to elect Ms. Shirley Brown as a director of the Jaguar Athletic Fund, Inc., representing women's golf for a three-year term beginning June 2018 and ending June 2021 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 1, 2018). On motion by Mr. Windom, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called for a report on the activities of the Division of Development and Alumni Relations, **ITEM 10**. Dr. Stokes, Upward & Onward Campaign Co-Chair, discussed campaign highlights, noting $15.8 million in gifts and pledges secured for the fiscal year through May 29, 2018, and approximately $120 million raised toward the $150 million campaign goal. He reported $16.7 million recorded for the Mitchell-Moulton Scholarship Initiative, inclusive of matching gifts, and significant gifts recently signed, including $1.2 million from Blue Cross Blue Shield of Alabama for College of Medicine scholarships; $1 million for the USA Children’s & Women’s Hospital Neonatal Intensive Care Unit; and $1.5 million for the College of Engineering. He said the SouthFund employee drive was a success, noting the $750,000 goal was surpassed with $822,855 raised and a 57 percent participation rate. He said the inaugural USA Day of Giving held on March 22 raised $346,368 from 957 donors and discussed upcoming development activities. Associate Vice President for University Development Mr. Josh Cogswell presented additional fundraising results.

There being no further business, the meeting was adjourned at 2:34 p.m.

Respectfully submitted:

____

James A. Yance, Chair

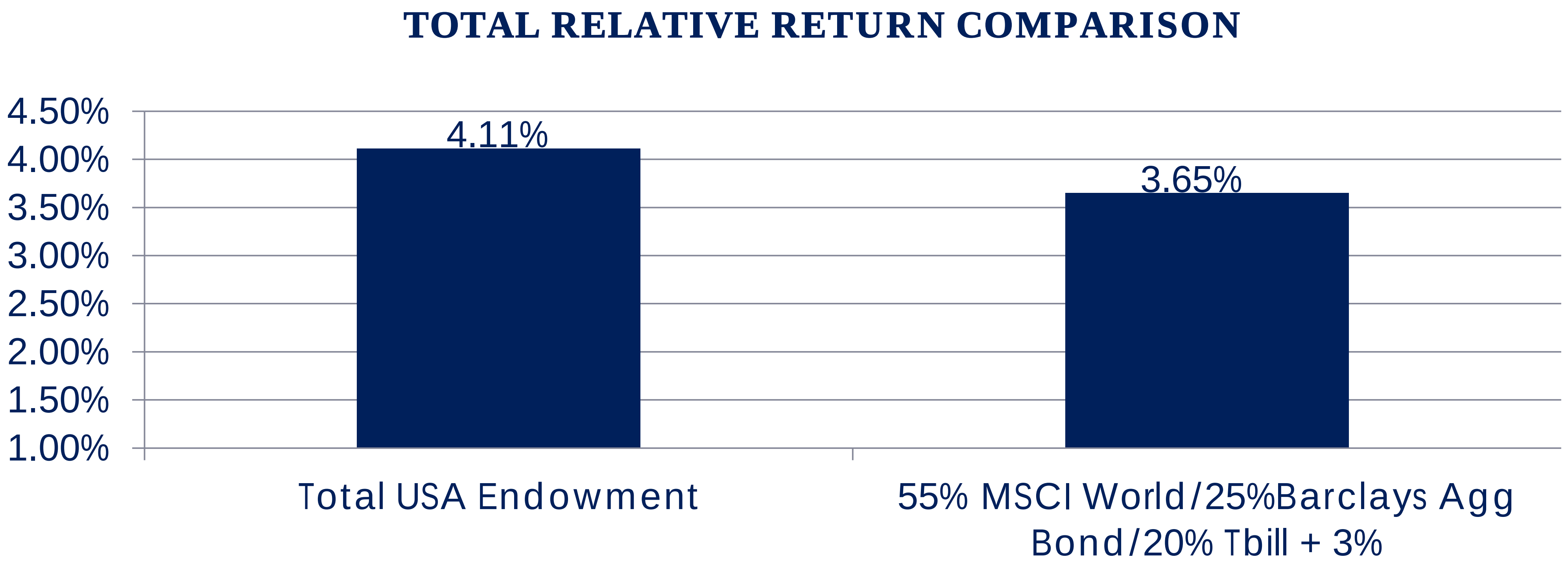
University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2018

UNIVERSITY OF SOUTH ALABAMA

Total USA Endowment

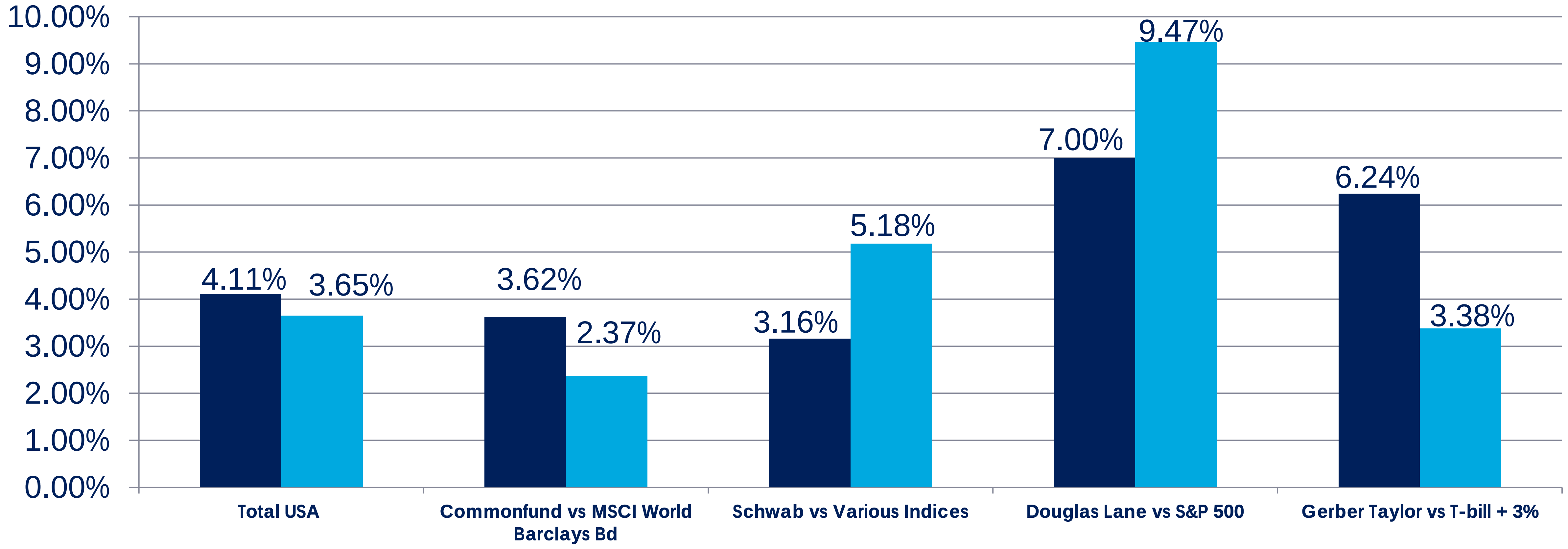
October 1, 2017 — June 30, 2018
Total Fund Performance



Outperformance: 0.46%

Total USA Endowment

October 1, 2017 — June 30, 2018
Total Fund Performance



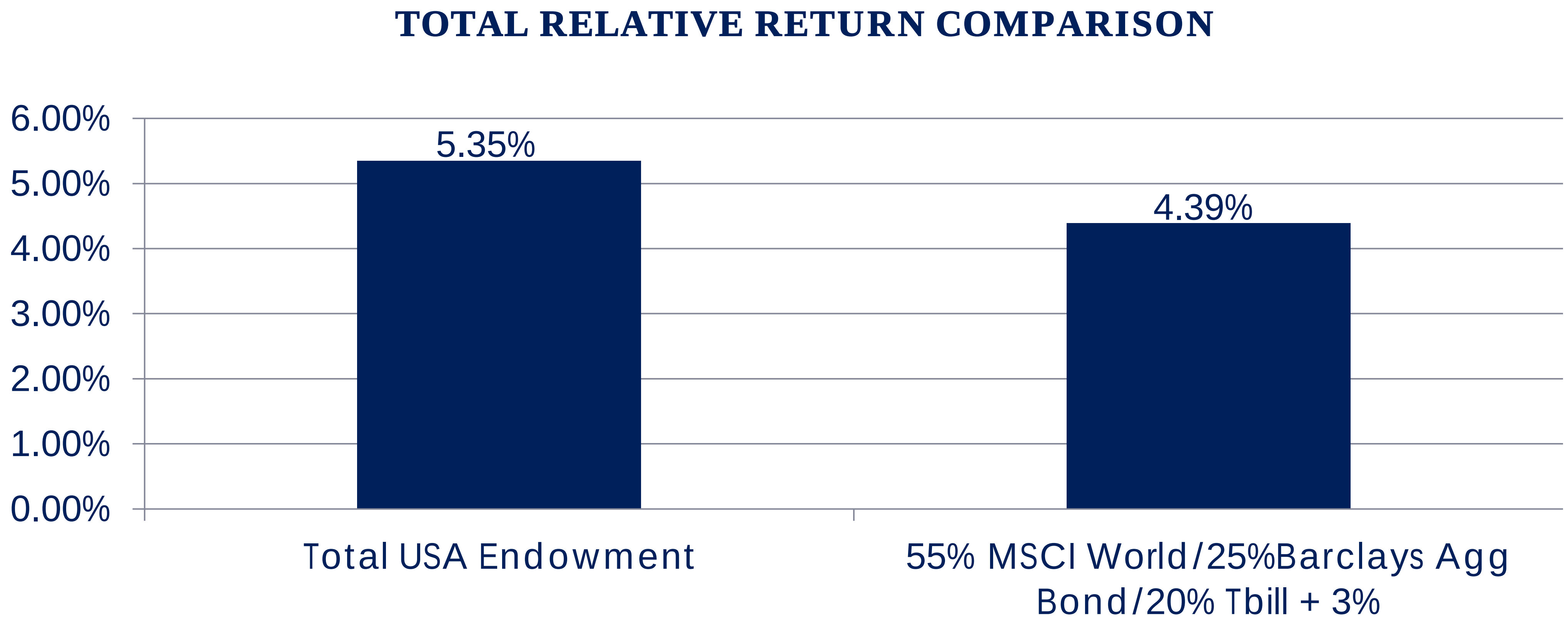
Total USA Endowment

Asset Allocation Breakdown

Manager	Money Market	Large Cap Equity	Small Cap Equity	International	Fixed	Private Equity	Hedge	Total	%
Private Advisors	$ -	$ -	$ -	$ -	$ -	$ -	$ 230,996	$ 230,996	0%
Schwab	$ 1,693	$ 7,434,290	$ 8,024,916	$ 17,841,638	$ 5,675,409	$ -	$ -	$ 38,977,945	26%
Doug Lane	$ 45,015	$ 7,242,147	$ -	$ -	$ -	$ -	$ -	$ 7,287,162	5%
Common Fund	$ -	$ 37,459,827	$ -		$ 32,378,026	$ -	$ -	$ 69,837,853	46%
Gerber Taylor	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,424,937	$ 32,424,937	21%
Common Fund PE	$ -	$ -	$ -	$ -	$ -	$ 1,337,551	$ -	$ 1,337,551	1%
JP Morgan PE	$ -	$ -	$ -	$ -	$ -	$ 381,404	$ -	$ 381,404	0%
Forester	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,011,513	$ 1,011,513	1%
Total	**$ 46,708**	**$ 52,136,264**	**$ 8,024,916**	**$ 17,841,638**	**$ 38,053,435**	**$ 1,718,955**	**$ 33,667,446**	**$ 151,489,361**	**100%**
%	0%	34%	5%	12%	25%	1%	22%	100%	
Policy %		25-55%	3-8%	5-15%	15-35%	0-10%	10-30%	100%	

Total USA Endowment

Since Inception
Total Annualized Fund Performance



Outperformance: 0.96%

Total USA Endowment

Presentation Summary

1. Fiscal Year To Date: Outperforming by 0.46%: 4.11% vs 3.65%

2. Two out of five managers have outperformed FYTD.

University of South Alabama

Private Equity Group ("PEG") Portfolio Update

August 30, 2018

Joseph Knight, Portfolio Manager
212-648-2790, joseph.a.knight@jpmorgan.com

J.P.Morgan Asset Management

Our Private Equity Group is one of the most experienced teams dedicated to building high quality private equity portfolios

Proven strategy and process developed and refined over the past 38 years

EXPERIENCED, COHESIVE TEAM OF INVESTMENT PROFESSIONALS

- PEG was established at JPMorgan Chase & Co. in 1997
- PEG average tenure[1]
  - 28 years: 9 founding members
  - 18 years: 19 senior portfolio managers
  - 15 years: portfolio management team
- Located in New York, London, Hong Kong, Beijing[2], and New Delhi
- Supported by dedicated resources and leveraging the extensive expertise of the broader firm

SIGNIFICANT PRIVATE EQUITY KNOWLEDGE AND INSIGHT

- Approximately $27 billion in assets under management[3]
- Meaningful and long-standing private equity investor[1]
  - U.S. private equity: 1980
  - Europe private equity: 1983
  - Asia private equity: 1985
  - Secondary investments: 1985
  - Direct investments: 1988
- Database has more than 9,000 active offerings and active data capture of over 1,300 funds
- Serving on over 260 boards, including funds and direct investments

PROVEN RESULTS AND ALIGNMENT WITH OUR INVESTORS

- Opportunistic approach seeking the highest conviction investments
- Consistent out-performance over multiple cycles
- Dedicated distribution management team to ensure efficient cash returns to investors
- Transparent reporting and comprehensive servicing platform
- Team professionals personally invest 1.25% alongside all investments[4]

1 Includes tenure and investing experience at both PEG and AT&T Investment Management Corporation (ATTIMCO). Portfolio Manager average tenure includes members of investment committee
2 Beijing Equity Investment Development Management Co., Ltd., a joint venture in China through the PEG's affiliate JPMorgan Asset Management Private Equity (China) LLC, is located in Beijing.
3 Includes private equity commingled vehicles, managed accounts and trusts within J.P. Morgan Asset Management (JPMAM); includes unfunded commitments awarded subsequent to 12/31/2017.
4 The co-investment percentage for PEG professionals is calculated across PEG's platform of products and accounts, and may be greater or less than 1.25% for any particular one. The allocation percentage is reviewed each calendar year, and on an aggregate level it has been at or above 1% for the past 11 years and is expected to remain at or above this level going forward. The co-investment by PEG professionals in a particular product or investment may be limited or discontinued if required by law or policy.
Past performance is no guarantee of future results.

PEG investment types and strategies

PARTNERSHIP INVESTMENTS

- Small & mid-market Corporate Finance ("CF") primarily focused in U.S. and developed Europe, opportunistically in other regions
- ~80% of CF partners have had fund sizes below US$1 billion; ~60% below US$500 million[4]
- Venture Capital partners primarily early-stage focused with domain expertise to guide company growth, in the U.S. and selective other regions with strong entrepreneurial cultures
- Successfully identify emerging managers and partner with the next "top tier" private equity firms and professionals since 1980

DIRECT INVESTMENTS

- Growth-stage investments targeting companies with or using technologies that are disruptive; companies were typically previously venture-backed
- Small & mid-market CF companies directly or alongside partners, with majority enterprise values[1] of less than US$500 million and average leverage ratios[2] of 3.9x
- China-focused companies with strong growth characteristics[3]

SECONDARY INVESTMENTS

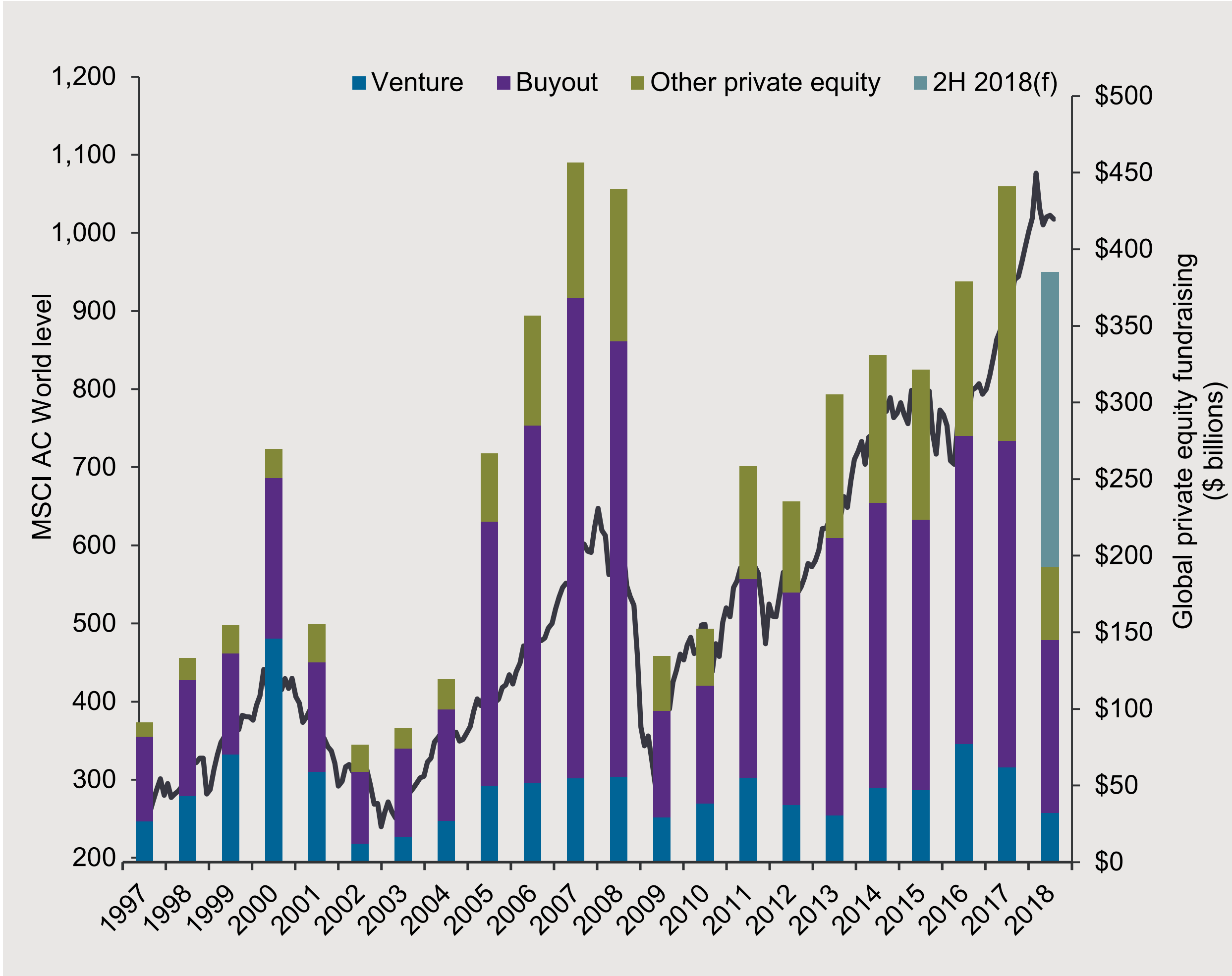
- Purchase of both LP and direct company interests
- Opportunistic approach, underwriting investments to full private equity returns (IRR and MOIC)
- Bottom-up, company level analysis with realistic assumptions
- Leveraging PEG's database of more than 9,000 offerings and active capture of ~1,300 partnerships

Team professionals personally invest 1.25% alongside all investments[5]

1 Enterprise Value at the time of purchase.
2 Based on weighted average net debt / EBITDA multiples across PEG's U.S. Corporate Finance III and IV underlying holdings (91% by value) and European Corporate Finance III and IV underlying holdings (91% by value), as of 12/31/2017
3 Funds managed by Beijing Equity Investment Development Management Co., Ltd., a joint venture in China through the PEG's affiliate JPMorgan Asset Management Private Equity (China) LLC, is located in Beijing.
4 Investments made during period from 2008-2017
5 The co-investment percentage for PEG professionals is calculated across PEG's platform of products and accounts, and may be greater or less than 1.25% for any particular one. The allocation percentage is reviewed each calendar year, and on an aggregate level it has been at or above 1% for the past 11 years and is expected to remain at or above this level going forward. The co-investment by PEG professionals in a particular product or investment may be limited or discontinued if required by law or policy.
The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

The Private Equity Group philosophy

- Bottom-up, opportunistic investment approach seeking the highest conviction ideas
- Be skeptical: assess the unconventional/contrarian perspective with respect to both investment ideas and themes
- Appropriately diversified by stage, sector, geography and vintage year, but without pre-set allocation minimums
- Be aware of market cycles and have a willingness to over- or under-weight sectors or strategies



Source: FactSet, Thomson ONE fundraising global private equity and venture capital, 6/30/2018

J.P.Morgan Asset Management

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Our Group has provided meaningful results over many different economic cycles & stages of private equity investment

Vintage year performance as of March 31, 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
PEG IRR	20%	20%	23%	24%	16%	18%	23%	26%	9%	7%	21%
PEG MOIC	2.2x	2.0x	2.0x	1.9x	1.6x	1.6x	1.7x	1.6x	1.1x	1.1x	1.7x
PEG DPI	1.4x	1.3x	1.4x	1.5x	1.0x	0.7x	0.3x	0.1x	0.2x	0.0x	
MSCI WORLD IRR[1]	11%	12%	11%	14%	11%	9%	9%	11%	16%	10%	11%
Spread (bps)	**930**	**800**	**1,240**	**1,000**	**480**	**860**	**1,360**	**1,460**	**(700)**	**(210)**	**1,000**
PME[2]	**1.40**	**1.29**	**1.40**	**1.32**	**1.14**	**1.22**	**1.36**	**1.27**	**0.92**	**0.99**	**1.29**
PEG IRR by stage:											
Corporate Finance	28%	26%	28%	18%	24%	17%	30%	38%	14%	7%	24%/1.8x
Venture Capital/Growth	15%	14%	14%	27%	6%	20%	19%	11%	-9%	7%	19%/1.7x
PEG IRR by investment type:											
Partnership	19%	16%	17%	20%	19%	22%	18%	23%	0%	35%	19%/1.7x
Secondary	-16%	24%	22%	21%	20%	18%	16%	24%	33%	13%	22%/1.7x
Direct	34%	N/A	58%	26%	13%	11%	26%	28%	9%	-3%	25%/1.8x
Performance Quartile[3]:	**1st**	**2nd**	**1st**	**1st**	**2nd**	**2nd**	**1st**	**1st**	**2nd**	**1st**	**1st**

1 Long-Nickels Index Comparison Methodology (ICM) method uses public benchmark returns calculated with actual timing and dollar amounts of PEG portfolio cash flows in and out of the index.

2 Using MSCI World. Kaplan-Schoar Public Market Equivalent (PME) is a ratio-based methodology, where the calculation discounts all distributions and the residual value of the strategy using the respective index and divides the resulting value by the sum of all contributions to the fund discounted using the respective index.

3 PEG IRR relative to Burgiss Private iQ, All Private Equity, All Regions

Negative performance attribution: Only $8mm was committed to secondary investments in 2008, compared to an average of $200mm committed to secondary investments per year during this time period. 2016 and 2017 investments are very early in the investment process.

Performance as of 3/31/2018. Past performance is no guarantee of future results. Performance represents IRR (Internal Rate of Return), MOIC (Multiple of Invested Capital), and DPI (Distributed over Paid In) and includes all private equity investments for all funds, separate accounts and employee account. Net of underlying investment fees and expenses; gross of Advisor fees; if Advisor fees were included, returns would be lower.

Portfolio Review

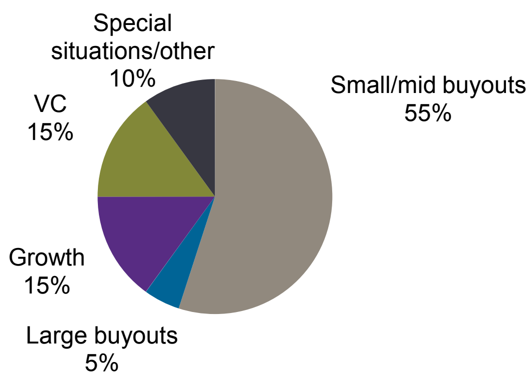
Global Private Equity VI ("GPE VI")

Portfolio construction overview

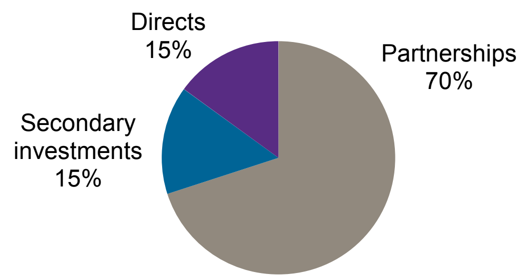
- General Partners: appropriately diversified to approximately 25 core GP relationships
- Vintage years: targeting 3 year commitment period
- Return objective: 500 basis points in excess of a diversified public equity portfolio

Representative target allocation

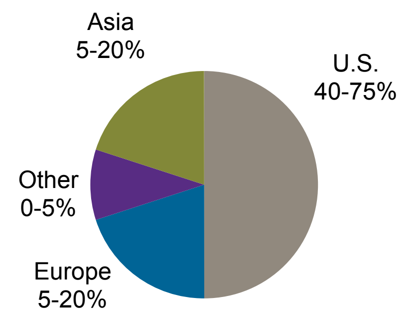
Investment Sector



Investment Type



Geographic Location



Corporate Finance:

- Focus on small to mid market and opportunistically larger companies
- Target proven GP teams with sector and strategy focus that can provide an execution and operating advantage

Venture Capital / Growth:

- Up to 30% in venture capital investments
- Focus on areas of innovation
- Target GPs with domain expertise and strong entrepreneurial networks

- Up to 35% in secondary and direct investments (opportunistic investments)
- Opportunistic investments expected to be return and income enhancing to the portfolio, as well as mitigate j-curve risk
- Target opportunities where we can leverage existing relationships with fund sponsors

- Global opportunity set with a focus on key private equity markets and high growth regions
- Focus on regional firms who leverage their networks to create value beyond local markets

The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

J.P.Morgan Asset Management

University of South Alabama capital account and fund performance summary

As of July 31, 2018

$ millions	Capital account statement				Fund performance			
Fund *Vintage Years*	**Commitment**	**Capital Invested**	**Distributions received**	**Remaining value**[1]	**Portfolio IRR**[1]	**Benchmark**[2] **IRR**	**Portfolio MOIC**[1]	**Benchmark**[2] **MOIC**
Global Private Equity VI *2016 – est. 2019*	$2.0	$0.4	-	$0.4	*Too early to assess*			
Total as of 3/31/2018	**$2.0**	**$0.4**	**-**	**$0.4**				

1Performance and values as of 3/31/2018. Performance represents Internal Rate of Return (IRR) and Multiple of Invested Capital (MOIC) net of underlying investment fees and expenses, gross of Advisor fees; if Advisor fees were included, returns would be lower. Past performance is no guarantee of future results

2 Benchmark – MSCI World MXWO: Global Private Equity VI

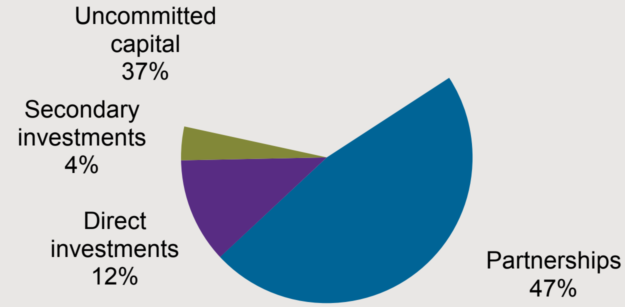
J.P.Morgan Asset Management

PEG Global Private Equity VI

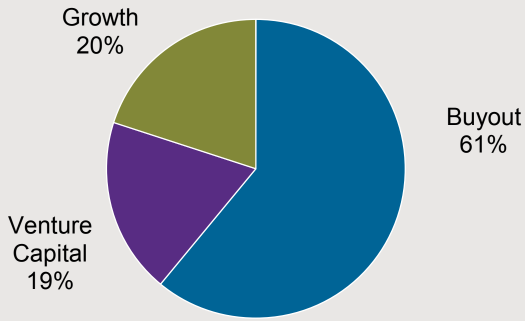
As of June 30, 2018

FUND CHARACTERISTICS	
Vintage years	2016 – est. 2019
Fund size:	$584mm
Committed to investments[1]:	$365mm (63% of raised)
Paid-in capital[2]:	$92mm (25% of committed)
Distributions:	$3mm (3% of paid-in)
Remaining value and performance as of 3/31/2018	
Remaining value[3]:	$92mm
IRR[1]/Benchmark[3]	N/A / N/A
MOIC[1]/Benchmark[3]	N/A / N/A
Burgiss Quartile (IRR/MOIC)*	N/A / N/A

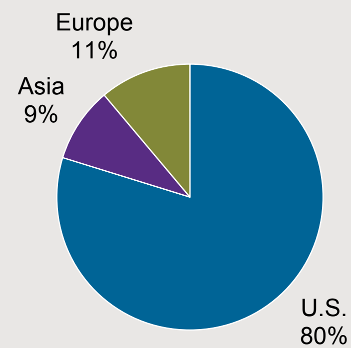
Fund composition by investment type[1]



Fund composition by strategy[1]



Fund composition by geography[1]



Please note composition by commitment amount to underlying partnership, direct, and secondary investments.
1 Includes commitments pending legal close. Subject to change.
2 Includes capital called on 7/3/2018 related to an investment made subsequent to 6/30/2018.
3 Performance and value as of 3/31/2018 is net of underlying investment fees and expenses, gross of Advisor fees. Past performance is no guarantee of future results.
*Burgiss Manager universe data as of 3/31/2018. Data represents benchmarking for IRR and MOIC.

J.P.Morgan Asset Management

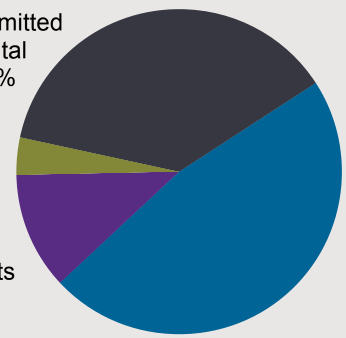
PEG Global Private Equity VI: Commitments

As of June 30, 2018

PARTNERSHIP INVESTMENTS

Small	
Accel India V	$3.0
Aleph II	2.2
Clarion Capital III	13.8
Greycroft V**, Growth II	10.7
Joy Capital II	8.0
LC Fund VII	6.0
M/C Partners VIII	17.7
NeoTribe Ventures I	8.0
SAIF India VI	5.7
Venrock VIII	2.5
Medium	
Brynwood VIII	$18.6
Chequers XVII	13.0
ECI 11**	16.1
Great Hill VI	7.8
Kinderhook V	6.0
OrbiMed VII	8.9
Orchid Asia VII	8.0
Quad-C Partners IX	6.2
Tailwind Partners III	20.0
Waterland VII	25.8
Large	
Genstar VIII & Co-invest	$12.5
GTCR Fund XII	20.0
NEA 16	8.5
Thoma Bravo XII, XIII*	26.0
Total Partnership Investments	**$275.0**

Fund composition by investment type



DIRECT INVESTMENTS

AMRI	$14.8
Fast Growing Trees	3.8
Fresh Direct	15.0
MZ, Inc.	4.0
Project NGP**	21.0
Project Panda	3.0
Top Aces	6.1
Total Direct Investments	**$67.7**

SECONDARY INVESTMENTS

Project Book	$2.5
Project FPF	3.7
Project GCP	6.8
Project Gridiron	8.7
Total Secondary Investments	**$21.7**

Pie represents commitments by investment type. These examples represent the current investments of the Fund. There can be no guarantee or assurance that the PEG will be able to make similar investments in the future. Fund size is classified as follows: large (>$3bn), medium ($500mm<$3bn) and small (<$500mm). Direct and secondary investments includes stapled transactions. *Pending legal close **Closed subsequent to 6/30/2018.

J.P.Morgan Asset Management

Investment example: Brynwood Partners

FIRM OVERVIEW

- Date established: 1984 in Greenwich, CT
- Team: 7 senior investment professionals – Henk Hartong III, Ian MacTaggart, Kevin Hartnett, Nick DiCarlo, Peter Wilson, David Eagle and Vipul Soni
- Strategy: focused on complex corporate carve-outs and niche-oriented businesses in the consumer goods and services industry
- Geography: investments located primarily in the United States

PEG RELATIONSHIP

- Relationship established in 1995, lead investor since 2000
  - PEG continues to be the largest investor and has an Advisory Board seat
  - PEG is the first call on all potential secondary and direct opportunities
- PEG invested in two direct investments and reviewed many more
  - High Ridge (2010): Acquisition of Zest Soap brand from P&G
  - Harvest Hill Beverage Company (2014): Juicy Juice platform investment from Nestlé, three subsequent strategic add-on acquisitions and merged with Sunny Delight in 2017

Investment	Vintage	Fund size	Commitment	Funding	Distributions	IRR	MOIC	DPI
Brynwood IV	2000	$80	$15.0	$15.0	$16.4	2%	1.1x	1.1x
Brynwood V	2005	$258	$37.0	$41.0	$72.5	12%	1.8x	1.8x
Brynwood V (secondary)	2009	$258	$12.6	$12.7	$14.1	12%	1.1x	1.1x
Brynwood VI	2010	$306	$85.6	$105.5	$200.4	29%	1.9x	1.9x
Brynwood VII	2013	$420	$131.7	$114.0	$88.4	43%	1.9x	0.8x
Brynwood VIII	2017	$649	$200.0	N/A	N/A	N/A	N/A	N/A
High Ridge Brands (direct)	2010	N/A	$21.8	$21.8	$90.3	56%	4.1x	4.1x
Harvest Hill Beverage/Sunny Delight (direct)	2014	N/A	$40.2	$40.2	$50.6	83%	3.1x	1.3x
Total			**$543.9**	**$350.2**	**$532.7**	**20%**	**2.1x**	**1.5x**

Preliminary performance as of 3/31/2018. Past performance is no guarantee of future results. Partnership performance is net of underlying investment fees and expenses, gross of Advisor fees; if Advisor fees were included, returns would be lower. Portfolio company performance is gross of underlying investment fees and expenses and Advisor fees. Not all partnerships have had or will have similar results.

Investment example: Top Aces Inc.

COMPANY DESCRIPTION

- Top Aces Inc. is a global leader in contracted tactical airborne training, and is the exclusive provider of military pilot combat training in Canada, Germany, and Australia
- Over the last 15 years, the company has helped create and shape this niche market
- Top Aces recently signed an exclusive 14-year contract with the Canadian Air Force
  - Significant growth opportunities within core markets and beyond

INVESTMENT THESIS

- The company is majority-owned by Clairvest Group, a well-regarded Canadian growth-equity sponsor
- The outsourced combat pilot training industry is at an inflection point, with significant forward training needs from many of the worlds largest air forces
  - Top Aces is well-positioned to capture a large market share
- The company will use the investment as a catalyst for organic growth and development, primarily for the company's F-16 capabilities for the advanced adversary training market

TRANSACTION OVERVIEW

- C$25 million of common equity shares via a secondary purchase from Clairvest Group, and C$25 million of primary equity via preferred shares
- The total PEG investment is ~US$41 million for a 25% ownership stake

This example is included solely to illustrate strategies which have been utilized by PEG. Examples shown here are not intended to indicate overall performance that may be expected to be achieved by the portfolio. There can be no guarantee or assurance that the portfolio will be able to make similar investments on similar terms in the future.
Past performance is no guarantee of future results. Not all investments have had or will have similar results. The logo presented is registered trademark by its company.

Investment pipeline for the next 12-18 months

CORPORATE FINANCE

Fund	Timing	Anticipated fund size (mil)
Foundation Investment Partners II	Q3 2018	£125
JZI IV	Q3 2018	€ 400
NMS	Q3 2018	$350
Prospect Partners IV	Q3 2018	$250
Triton	Q3 2018	€3,500
WCAS XIII	Q3 2018	$3,500
Kinderhook VI	Q4 2018	$1,000
Metalmark III	Q4 2018	$1,500
Bowmark VI	Q1 2019	£500
Clairvest VI	Q1 2019	$750
Harbour Group Fund VII	Q1 2019	$700
Goode IV	Q2 2019	$250

VENTURE CAPITAL / GROWTH

Fund	Timing	Anticipated fund size (mil)
Blue Lake Capital II	Q3 2018	$200
CBC Fund IV	Q3 2018	$500
Guidepost Growth III	Q3 2018	$600
SAIF V	Q3 2018	$800
Next Coast Venture II	Q4 2018	$84
NEA 17	Q1 2019	$3,300
Accel (Main/Growth /Leaders/London)	Q1 2019	$2,500 (combined)
Union Square Opportunity Fund	Q1 2019	$175
Andreessen Horowitz VI + Parallel	Q2 2019	$1,500
Summit Growth X	Q2 2019	$3,300
Greycroft Growth III	Q2 2019	$250

SECONDARY/DIRECT

Investment	Timing	Anticipated size (mil)
Project Aegis	Q3 2018	$40
Project Ally	Q3 2018	$5
Project Blue	Q3 2018	$25
Project Broadway	Q3 2018	$60
Project Clear	Q3 2018	$40
Project Delta	Q3 2018	$100
Project Murray	Q3 2018	$15

Representative pipeline for investments. Latest fund size is shown for opportunities where anticipated fund size is yet to be known.
These examples are included solely to illustrate strategies which have been utilized by PEG. It is expected that the portfolios will include a larger number of investments than the example set forth. Examples shown here are not intended to indicate overall performance that may be expected to be achieved by the portfolio. There can be no guarantee or assurance that the portfolio will be able to make similar investments on similar terms in the future. Not all investments have had or will have similar results.

Appendix

Anticipated GPE VIII portfolio

Portfolio construction overview

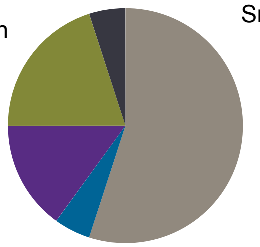
- **General Partners:** appropriately diversified to approximately 25 core GP relationships
- **Vintage years:** targeting 3 year commitment period
- **Return objective:** 500 basis points in excess of a diversified public equity portfolio

Fundraising timing

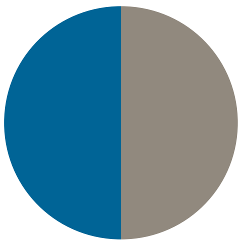
- **First close:** 2H 2018
- **Activation:** 1Q 2019

Representative target allocation

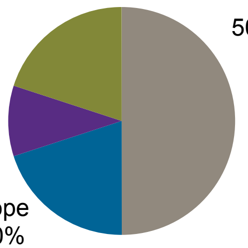
Investment Sector



Investment Type



Geographic Location



Corporate Finance:

- Focus on small to mid market and opportunistically larger companies
- Target proven GP teams with sector and strategy focus that can provide an execution and operating advantage

Venture Capital / Growth:

- Focus on areas of innovation
- Target GPs with domain expertise and strong entrepreneurial networks

- Up to 50% in secondary and direct investments
- Secondary and direct investments are expected to provide return and income enhancement to the portfolio, as well as j-curve mitigation
- Target opportunities where we can leverage existing relationships with fund sponsors

- Global opportunity set with a focus on key private equity markets and high growth regions
- Focus on regional firms who leverage their networks to create value beyond local markets

The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

J.P.Morgan
Asset Management

Selected risks and disclaimers

The following considerations, which summarize some, but not all, of the risks of an investment in the Fund, should be carefully evaluated before making an investment in the Fund. The information set forth under “Risk Factors” and “Potential Conflicts of Interest” in the Private Placement Memorandum of the Fund must be reviewed in its entirety prior to making a decision to invest in the Fund.

General. An investment in a Private Equity Fund involves a high degree of risk as a result of both (i) the types of investments expected to be made by the Fund and by the pooled investment vehicles in which the Fund will invest and (ii) the structure of the Fund and the pooled investment vehicles. There can be no assurance that the investment objectives of the Fund will be achieved or that there will be any return of capital to investors.

Risks of private equity investments. The venture capital companies in which the Fund will seek to invest may be in a conceptual or early stage of development, may not have a proven operating history and may have products that are not yet developed or ready to be marketed or that have no established market. Investments made in connection with acquisition transactions are subject to a variety of special risks, including the risk that the acquiring company has paid too much for the acquired business, the risk of unforeseen liabilities, the risks associated with new or unproven management or new business strategies and the risk that the acquired business will not be successfully integrated with existing businesses or produce the expected synergies.

Illiquidity of private equity investments. The pooled vehicles in which the Fund will invest are highly illiquid, long-term investments. The Fund will be limited in its ability to transfer its interests in, or to withdraw from, such pooled vehicles.

New and emerging managers. The Fund intends to invest its assets with emerging managers. Investments with such sponsors may involve greater risks than are generally associated with investments with more established sponsors. Less established sponsors tend to have fewer resources (including capital and employees) and, therefore, are often more vulnerable to financial failure. Such sponsors may also experience start-up or growth related difficulties that are not faced by established sponsors. Furthermore, assessing the integrity of sponsors with limited experience may necessarily be based on less background information than would be the case with more experienced sponsors. The general risks involved in investing in pooled vehicles may be accentuated in a pooled vehicle with a partnership sponsor that has been established relatively recently.

An Internal Rate of Return – also sometimes called an Asset Weighted Return – measures the performance of a portfolio or investment between two dates, taking into account the amount of capital invested during each time period. An Internal Rate of Return calculation gives greater weight to those time periods where more capital was invested, and takes into account not only the size of cash flows, but also the length of time that each cash flow affected the portfolio. Essentially, an Internal Rate of Return answers the question, “if all the capital had been invested in a money market account instead (but the same contributions and withdrawals were made), what interest rate would have resulted in the same ending value?” These calculations are used where the timing and size of cash flows are important to the validity of the results, for example, when reviewing the returns on individual investment positions. Internal Rates of Return are also used to compute an unleveraged return in order to illustrate the impact of leverage on performance.

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RESOLUTION

COMMENDATION OF MELINDA AND LOUIS MAPP

WHEREAS, for decades, Melinda and Louis Mapp and the Mapp Family Foundation have pursued the goals of expanding access to quality health care and improving outcomes for patients, as has the University of South Alabama through the mission of USA Health, and

WHEREAS, six years ago Melinda and Louis Mapp initiated a partnership through a gift to the University of South Alabama Children's & Women's Hospital to expand the Child Life Program and thus assure that young patients' developmental, educational, psychosocial and emotional needs are met even during lengthy hospital stays, and

WHEREAS, the Mapps have strengthened this partnership through generous support for USA Health initiatives, including the USA Mitchell Cancer Institute, Children's Miracle Network activities, and the Collins Carr Memorial roof-top garden, and

WHEREAS, in 2017, Louis Mapp discovered a passion and expanded his commitment to USA Health's most vulnerable patients by volunteering every Tuesday to rock, hold and feed the premature babies who are receiving care in the Hollis J. Wiseman Neonatal Intensive Care Unit (NICU), and

WHEREAS, Mr. Mapp's commitment to the welfare of NICU patients has extended even to donning a kangaroo costume for Kangaroo-A-Thon, an educational event to teach parents of NICU babies about the healing effects skin-to-skin contact can promote for their newborn children, and

WHEREAS, Mr. Mapp's deep involvement in the work of the NICU has given him visionary understanding of its needs, inspiring generous gifts by the Mapps for general operations and the purchase of a transport isolette, which are producing a transformative impact on the care provided by the NICU, and

WHEREAS, the Mapps' most recent gift of $1,050,000 to establish the Louis and Melinda Mapp NICU Patient Support Fund will provide flexible funding to meet the needs of families with critically ill newborn babies far into the future,

THEREFORE, BE IT RESOLVED, the Board of Trustees commends Melinda and Louis Mapp and the Mapp Family Foundation for their extraordinary commitment to assuring access to the highest quality health care for the most vulnerable members of our community, and

BE IT FURTHER RESOLVED, the Board of Trustees extends profound thanks on behalf of the entire USA Health system, the University's faculty, students and staff, as well as patients and families who will benefit from the visionary philanthropy of Melinda and Louis Mapp for many years to come.

MEMORANDUM
Development and Alumni Relations

UNIVERSITY OF SOUTH ALABAMA

Date:
August 1, 2018

To:
Dr. Tony Waldrop
President

From: Margaret Sullivan
Margaret Murray Sullivan
Vice President
Development and Alumni Relations

Subject:
Melinda and Louis Mapp Resolution

It gives me great pleasure to recommend presentation of the attached resolution to the Board of Trustees.

This resolution commends the philanthropy of Melinda and Loius Mapp, whose generous gift will establish the Louis and Melinda Mapp NICU Patient Support Fund.

With your support, this commendation by the Board of Trustees will be a fitting and effective way of recognizing and appreciating the extraordinary generosity of Mr. and Mrs. Mapp.

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

HEALTH AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

HEALTH AFFAIRS COMMITTEE

May 31, 2018
2:34 p.m.

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair, on Thursday, May 31, 2018, at 2:34 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Scott Charlton, Steve Furr, Arlene Mitchell and Steve Stokes.
Member Absent:	Chandra Brown Stewart.
Other Trustees:	Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Ken Simon, Mike Windom and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Errol Crook, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, Ashton Hennig, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Beth Poates, Matthew Reichert (Faculty Senate), John Smith, Supraja Sridhar, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Dr. Furr called for consideration of the minutes of the meeting held on March 1, 2018. On motion by Ms. Mitchell, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Dr. Furr presented **ITEM 11**, a resolution authorizing the USA Hospitals medical staff appointments and reappointments for February, March and April 2018 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 1, 2018). On motion by Dr. Charlton, seconded by Ms. Mitchell, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr presented **ITEM 12**, a resolution authorizing revisions to the USA Hospitals medical staff bylaws and rules and regulations as submitted. On motion by Ms. Atkins, seconded by Dr. Stokes, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr asked Dr. Marymont to discuss **ITEM 13**, a resolution acknowledging the contributions of Professor and Chair of the Department of Emergency Medicine Dr. Edward Panacek; Professor and Chair of the Department of Surgery Dr. William Richards; and Professor and Chair of the Department of Obstetrics and Gynecology Dr. Lisa Spiryda, and bestowing upon them the title of Distinguished Professor for the 2018-2019 academic year. On motion by Ms. Mitchell, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr called on Dr. Marymont for a report on the activities of USA Health and the College of Medicine (COM), **ITEM 14**. Dr. Marymont advised that a major issue some medical students face is hunger. He introduced Ms. Supraja "Sippy" Sridhar, student and founder of an initiative to reduce collegiate hunger and increase awareness. Ms. Sridhar gave an overview of the student-led Donor to Diner program that has garnered international media attention and become a national organization with chapters at other institutions.

Chairman Simon asked Dr. Marymont to comment on medical exams outcomes. Dr. Marymont stated the average MCAT score of 30 and grade point average of 3.75 of students accepted into the program rank in the 20th percentile nationally. He said these students' average Step 1 and Step 2 scores place in the 40th and 90th percentiles, respectively, which he called testament to the educational process and faculty at South. He added the average Step 1 score of 234 for the COM's 2018 graduating class exceeded the national average score of 228 and was the highest on record, which he estimated would rank in the 50th to 60th percentile nationally.

Mr. Bailey recognized Manager of Outreach and Special Projects for USA Health Ms. Ashton Hennig; USA Health Social Worker at South's Stanton Road Clinic Ms. Beth Poates; and Professor and Abraham Mitchell Chair of Internal Medicine/Director of South's Center for Health Communities Dr. Errol Crook for their efforts administering a program that addresses food insecurity experienced by patients of the Stanton Road Clinic. Dr. Crook shared information about South's Boxing Out Hunger partnership with Feeding the Gulf Coast, which began in June 2017 and was one of five projects in the nation to be selected for grant funding through Feeding America's Health Care Pilot Program.

Mr. Bailey discussed the story of Ms. Cynthia Pettway, a patient of USA Children's & Women's Hospital who virtually participated, by means of a remote-driven robot, in her high school graduation held at the Mitchell Center. He said the news coverage was circulated nationally and internationally and reached more than 16 million viewers, garnering South Alabama widespread attention.

There being no further business, the meeting was adjourned at 3:07 p.m.

Respectfully submitted:

____

Steven P. Furr, M.D., Chair

RESOLUTION

USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR MAY, JUNE AND JULY 2018

WHEREAS, the medical staff appointments and reappointments for May, June and July 2018 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

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

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

Date:
August 1, 2018

To:
Tony G. Waldrop, PhD
President

From:

John V. Marymont, MD, MBA
Vice President for Medical Affairs and Dean, College of Medicine

Subject:
Board Meeting Documents

Attached for review and approval by the Health Affairs Committee and the Board of Trustees are:

Resolution – University of South Alabama Hospitals Medical Staff Appointments and Reappointments for May, June and July 2018

- Credentials Report – May, June and July 2018

JM/kh

Attachments

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
May 2018, June 2018, and July 2018

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and allied staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Al Jaber, Emad K., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Alemayehu, Hanna, MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Allen-Johnson, Jennifer C., MD	Reappt.	Refer & Follow	Pediatrics	NA	NA	NA	NA	NA	NA
Alnajjar, Eva M., MD	New Appt.	Active	OBGYN	New Appt.	Active	OBGYN	New Appt.	Active	OBGYN
Bailey, Gayle W., Scrub Tech	New Appt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Baker, Susan L., MD	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN
Baldy, Maureen T., DMD	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Baliem, Wilma D., CRNP	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Ballard, Jr., Barry D., MD	Reappt.	Refer & Follow	Surgery	Reappt.	Refer & Follow	Surgery	NA	NA	NA
Barber, IV., William H., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Berkow, Roger L., MD	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
Bertolla, Stacee B., CRNP	New Appt.	Allied	Ped. Emer. Med.	NA	NA	NA	NA	NA	NA
Beverly, Tonia M., CCCA	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Bhat, Ramachandra, MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediciatrics
Bilbao, Nordie, MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
Blache, Catherine L., RN	NA	NA	NA	New Appt.	Allied	Orthopaedics	NA	NA	NA
Blewett, Christopher J., MD	New Appt.	Contract/Locum	Surgery	NA	NA	NA	New Appt.	Contract/Locums	Surgery
Boyd, Jr., Jimmy L., PA	Reappt.	Allied	Orthopaedics	Reappt.	Allied	Orthopaedics	NA	NA	NA
Brantley, Kaitlin O., CRNP	New Appt.	Allied	Pediatrics	New Appt.	Allied	Pediatrics	New Appt.	Allied	Pediatrics
Brevard, Sidney B., MD	Reappt.	Active	Pediatric Surgery	Reappt.	Active	Pediatric Surgery	Reappt.	Active	Pediatric Surgery
Brevard, Sidney B., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Brown, Mark S., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Surgery	NA	NA	NA
Brutkiewicz, Barbara V., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Bunner, Dianne L., NNP	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Burkett, Jared L., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Cameron, Daniel G., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Camp, Pamela R., CRNP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Carpenter, David C., MD	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN	NA	NA	NA
Catlett, Samantha M., CRNP	New Appt.	Allied	Orthopaedics	New Appt.	Allied	Orthopaedics	NA	NA	NA
Chalam, Jennifer N., MD	Reappt.	Active	Peds Emerg. Med.	NA	NA	NA	NA	NA	NA
Clarkson, David R., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Cole, Jason H., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Cole, Jennifer G., MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
Crowder, James B., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Dal Zotto, Valeria L., MD	New Appt.	Active	Pathology	New Appt.	Active	Pathology	New Appt.	Active	Pathology
Dann, Phoebe H., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA
Davenport, Linda K., MD	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Davis, Angela A., RN	NA	NA	NA	Reappt.	Allied	Internal Medicine	NA	NA	NA
Davis, Virgnia A., PA	Reappt.	Allied	Peds Emerg. Med.	NA	NA	NA	NA	NA	NA
Dill, Stephen R., MD	Reappt.	Refer & Follow	Internal Medicine	Reappt.	Refer & Follow	Internal Medicine	NA	NA	NA
Ding, Linda E., MD	Reappt.	Active	Peds Surgery	Reappt.	Active	Peds Surgery	Reappt.	Active	Peds Surgery

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
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NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Ding, Linda E., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Doan, Ninh B., MD, PhD.	New Appt.	Active	Neurosurgery	New Appt.	Active	Neurosurgery	New Appt.	Active	Neurosurgery
Douglas, Mark J., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Edwards, Jamira N., CRNP	NA	NA	NA	New Appt.	Allied	Emergency Med.	NA	NA	NA
Ellis, Blesilda Q., MD	Reappt.	Refer & Follow	Internal Medicine	Reappt.	Refer & Follow	Internal Medicine	NA	NA	NA
Fedok, Fred G., MD	Reappt.	Consult/Assoc.	Surgery	Reappt.	Consult/Assoc.	Surgery	NA	NA	NA
Finn, Edgar W., MD	Reappt.	Consult/Assoc.	Psychiatry	Reappt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Goode, Russell D., MD	Reappt.	Consult/Assoc.	Orthopaedics	Reappt.	Consult/Assoc.	Orthopaedics	NA	NA	NA
Grevenitis, Sonia S., MD	New Appt.	Courtesy	Pediatrics	NA	NA	NA	NA	NA	NA
Gutstein, Laurie L., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA
Hand, Jessica C., CNIM	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	NA	NA	NA
Hart, Eugene L., MD	Reappt.	Academic	Pathology	Reappt.	Academic	Pathology	NA	NA	NA
Hart, Katharine E., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Hill, Grayson B., CCC-SLP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Hinson, Robin L., RN	Reappt.	Allied	OBGYN	Reappt.	Allied	OBGYN	NA	NA	NA
Hogue, Antwan J., MD	Reappt.	Consult/Assoc.	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Cons/Assoc/Active	Internal Medicine
Holmes, Jonathan M., MD	New Appt.	Active	Emergency Med.	NA	NA	NA	NA	NA	NA
Howell, Druhan L., MD	Reappt.	Active	Pediatrics	NA	NA	NA	NA	NA	NA
Hudson, Devin W., CRNP	New Appt.	Allied	Orthopaedics	New Appt.	Allied	Orthopaedics	New Appt.	Allied	Orthopaedics
Huggins, Tiffany F., RN	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Johnson, Alfreda M., RN	NA	NA	NA	Reappt.	Allied	Internal Medicine	NA	NA	NA
Jones, Vanessa L. CRNP	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Justice, Wiley H., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Kilgo, William A., MD	New Appt.	Active	Neurology	New Appt.	Active	Neurology	New Appt.	Active	Neurology
King, Jessica L., CRNP	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Kumar, Manoj, MD, MPH	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
LaFrance, Brianne M., CNIM	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	NA	NA	NA
Lewis, Angelia D., CRNP	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Little, Jr., Walter K., DDS	Reappt.	Refer & Follow	Surgery	Reappt.	Refer & Follow	Surgery	NA	NA	NA
Lucas, Eric D., MD	NA	NA	NA	New Appt.	Active	Emergency Med.	NA	NA	NA
Ludvik, Nicholas R. P., MD	New Appt.	Consult/Assoc.	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Cons/Assoc/Active	Internal Medicine
Lutz, Peter O., MD	Reappt.	Refer & Follow	Internal Medicine	Reappt.	Refer & Follow	Internal Medicine	NA	NA	NA
Lyle, Cynthia S., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA
Marshall, Cara A., RN	NA	NA	NA	Reappt.	Allied	Internal Medicine	NA	NA	NA
Martin, Brett S., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Maurtua-Neumann, Paola J., MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
McCoy, Amy M., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
McGhee, Althea C., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	NA	NA	NA
McKean, Jr., George H., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Millenbine, Courtney M., CRNP	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Mneimneh, Wadad S., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Myers, Lori A., MD	NA	NA	NA	Reappt.	Active	Emergency Med.	NA	NA	NA

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
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NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Neal, Kathleen N., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	NA	NA	NA
Nicell, Donald T., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA
Norden, Carole W., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Norris, Florence, RN	NA	NA	NA	Reappt.	Allied	Internal Medicine	NA	NA	NA
Outlaw, Elesyia D., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Overton, Susan, PA	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	NA	NA	NA
Pacheco, Antonio L., MD	NA	NA	NA	New Appt.	Active	Emergency Med.	NA	NA	NA
Pacheco, Antonio L., MD	New Appt.	Active	Emergency Med.	NA	NA	NA	New Appt.	Active	Emergency Med.
Peace, Ashley D., PA	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Petty, Melody L., MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
Pierre, Keniel F., MD	New Appt.	Consult/Assoc.	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Cons/Assoc/Active	Internal Medicine
Pinkston, John A., MD	NA	NA	NA	New Appt.	Contract/Locums	Radiology	New Appt.	Contract/Locums	Radiology
Poosarla, Teja, MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Price, Martha Lane, MD	NA	NA	NA	New Appt.	Contract/Locums	Radiology	New Appt.	Contract/Locums	Radiology
Pruett, Wesley C., MD	NA	NA	NA	New Appt.	Consult/Assoc.	Radiology	NA	NA	NA
Rachel, James N., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Radcliff, Virginia S., MD	Reappt.	Refer & Follow	Internal Medicine	Reappt.	Refer & Follow	Internal Medicine	NA	NA	NA
Ready, Shannon L., RN	Reappt.	Allied	OBGYN	Reappt.	Allied	OBGYN	NA	NA	NA
Ross, Cashee R., Hearing Screener	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Rountree, Heather L., NR	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Roveda, Mary Kelly, MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Rozell, Joseph M., MD	NA	NA	NA	New Appt.	Consult/Assoc.	Radiology	NA	NA	NA
Saden, Jenna M., CNIM	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	NA	NA	NA
Self, John A., CRNA	Reappt.	Allied	Anesthesiology	Reappt.	Allied	Anesthesiology	NA	NA	NA
Self, Lauren C., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Semple, Henry C., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Sheldt, Brian C., RN	NA	NA	NA	New Appt.	Allied	Internal Medicine	NA	NA	NA
Shell, Grantham M., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics
Sheppard, Ryan S., DMD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Slater, Nicole A., Pharm D.	Reappt.	Allied	Family Medicine	Reappt.	Allied	Family Medicine	NA	NA	NA
Smith, James M., DO	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Smith, Lisa M., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Sollie, Rebecca S., MD	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine
Taylor, Tracey L., ACNP-BC	NA	NA	NA	Reappt.	Allied	Emergency Med.	NA	NA	NA
Terry, Andrew P., MD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Thomas, Jacqueline F., CRNP	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Too, Onesmus K., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	NA	NA	NA
Vick, Valerie L., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Wall, Mark B., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Ward, Hollis L., CRNP	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	NA	NA	NA
Wiles, Brent L., CCC-SLP	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery
Williams, Jennifer G., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Wong, Waikeong P., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA

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NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Change Requests									
Baker, Susan L., MD	Add/Del. Priv.	Active	OBGYN	Add/Del Priv.	Active	OBGYN	Add/Del. Priv.	Active	OBGYN
Barber, IV, William H., MD	Add. Priv.	Active	Surgery	Add. Priv.	Active	Surgery	Add. Priv.	Active	Surgery
Bolton, III, Wilburn D., MD	Add. Specialty	Active	Internal Medicine	Add. Specialty	Active	Internal Medicine	Add. Specialty	Active	Internal Medicine
Brown, Mark S., MD	Add. Priv.	Consult/Assoc.	Surgery	Add. Priv.	Consult/Assoc.	Surgery	NA	NA	NA
Cameron, Daniel G., MD	Add. Priv.	Active	Internal Medicine	Add. Priv.	Active	Internal Medicine	Add. Priv.	Active	Internal Medicine
Chalam, Jennifer N., MD	Add/Del. Priv.	Active	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Ding, Linda E., MD	Add/Del. Priv.	Active	Ped. Surgery	Add/Del Priv.	Active	Ped. Surgery	Add/Del. Priv.	Active	Ped. Surgery
Ding, Linda E., MD	Add. Pri.	Active	Surgery	Add. Priv.	Active	Surgery	Add. Priv.	Active	Surgery
Hill, Grayson B., CCCSLP	Add. Priv.	Allied	Surgery	Add. Priv.	Allied	Surgery	Add. Priv.	Allied	Surgery
Johnson, Alfreda M., RN	NA	NA	NA	Add. Priv.	Allied	Internal Medicine	NA	NA	NA
Lintner, Alicia C., CRNP	Add. Priv.	Allied	Surgery	Add. Priv.	Allied	Surgery	Add. Priv.	Allied	Surgery
MacDonell, Charlotte S., MD	Chg. Status	Active	Pediatric	NA	NA	NA	NA	NA	NA
Pant, Amit, MD	Add. Priv.	Active	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Shaw, David M., MD	NA	NA	NA	Updated Priv.	Courtesy	Internal Medicine	NA	NA	NA
Williams, Jennifer G., CRNP	Add. Priv.	Allied	Pediatrics	NA	NA	NA	Add. Priv.	Allied	Pediatrics
Retired/Resigned									
Name	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**			
Agagan, Caesar, MD	Resigned	5/10/2018	Internal Medicine	Resigned	5/10/2018	Internal Medicine			
Barton, Patton M., MD	Resigned	4/3/2018	OBGYN	Resigned	4/3/2018	OBGYN			
Bell, Raymond L., MD	NA	NA	NA	Retired	4/26/2018	Internal Medicine			
Case, Brittany H., MD	Resigned	7/2/2018	Internal Medicine	Resigned	7/2/2018	Internal Medicine			
Dinhofer, David S., MD	Resigned	4/26/2018	Radiology	Resigned	4/26/2018	Radiology			
Flanagan, Ashley, CRNP	Resigned	6/19/2018	Internal Medicine	Resigned	6/19/2018	Internal Medicine			
Fowles, Jenna, CRNP	NA	NA	NA	Resigned	6/19/2018	Emergency Med.			
Haygood, Mark A., DO	Resigned	7/2/2018	Psychiatry	Resigned	7/2/2018	Psychiatry			
Lafleur, John C., MD	Retired	4/25/2018	OBGYN	Retired	4/25/2018	OBGYN			
Lightner, Jr., Joel E., MD	Resigned	7/2/2018	Radiology	Resigned	7/2/2018	Radiology			
Maggio, Anthony R., MD	NA	NA	NA	Resigned	6/1/2018	Emergency Med.			
McPhail, Paula, MD	Resigned	6/19/2018	Pediatrics	NA	NA	NA			
Motley, Carol P., MD	Retired	6/25/2018	Family Medicine	Retired	6/25/2018	Family Medicine			
Polcari, Michael J., MD	Resigned	7/2/2018	Internal Medicine	Resigned	7/2/2018	Resigned			
Prim, Latnya C., CRNP	Resigned	4/23/2018	Internal Medicine	Resigned	4/23/2018	Internal Medicine			
Roach, Tonya M., CRNP	Resigned	5/4/2018	Family Medicine	Resigned	5/4/2018	Family Medicine			
Schneider, Jr., Josphe F., MD	Resigned	6/1/2018	Radiology	Resigned	6/1/2018	Radiology			
Swingle, Hanes M., MD	Retired	6/29/2018	Pediatrics	NA	NA	NA			
Tran, Ann, MD	Retired	6/30/2018	Radiology	Retired	6/30/2018	Radiology			
Vierling, Jada E., DNP	Resigned	5/1/2018	OBGYN	NA	NA	NA			
Wentworth, Mary E., DA	Resigned	5/1/2018	Surgery	NA	NA	NA			
Willen, Bryce L., DO	Resigned	7/2/2018	Ped. Emer. Med.	NA	NA	NA			
Yan, Weisi, MD	Resigned	7/9/2018	Radiology	Resigned	7/9/2018	Radiology			
Young, Stephanie B., RN	NA	NA	NA	Resigned	5/1/2018	Internal Medicine			

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
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LEGEND:

New Appt.	**New application for medical/allied staff privileges recommended for approval.**
Reappt.	**Reappointment application for medical/ allied staff privileges recommended for approval.**
No Privs.	**No privileges requested**
Change in Status	**Added privileges** **Change Department**
Retired Resigned	**Moved, Retired or Resigned**

RECOMMENDED BY:

Craig D. Sherman, M.D., Chair of Medical Executive Committee or Chair Elect
USA Children's & Women's Hospital

SBessette MD

Sabrina G. Bessette, M.D., Chair of Medical Executive Committee or Chair Elect
USA Medical Center

Owen Bailey
Chief Executive Officer & Senior Associate Vice President for Medical Affairs
USA Health

RESOLUTION

RENAMING UNIVERSITY OF SOUTH ALABAMA HOSPITALS AND CLINICS

WHEREAS, the University of South Alabama provides patient care through USA Health at the University of South Alabama Medical Center and University of South Alabama Children's & Women's Hospital, as well as the University of South Alabama Mitchell Cancer Institute and the University of South Alabama Physicians Group, and

WHEREAS, the current names of these facilities do not fully reflect their mission, influence and scope as an academic nexus of medical education, clinical care and research in the Gulf Coast region, and

WHEREAS, the University of South Alabama desires to continue to underscore the multifaceted nature of its many and varied services and functions, as well as its special mission as an academic medical system, and

WHEREAS, USA Health provides innovative, integrated, comprehensive care and unique services available at no other medical facilities in the region, including the only Level 1 trauma center, which is ranked in the top 10 percent of U.S. trauma centers; the Arnold Luterman Regional Burn Center, which was ranked No. 1 in the United States for patient outcomes; the only hospital dedicated to the unique care of children and women, with neonatal and pediatric intensive care units and a pediatric emergency department; the only comprehensive cancer research and clinical care facility; and the region's largest network of physician specialists, and

WHEREAS, the University of South Alabama has a long tradition of providing education for generations of physicians, nurses and allied health professionals through its residency programs and preceptorships, and

WHEREAS, USA Health's unique mission as an academic health system is to help people lead longer, better lives through research, clinical care and education,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees renames its health care facilities and clinics, respectively, as USA Health University Hospital, USA Health Children's & Women's Hospital, USA Health Mitchell Cancer Institute, and USA Health Physicians Group.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM
USA Health

Date:
August 29, 2018

To:
Tony G. Waldrop, PhD

From:

John V. Marymont, MD, MBA
Vice President for Medical Affairs
Dean College of Medicine

Owen Bailey, FACHE
Chief Executive Officer
Senior Associate Vice President for Medical Affairs

Subject:
Resolution – Renaming University of South Alabama Hospitals and Clinics

We are pleased to make this request to change the names of our health care facilities and clinics, respectively, as USA Health University Hospital, USA Health Children's & Women's Hospital, USA Health Mitchell Cancer Institute, and USA Health Physicians Group. Our team feels strongly that the new names will more accurately reflect our role and mission in the region as an Academic Health System, and will more directly reflect our relationship with the University of South Alabama. These new names are also another important step in the rebranding process which is underway for USA Health, and it will better position us in the local and regional markets.

Thank you for your consideration of the attached resolution.

OB/kh

Attachment

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

May 31, 2018
3:07 p.m.

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Scott Charlton, Chair, on Thursday, May 31, 2018, at 3:07 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Graham, Lenus Perkins and Mike Windom.
Member Absent:	Margie Tuckson.
Other Trustees:	Ron Jenkins, Arlene Mitchell, Jimmy Shumock, Ken Simon, Steve Stokes and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Angela Coleman, Brant Cook, Josh Crownover, Reid Cummings, Joel Erdmann, Julie Estis, Monica Ezell, Mike Finan, John Friend, Happy Fulford, Chris Hansen, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Neel Patel, Matthew Reichert (Faculty Senate), John Smith, Jana Stupavsky, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Dr. Charlton called for consideration of the minutes of the meeting held on March 1, 2018. On motion by Mr. Windom, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Dr. Charlton called upon Dr. Smith, who introduced new Chief Compliance Officer Mr. Chris Hansen. As part of **ITEM 19**, a report on the activities of the Division of Student Affairs, Dr. Smith shared that, effective June 25, the college division of book retailer Barnes & Noble would manage University Bookstore operations.

Dr. Charlton called upon Provost Johnson for presentation of **ITEM 15**, a resolution commending retired College of Nursing Dean Dr. Debra Davis for service (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting on June 1, 2018). On motion by Ms. Mitchell, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Charlton asked Provost Johnson to discuss **ITEM 16**, a resolution granting tenure and promotion to faculty members as recommended. On motion by Mr. Windom, seconded by Mr. Perkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Concerning **ITEM 17**, a resolution authorizing tuition, fees, and housing and dining rates for 2018-2019 as set forth, Provost Johnson summarized a recommendation for a five percent increase in tuition, a new academic infrastructure and technology fee, and a nominal increase in engineering tuition that would fund the hiring of a faculty member to serve as a professor of practice. He emphasized, with the increases as proposed, South's rates would continue to be competitively positioned among those of peer institutions in the state. Dr. Marymont added that a three-percent increase in College of Medicine tuition was recommended as well. Dr. Smith said the proposal included an increase in housing rates averaging 3.7 percent and in dining rates averaging 3.4 percent, the proceeds of which would help fund improvements to the dining program and residential facilities. He further reminded the group that revenues from state appropriation and tuition were not expended on housing and dining operations. President Waldrop stressed the importance of sustaining quality programs. Brief discussion took place on the impact of minimal tuition and fee increases over time. On motion by Ms. Atkins, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Charlton called upon Dr. Mitchell for additional remarks related to **ITEM 19**, a report on the activities of the Division of Student Affairs. Dr. Mitchell introduced South's new Director of the Office of Counseling and Testing Services, Dr. John Friend. Associate Dean of Students and Title IX Coordinator Dr. Krista Harrell introduced 2017-2018 Global Student Director Mr. Josh Crownover and incoming director for 2018-2019 Mr. Bryant Cook. She talked about the formation of a Global Student Leader Network at South designed to connect students with their counterparts at other institutions in the nation and beyond. Mr. Crownover shared brief remarks on the initiative.

Dr. Charlton asked Ms. Chronister to address **ITEM 20**, a report on the activities of the Division of Research and Economic Development. Ms. Chronister introduced Mitchell College of Business Economics and Finance Assistant Professor Dr. Reid Cummings and Management Instructor Ms. Jana Stupavsky, who serve as the Director and Assistant Director of South's Center for Real Estate and Economic Development (CREED), respectively. Dr. Cummings and Ms. Stupavsky gave an overview on the services provided by CREED. Business major Mr. Neel Patel was recognized for his role with the Center.

Dr. Charlton called for a report on the activities of the Division of Academic Affairs, **ITEM 18**. Provost Johnson introduced Speech Pathology and Audiology Associate Professor Dr. Julie Estis, who serves as Director of TeamUSA, the University's quality enhancement plan (QEP). Dr. Estis shared information on TeamUSA, which focuses on team-based learning in the classroom to improve student outcomes.

Provost Johnson introduced Associate Vice President for Institutional Effectiveness Dr. Angela Coleman, who advised of a new SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) standard that will require boards to conduct regular self-assessments.

There being no further business, the meeting was adjourned at 4:29 p.m.

Respectfully submitted:

Scott Charlton, M.D., Chair

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

May 31, 2018
4:29 p.m.

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Vice Chair, on Thursday, May 31, 2018, at 4:29 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Ron Graham, Arlene Mitchell, Lenus Perkins, Steve Stokes and Jim Yance.
Member Absent:	Tom Corcoran.
Other Trustees:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Jenkins, Jimmy Shumock, Ken Simon and Mike Windom.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Matthew Reichert (Faculty Senate), John Smith, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Mr. Yance called for adoption of the revised agenda. On motion by Mr. Perkins, seconded by Mr. Graham, the revised agenda was adopted unanimously.

Mr. Yance called for consideration of the minutes of the meeting held on March 1, 2018. On motion by Ms. Mitchell, seconded by Mr. Perkins, the Committee voted unanimously to adopt the minutes.

Mr. Yance called upon Mr. Weldon to address the quarterly financial statements for the six months ended March 31, 2018, **ITEM 21**. Mr. Weldon advised of a $4.5 million increase in net position compared to a $22 million increase in net position at the end of March 2017. He said the information in the financial statements was as expected.

Mr. Yance called on Ms. Chronister for presentation of **ITEM 22**, a resolution to elect directors of the USA Research and Technology Corporation (RTC) Board as nominated (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 1, 2018). On motion by Ms. Mitchell, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance asked Mr. Weldon to discuss **ITEM 23**, a resolution authorizing the President to execute a rent supplement agreement to replace one created in 2007 that guaranteed RTC debt owed to Wells Fargo Bank (formerly Wachovia Bank). Mr. Weldon explained that refinancing of this debt to capitalize on lower interest rates, along with termination of an interest rate swap, would allow the

RTC to save money and improve cash flow. He said refinancing with a different lender necessitated a new rent supplement agreement. On motion by Ms. Atkins, seconded by Mr. Perkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called on President Waldrop to address **ITEM 23.A**, a resolution authorizing the President to execute a contract for site work in preparation for construction of an on-campus football stadium subject to applicable bid laws and specific funding conditions. President Waldrop conveyed optimism that construction of a stadium could be completed in time for the 2020 football season and he advised of numerous meetings held with potential donors, as well as with members of the Mobile City Council and Mobile County Commission, to discuss funding support. He and Dr. Erdmann thanked Mr. Yance and Mr. Shumock for their commitment in attending the meetings. Dr. Erdmann credited Associate Vice President for Facilities Management Mr. Randy Moon for expert guidance in the planning process and he presented artistic renderings depicting the proposed 25,000-seat, stadium that would be built adjacent to the Jaguar Training Center and Football Field House. President Waldrop emphasized that tuition dollars would not be used for the project and said progress would depend primarily on funding commitments from public and private sources. Mr. Weldon advised that construction of the proposed $70 to $75 million stadium would be financed with a bond issue and debt service would be paid from Athletics and Auxiliary Enterprises revenue streams as well as from pledged community support. He added that execution of a bond issue may have a minor impact on the University's bond rating. Mr. Yance and Mr. Shumock conveyed appreciation for the collaborative process. On motion by Dr. Stokes, seconded by Mr. Perkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

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

Respectfully submitted:

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James A. Yance, Vice Chair

University of South Alabama
(A Component Unit of the State of Alabama)

Basic Financial Statements

Nine Months Ended June 30, 2018 and 2017

Unaudited

University of South Alabama
(A Component Unit of the State of Alabama)

Quarterly Financial Statements

Nine Months Ended June 30, 2018 and 2017

Contents

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University). This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

Financial Highlights

At June 30, 2018 and 2017, the University had total assets and deferred outflows of $1,253,062,000 and $1,238,396,000, respectively; total liabilities and deferred inflows of $982,609,000 and $985,249,000, respectively; and net position of $270,453,000 and $253,147,000, respectively. Net position increased $4,634,000 for the nine months ended June 30, 2018 compared to an increase of $35,153,000 for the nine months ended June 30, 2017. An overview of each statement is presented herein along with financial analysis of the transactions impacting each statement.

Condensed financial statements for the University at and for the nine months ended June 30, 2018 and 2017 follow (in thousands):

Condensed Schedules of Net Position

	2018	2017
Assets		
Current	$ 229,023	$ 225,287
Capital and other noncurrent assets	965,329	961,055
Deferred outflows	58,710	52,054
	1,253,062	1,238,396
Liabilities		
Current	172,126	163,913
Noncurrent	762,425	782,115
Deferred inflows	48,058	39,221
	982,609	985,249
Net position:		
Net investment in capital assets	324,444	292,218
Restricted, nonexpendable	58,564	52,580
Restricted, expendable	65,709	62,893
Unrestricted	(178,264)	(154,544)
	$ 270,453	$ 253,147

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

	2018	2017
Operating revenues:		
Tuition and fees	$ 111,543	$ 120,018
Patient service revenues	299,705	289,003
Federal, state and private grants and contracts	22,442	24,740
Other	60,969	66,716
	494,659	500,477
Operating expenses:		
Salaries and benefits	359,061	357,932
Supplies and other services	191,850	163,146
Other	46,735	46,465
	597,646	567,543
Operating loss	(102,987)	(67,066)
Nonoperating revenues (expenses):		
State appropriations	81,424	80,464
Investment income	8,679	14,463
Other, net	11,646	2,242
Net nonoperating revenues	101,749	97,169
Income (loss) before capital contributions and grants and additions to endowment	(1,238)	30,103
Capital contributions and grants and additions to endowment	5,872	5,050
Increase in net position	4,634	35,153
Beginning net position	265,819	217,994
Ending net position	$ 270,453	$ 253,147

Analysis of Financial Position and Results of Operations

Statements of Net Position

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

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and net patient receivables. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

Net position represents the residual interest in the University's assets after liabilities are deducted. Net position of the University as of the end of the current reporting period is as follows:

Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of 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.

GASB Statement No. 75, effective for fiscal year ending September 30, 2018, updates the reporting guidance for governmental institutions that provide other postemployment benefits (OPEB) by requiring the OPEB liability, based on an actuarial valuation, to be reported on the face of the financial statements. The statement also enhances financial statement note disclosures.

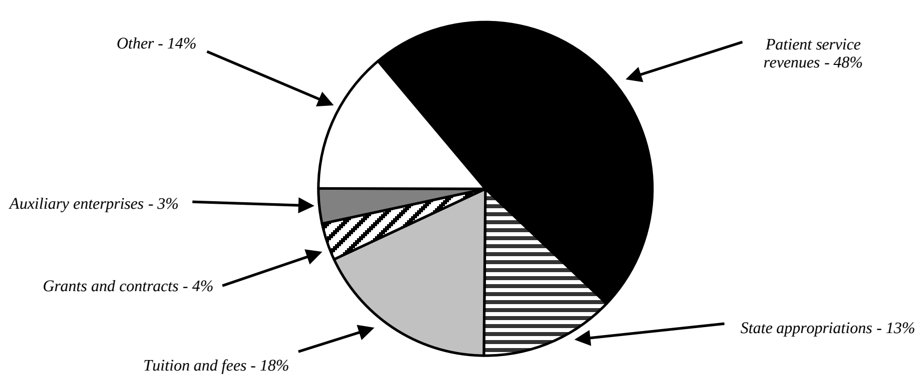
Statements of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statements 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.

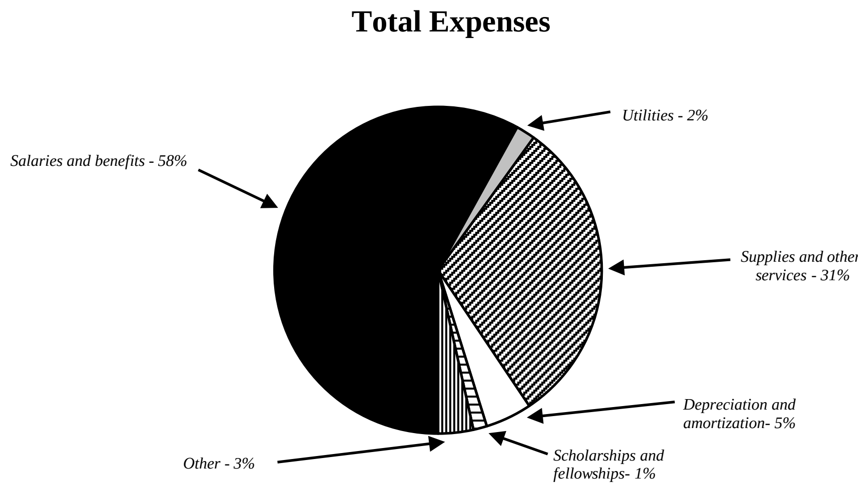
Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues have the characteristics of nonexchange transactions and are generally earned when no goods or services are provided. State appropriations are required by GASB Statement No. 34 to be classified as nonoperating revenues.

Approximately 48% of total revenues of the University are patient service revenues. The remainder consists primarily of tuition and fees, state appropriations, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of total University revenues (operating, nonoperating and other) for the current period:

Total Revenues



University expenses are presented using natural expense classifications. Salaries and benefits and supplies and other services represent the majority of the University's total expenses. The following illustration presents the University's total expenses, using natural classifications for the current period:



Capital Assets and Debt Administration

During the current period, construction and construction planning continues on a new residence hall and a major upgrade of infrastructure on the University's main campus. Additionally, several other smaller construction and renovation projects at the University and the University of South Alabama Health System (USA Health) remained ongoing during the current period.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of $85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they are called in August 2018. Neither the assets of the escrow trust account, nor the defeased indebtedness is included in the accompanying statements of net position. At the date of refunding the principal outstanding on all defeased bonds was $93,540,000 and the remaining undefeased portion was $5,565,000. The refunding resulted in net present value cash flow savings of approximately $15,016,000.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C and D, with a face value totaling $100,000,000. The proceeds from the Series 2016 Bonds were used to refund the outstanding Series 2006 Bonds.

In June 2017, the University issued its University Facilities Revenue Bonds, Series 2017, with a face value of $38,105,000. The proceeds from the Series 2017 Bonds are being used to construct a new residence hall on the campus of the University and support ongoing infrastructure improvement projects.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Services and A+ (Stable) as rated by Standard and Poor's Rating Services. Neither rating changed during 2018 or 2017.

Economic Outlook

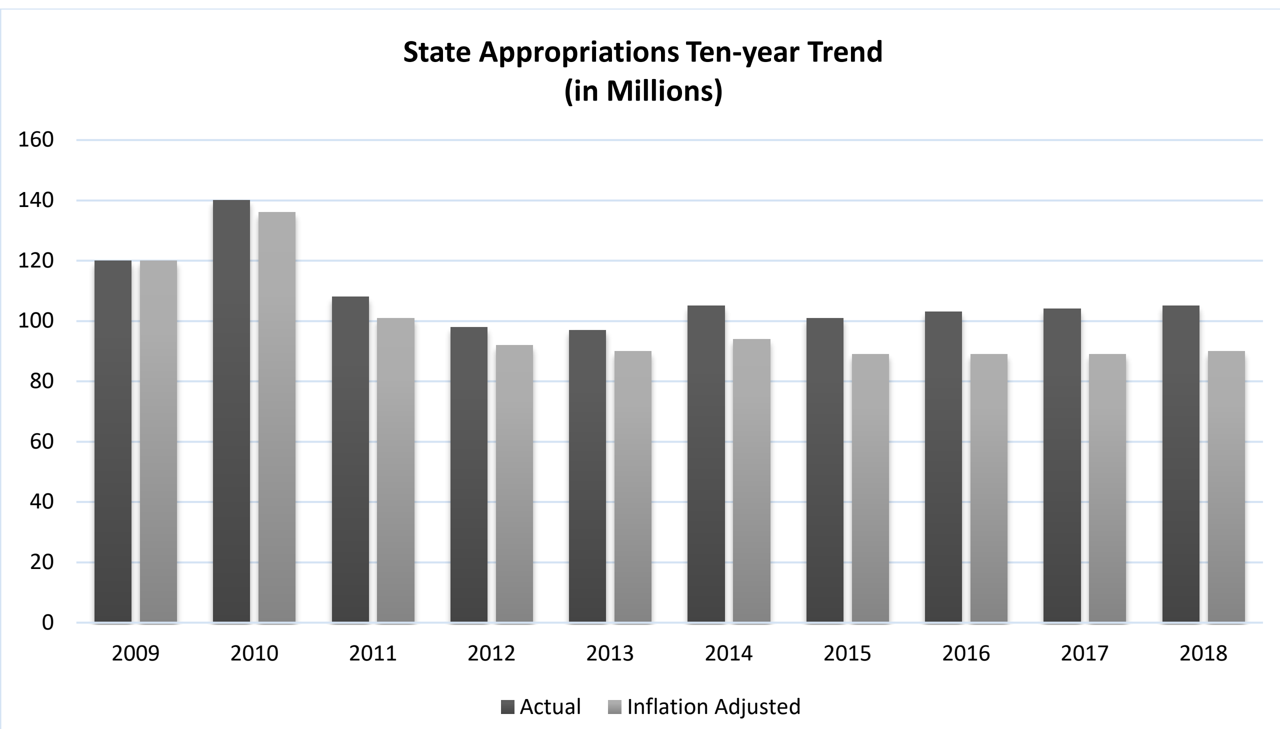
Tuition revenues and enrollment have generally increased in recent years. However, the University experienced a decrease in tuition and enrollment of approximately 5% for the Fall 2017 and a decrease of approximately 7% for the Spring 2018 semesters due primarily to a decline in international student enrollment. Further decline in enrollment is possible in 2018.

State appropriations in the amount of approximately $107,332,000 and $105,024,000 were authorized and received for the fiscal years ended September 30, 2017 and 2016, respectively.

A state appropriation in the amount of $107,285,000 has been authorized for the fiscal year ending September 30, 2018, which will result in a slight decrease from the fiscal 2017 appropriation received.

A state appropriation in the amount of $111,074,000 has been authorized for the fiscal year ending September 30, 2019, which will result in an increase of $3,789,000 from the fiscal 2018 appropriation. While no announcement has been made or anticipated, the University is aware that reductions in the 2019 appropriation are possible.

The ten-year trend of state appropriations (actual and inflation-adjusted) for the University is as follows:



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

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 2018 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Position

June 30, 2018 and 2017

(In thousands)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 74,583	$ 57,713
Investments, at fair value	21,017	17,911
Net patient service receivables	39,478	51,661
Accounts receivable	82,624	84,893
Notes receivable, net	1,305	539
Prepaid expenses, inventories and other	10,016	12,570
Total current assets	229,023	225,287
Noncurrent assets		
Restricted cash and cash equivalents	12,777	37,101
Restricted investments	193,977	199,914
Investments, at fair value	19,305	16,454
Accounts receivable	4,965	1,221
Notes receivable, net	6,327	6,674
Other noncurrent assets	14,958	20,808
Capital assets (net of accumulated depreciation)	713,020	678,883
Total noncurrent assets	965,329	961,055
Deferred outflows	58,710	52,054
Total assets and deferred outflows	1,253,062	1,238,396
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	51,368	48,698
Unrecognized revenue	89,233	83,975
Deposits	2,133	1,906
Current portion of long-term debt	26,082	26,024
Current portion of other long-term liabilities	3,310	3,310
Total current liabilities	172,126	163,913
Noncurrent liabilities		
Long-term debt	375,063	395,468
Net pension liability	336,477	329,294
Other long-term liabilities	50,885	57,353
Total noncurrent liabilities	762,425	782,115
Deferred inflows	48,058	39,221
Total liabilities and deferred inflows	982,609	985,249
Net position		
Net investment in capital assets	324,444	292,218
Restricted, nonexpendable		
Scholarships	28,961	26,214
Other	29,603	26,366
Restricted, expendable		
Scholarships	16,471	16,499
Other	49,238	46,394
Unrestricted	(178,264)	(154,544)
Total net positon	$ 270,453	$ 253,147

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Nine Months Ended June 30, 2018 and 2017

(In thousands)

	2018	2017
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	$ 111,543	$ 120,018
Patient service revenues (net of provision for bad debts)	299,705	289,003
Federal grants and contracts	10,980	13,383
State grants and contracts	4,852	5,303
Private grants and contracts	6,610	6,054
Auxiliary enterprises (net of scholarship allowances)	21,084	20,277
Other operating revenues	39,885	46,439
Total operating revenues	494,659	500,477
Expenses		
Operating expenses		
Salaries and benefits	359,061	357,932
Supplies and other services	191,850	163,146
Scholarships and fellowships	6,670	6,907
Utilities	11,209	11,533
Depreciation and amortization	28,856	28,025
Total operating expenses	597,646	567,543
Operating loss	(102,987)	(67,066)
Nonoperating revenues (expenses)		
State appropriations	81,424	80,464
Investment income	8,679	14,463
Interest on indebtedness	(9,193)	(8,877)
Other nonoperating revenues	31,836	21,479
Other nonoperating expenses	(10,997)	(10,360)
Net nonoperating revenues	101,749	97,169
Income (loss) before capital contributions and additions to endowment	(1,238)	30,103
Capital contributions and grants	599	706
Additions to endowment	5,273	4,344
Increase in net position	4,634	35,153
Net position		
Beginning of period	265,819	217,994
End of period	$ 270,453	$ 253,147

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Cash Flows

Nine Months Ended June 30, 2018 and 2017

(in thousands)

	2018	2017
Cash flows from operating activities:		
Receipts related to tuition and fees	$ 83,920	$ 88,768
Receipts from and on behalf of patients and third-party payers	309,515	285,542
Receipts from grants and contracts	22,985	27,007
Receipts related to auxiliary enterprises	14,973	14,941
Payments to suppliers and vendors	(190,282)	(182,667)
Payments to employees and related benefits	(369,913)	(359,675)
Payments for scholarships and fellowships	(6,298)	(6,907)
Other operating receipts	34,656	46,436
Net cash used in operating activities	(100,444)	(86,555)
Cash flows from noncapital financing activities:		
State appropriations	81,424	71,523
Endowment gifts	5,273	4,344
Agency funds received	973	1,038
Agency funds disbursed	(271)	(792)
Student loan program receipts	82,814	81,542
Student loan program disbursements	(83,455)	(81,647)
Other nonoperating revenues	30,589	25,900
Other nonoperating expenses	(11,167)	(10,360)
Net cash provided by noncapital financing activities	106,180	91,548
Cash flows from capital and related financing activities:		
Capital gifts and grants	599	706
Purchases of capital assets	(45,107)	(52,753)
Proceeds from issuance of capital debt	-	146,784
Principal payments on capital debt	(13,312)	(112,675)
Interest payments on capital debt	(13,321)	(10,823)
Net cash used in capital and related financing activities	(71,141)	(28,761)
Cash flows from investing activities:		
Interest and dividends and unrealized gains (losses) on investments	9,566	6,704
Proceeds from sales of investments	26,408	34,119
Purchases of investments	(15,018)	(39,739)
Net cash provided by investing activities	20,956	1,084
	(44,449)	(22,684)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	131,809	117,498
End of period	$ 87,360	$ 94,814

University of South Alabama

Statements of Cash Flows

Nine Months Ended June 30, 2018 and 2017

(in thousands)

	2018	2017
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (102,987)	$ (67,066)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	28,856	28,025
Changes in operating assets and liabilities, net:		
Student receivables	(51,067)	(51,158)
Net patient service receivables	10,260	(3,764)
Grants and contracts receivables	2,656	3,303
Other receivables	(18,422)	(7,628)
Prepaid expenses, inventories and other	15,069	(438)
Accounts payable and accrued liabilities	(13,213)	(9,130)
Unrecognized revenue	28,404	21,301
Net cash used in operating activities	$ (100,444)	$ (86,555)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

Reporting Entity

The accompanying basic financial statements present the financial position and activities of the University of South Alabama (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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* 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 and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, at year-end, 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 amends 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, the University reports the University of South Alabama Foundation (USA Foundation) and the USA Research and Technology Corporation (the Corporation) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, discretely presented component unit financial statements are not presented in the basic financial statements of the University.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), the Gulf Coast Regional Care Organization (RCO) and the University of South Alabama Health Care Authority (HCA). These entities are not considered component units of the University under the provisions of GASB Statements No. 14, 39 and 61 because the University does not consider these entities significant enough to warrant inclusion in the University's reporting entity.

GASB Statement No. 61 and GASB Statement No. 80, *Blending Requirements for Certain Component Units,* require 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 as defined by GASB Statement No. 61 and No. 80. Based on these criteria, the University reports the Professional Liability Trust Fund (PLTF), General Liability Trust Fund (GLTF) and USA HealthCare Management, LLC (HCM) as blended component units. For quarterly reporting purposes, only HCM is presented as a blended component unit in the basic financial statements of the University. All significant transactions among the University and its blended component units have been eliminated in consolidation.

Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, University of South Alabama Health Services Foundation (USAHSF), 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, USAHSF, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University is responsible. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president.

USA HealthCare Management, LLC

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM.

University of South Alabama Foundation

The University of South Alabama Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation has a June 30 fiscal year end which differs from the University's September 30 fiscal year end.

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.

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.

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.

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 and include repurchase agreements and money market accounts.

Investments and Investment Income

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

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.

Accounts Receivable

Patient service receivables primarily result from hospital and ambulatory patient service revenues. Accounts receivable 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 service receivables are recorded net of estimated uncollectible amounts.

Inventories

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

Capital Assets

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the periods ended June 30, 2018 and 2017 was $873,000 and $437,000, respectively.

Unrecognized Revenue

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenue and then recognized over the applicable portion of each school term.

Classifications of Net Position

The University's net position is classified as follows:

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

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

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

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

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

Scholarship Allowances and Student Financial Aid

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

Donor Restricted Endowments

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

Classification of Revenues

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

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

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

Gifts and Pledges

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

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.

Patient Service Revenues

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

Compensated Absences

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

Reclassifications

Certain amounts in the 2017 basic financial statements have been reclassified in order to conform to the 2018 classification.

(2) Income Taxes

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

(3) Cash

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, 2017 and 2016, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $10.8 billion and $10.7 billion, respectively. The University's cash and cash equivalents totaled $87,360,000 and $94,814,000 at June 30, 2018 and 2017, respectively.

At June 30, 2018, restricted cash and cash equivalents consist of $207,000 related to monies held in endowment accounts and $12,570,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture.

At June 30, 2017, restricted cash and cash equivalents consist of $2,090,000 related to monies held for a capital project at HCM, $184,000 related to monies held in endowment accounts and $34,827,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indentures.

(4) Investments

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

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

Investments of the University, by type, at fair value, are as follows at June 30, 2018 and 2017 (in thousands):

	2018	2017
U.S. federal agency notes	$ 70,770	$ 76,334
Commingled equity funds	77,687	79,699
Commingled fixed income funds	38,034	37,750
Marketable equity securities	11,914	12,488
Real estate	295	360
Private equity	1,879	—
Managed income alternative investments (low-volatility multi-strategy funds of funds)	33,720	27,648
	$ 234,299	$ 234,279

At June 30, 2018 and 2017, $18,508,000 and $16,203,000, respectively, of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statements of net position.

(i) Credit Risk and Concentration of Credit Risk

Non-Endowment Cash Pool Investment Policy

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

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

Endowment Fund Investment Policy

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

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

(ii) Interest Rate Risk

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

(iii) 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.

(iv) 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 measurements date. The University of South Alabama 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 of South Alabama's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy.

(5) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the period ended June 30, 2018 follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 389,424	$ 320	$ (10,258)	$ 379,486	$ 20,895	$ 358,591
Notes payable	5,542	—	(171)	5,371	1,033	4,338
Capital lease obligations	17,332	1,925	(2,969)	16,288	4,154	12,134
Total long-term debt	412,298	2,245	(13,398)	401,145	26,082	375,063
Other noncurrent liabilities						
Net pension liability	336,477	—	—	336,477	—	336,477
Other long-term liabilities	65,849	78	(11,732)	54,195	3,310	50,885
Total other noncurrent liabilities	402,326	78	(11,732)	390,672	3,310	387,362
Total noncurrent liabilities	$ 814,624	$ 2,323	$ (25,130)	$ 791,817	$ 29,392	$ 762,425

A summary of the University's noncurrent liability activity for the period ended June 30, 2017 follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 367,557	$ 144,840	$ (114,550)	$ 397,847	$ 18,878	$ 378,969
Notes payable	3,484	2,266	(151)	5,599	3,710	1,889
Capital lease obligations	17,771	3,160	(2,885)	18,046	3,436	14,610
Total long-term debt	388,812	150,266	(117,586)	421,492	26,024	395,468
Other noncurrent liabilities						
Net pension liability	329,294	—	—	329,294	—	329,294
Other long-term liabilities	68,183	12,222	(19,742)	60,663	3,310	57,353
Total other noncurrent liabilities	397,477	12,222	(19,742)	389,957	3,310	386,647
Total noncurrent liabilities	$ 786,289	$ 162,488	$ (137,328)	$ 811,449	$ 29,334	$ 782,115

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

During 2017, the University entered into a note payable for a period of ten years payable monthly at $18,882 to finance improvements of the HVAC system for USA Health. The amount outstanding on the note at June 30, 2018 and 2017 is $1,888,000 and $2,115,000, respectively.

In June 2016, the University entered into a variable interest rate revolving line of credit with Compass Bank to, among other reasons, fund certain capital improvements to various health care facilities for USA Health. The total amount available under the line of credit is $30,000,000 and interest on the outstanding amounts is accrued at the rate of 65% of the LIBOR plus 77 basis points. The line of credit matured in June 2018 and is in the process of being renegotiated. The amount outstanding at June 30, 2018 and 2017 is $50,000, and is reported as current portion of long-term debt in the statements of net position.

In March 2015, the University entered into a variable interest rate revolving line of credit with Compass Bank to, among other reasons, fund the acquisition of certain real property by USA Health. The total amount available under the line of credit is $5,000,000 and interest on the outstanding amounts accrued at the rate of the London InterBank Offered Rate (LIBOR) plus 1.00% with a maturity date of April 15, 2017. The line of credit was renewed until June 10, 2018. On July 27, 2018 the agreement was modified to an unsecured loan whereby the University will make principal and interest payments of approximately $63,000 over 60 months. Interest accrues at a fixed rate of 3.85% per annum. The amount outstanding at June 30, 2018 and 2017 is $3,434,000, and is reported as current portion of long-term debt in the statements of net position.

(6) Bonds Payable

Bonds payable consisted of the following at June 30, 2018 and 2017 (in thousands):

	2018	2017
University Tuition Revenue Bonds, Series 1999, Capital Appreciation, 4.70% to 5.25%, payable November 2011 through November 2018	$ 7,390	$ 14,419
University Facilities Revenue and Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2018	2,850	5,565
University Facilities Revenue and Capital Improvement Bonds, Series 2010, 3.81%, payable through August 2030	21,820	23,102
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92% payable through August 2032	19,950	21,025
University Facilities Revenue Capital Improvement Bonds, Series 2012-B, 2.14% paid in full as of February 2018	—	1,365
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	26,944	28,261
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033	6,736	7,065
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028	7,722	8,315
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of LIBOR plus 0.73%, 2.14% at June 30, 2018, payable through March 2024	39,030	39,670
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030	4,875	5,250
University Facilities Revenue Refunding Bonds, Series 2016, 3.00% to 5.00% payable through November 2037	85,605	85,605
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 2.13% at June 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021	20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 2.18% at June 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023	35,000	35,000

	2018	2017
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 2.24% at June 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	$ 45,000	$ 45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	37,410	38,105
	360,332	377,747
Plus unamortized premium	21,026	22,087
Less unaccreted discount	(5)	(11)
Less unamortized debt extinguishment costs	(1,867)	(1,976)
	$ 379,486	$ 397,847

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes Children's and Women's Hospital revenues in an amount not exceeding $10,000,000. Series 1999 Capital Appreciation Bonds began maturing in November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2006 Bonds were refunded in December 2016 with the issuance of the University Facilities Revenue Refunding Bonds, Series 2016-B, C and D Bonds, with a face value totaling $100,000,000. Series 2008 Bonds began maturing in August 2009 and are redeemable beginning in August 2018. The Series 2010 Bonds began maturing in August 2011 and are redeemable beginning in February 2020. The 2012-A and 2012-B Bonds began maturing in August 2013. The 2012-A Bonds are redeemable beginning in August 2021 and the 2012-B Bonds were paid in full as of February 2018. The 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and are redeemable beginning in June 2020. The Series 2016 Bonds will begin 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.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of $85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they are called in December 2018. Neither the assets of the escrow trust account nor the defeased indebtedness is included in the accompanying statements of net position. The loss on the defeasement of the 2008 Bonds of $7,859,000 is recorded as a deferred outflow and amortized over the remaining life of the 2016 Bonds. The principal outstanding on all defeased bonds is $93,540,000 at June 30, 2018 and 2017. The remaining undefeased portion of the Series 2008 bonds at June 30, 2018 and 2017 is $2,850,000 and $5,565,000, respectively, and is included in current portion of long-term debt and long-term debt on the accompanying 2018 and 2017 statements of net position.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C and D, with a face value totaling $100,000,000. The proceeds from the Series 2016 Bonds were used to refund the outstanding 2006 Bonds.

In June 2017, the University issued its University Facilities Revenue Bonds, Series 2017, with a face value of $38,105,000. The proceeds from the Series 2017 Bonds are financing a new residence hall on the campus of the University and supporting ongoing infrastructure improvement projects.

Approximately $12,570,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at June 30, 2018 and is included in restricted cash and cash equivalents on the 2018 statement of net position. These funds are restricted for capital purposes as outlined in the bond indenture.

Approximately $192,000, $14,000 and $34,621,000 of proceeds from the issuance of Series 2013-A, Series 2015 and Series 2017 Bonds, respectively, remained unspent at June 30, 2017. These funds were restricted for capital purposes as outlined in the respective bond indentures. The remaining funds from Series 2013-A and Series 2015 Bonds have been allocated to capital projects as of June 30, 2018.

The University is subject to restrictive covenants related to its bonds payable. As of the end of the current reporting period, management believes the University was in compliance with such financial covenants.

Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal year is as follows as of June 30, 2018 (in thousands):

	Debt service on notes and bonds			
	Principal	Interest	Additional maturity	Total
2018	$ 8,196	$ 1,738	$ (107)	$ 9,827
2019	18,169	9,846	(49)	27,966
2020	17,231	9,409	—	26,640
2021	17,958	9,003	—	26,961
2022	18,723	8,850	—	27,573
2023–2027	92,793	35,828	—	128,621
2028–2032	94,720	21,983	—	116,703
2033–2037	90,064	8,228	—	98,292
2038	8,005	136	—	8,141
Subtotal	365,859	$ 105,021	$ (156)	$ 470,724
Plus (less):				
Additional maturity	(156)			
Unamortized bond premium	21,026			
Unaccreted bond discount	(5)			
Unamortized debt extinguishment costs	(1,867)			
Total	$ 384,857			

The principal amount of debt service due on bonds at June 30, 2018 and 2017 includes $156,000 representing additional maturity value on Series 1999 Capital Appreciation Bonds. These bonds mature through 2019. Although this additional maturity is presented as principal on the debt service schedule above, it is also recognized as interest expense on an annual basis in the University's basic financial statements as it accretes.

(7) Capital Lease Obligations

In April 2015, the University signed a seven-year purchase agreement, with a $1,000,000 initial payment and quarterly payments thereafter of $590,000 until March 2022, as a method of financing the purchase of certain computer software and hardware for USA Health. In July 2015, the University signed a second seven-year purchase agreement, with a $100,000 initial payment and quarterly payments thereafter of $62,000 until March 2022, as a method of financing additional laboratory software and hardware for USA Health. Also, in July 2015, and modified in September 2016, the University signed a three-year purchase agreement, with modified monthly payments of $30,000 until February 2020, to finance the purchase of a heat recovery system for USA Health. In September 2016, the University signed a six-year purchase agreement, with monthly payments of $66,000 until May 2022, as a method of financing the purchase of certain hospital equipment for USA Health. The University entered into a four-year lease agreement in October 2016 to lease certain office equipment for monthly payments of $1,000 until September 2021. In December 2016, the University signed a five-year tax-exempt capital lease, with monthly payments of $37,000 until October 2022, to finance the acquisition of additional hospital equipment for USA Health. In October 2017, the University entered into a five-year lease for office equipment with monthly payments of $11,000 until September 2022. In November 2017, the University entered into a five-year lease agreement, with monthly payments of $2,000 until October 2022, to finance certain hospital equipment for USA Health. In December 2017, the University entered into a five-year lease agreement for hospital equipment at a monthly amount of $11,000 until January 2023. In March 2018, the University signed a five-year lease agreement for a CT system, with monthly payments of $10,000 until April 2023. The University entered into a five-year tax-exempt equipment lease for an ultrasound system in June 2018 with monthly payments of $1,000 until July 2023.

Future minimum capital lease payments at June 30, 2018, are as follows (in thousands):

Year ending September 30:		
2018	$	1,159
2019		4,638
2020		4,397
2021		4,276
2022		2,771
2023		155
		17,396
Less amounts representing interest		(1,108)
Net minimum lease payments	$	16,288

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

(8) Derivative Transactions – Interest Rate Swaps

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

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the 2016-B, C and D Bonds (see note 6).

Objective of the transactions. As noted, both interest rate swaps were the result of the original January 2008 synthetic advance refunding of the Series 2004 and Series 2006 Bonds. The objective of these transactions was to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

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

The 2016 swap will terminate in December 2036, when the 2016-B, C and D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C and D Bonds bear a weighted average interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.79%.

Fair value. The 2014 interest rate swap had a negative fair value of approximately $(9,138,000) at its inception. This borrowing arising from the 2014 interest rate swap, net of any amortization, is reported as other long-term liabilities on the statements of net position. The change in the fair value of the swap is reported as a deferred inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

The 2016 interest rate swap had a negative fair value of approximately $(48,530,000) at its inception. This borrowing arising from the 2016 interest rate swap, net of any amortization, is reported as other long-term liabilities in the statements of net position. The change in the fair value of the swap is reported as a deferred outflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

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

Risks Associated with these Transactions

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

Credit risk. As of June 30, 2018 and 2017, 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 AA – by Standard & Poor's Ratings Services as of September 30, 2017 and 2016.

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.

(9) 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 the USA Health's billings at established rates for services and amounts reimbursed by third-party payers.

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

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. USA Health is 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 Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

USA Children's & Women's Hospitals Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost reimbursement methodology. For outpatient services, USA Health is paid at a tentative rate with final settlement determined after submission of annual cost reports by USA Health and audits thereof by Blue Cross.

USA Medical Center's and USA Children's & Women's Hospital's Blue Cross reports have been audited by Blue Cross through September 30, 2016.

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

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

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

(10) Defined Benefit Cost Sharing Pension Plan

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

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.

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated form further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

Contributions

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

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

Participating employers' contractually required contribution rates were 12.01% and 11.71% of annual pay for Tier 1 members as of September 30, 2017 and 2016, respectively, and 10.82% and 11.08% of annual pay for Tier 2 members, respectively. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions (excluding certain employer benefits) to the pension plan from the University were $23,664,000 and $23,405,000 for the fiscal years ended September 30, 2017 and 2016, respectively.

Pension Liabilities and Pension Expenses

At June 30, 2018 and 2017, the University reported a liability of $336,477,000 and $329,294,000, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. The University's proportion of the collective net pension liability was based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2016, the University's proportion of contributions to the pension plan was 3.108048%, which was a decrease of 0.077423% from its proportion measured as of September 30, 2015.

For the fiscal years ended September 30, 2017 and 2016, the University recognized pension expense of approximately $27,051,000 and $20,116,000, respectively.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditors' report dated August 1, 2017 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, 2016 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(11) Other Employee Benefits

Other Pension Plans

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. Under this plan, administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed $643,000 and $711,000 for fiscal years 2017 and 2016, respectively, representing 270 and 350 employees, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan, administered by TIAA-CREF or Variable Annuity Life Insurance Company of America (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 $4,468,000 and $3,900,000 in fiscal years 2017 and 2016, respectively, representing 1,345 and 1,425 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for three years; at which time they become 100% vested in the plan.

Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately $12,810,000 and $8,832,000 at June 30, 2018 and 2017, respectively, which are included in other long-term liabilities. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

Other Postretirement Employee Benefits (OPEB)

As the provider of postretirement benefits to state retirees, the state is responsible for applying GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University was assessed a monthly premium by the Public Education Employees' Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium. GASB Statement No. 45 is replaced by GASB Statement No. 75, which is effective for fiscal year ending September 30, 2018. This new standard requires the University to report the OPEB liability, based on an actuarial valuation, on the face of the financial statements and enhance financial statement note disclosures. GASB Statement No. 75 will be implemented in the fourth quarter of 2018 and is not reflected in these financial statements.

(12) Risk Management

The University, HCM, SAMSF and HCA participate in the professional liability trust fund and the University, HCM, SAMSF, the Corporation and HCA participate in the general liability trust fund. Both funds are administered by an independent trustee. 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. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance will be distributed to the participating entities in proportion to contributions made.

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. Contributions by the University and its employees, together with earnings thereon, pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

(13) 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, 2017, SAMSF had total assets of $13,112,000, net assets of $11,121,000, and total revenues of $2,403,000. At September 30, 2016, SAMSF had total assets of $13,884,000, net assets of $10,935,000, and total revenues of $3,544,000. SAMSF reimburses the University for certain administrative expenses and other related support services.

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority. HCA is a public corporation created under and pursuant to the provisions of the University Authority Act of 2016. HCA employs physicians and staff of physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. Since inception, HCA's operations have been partially funded by HCM with total transfers to HCA amounting to approximately

$7,003,000. Transfers, to the extent they are expended by HCA, are reported as other nonoperating expenses on the statement of revenues, expenses and changes in net position.

(14) Commitments and Contingencies

Grants and Contracts

At September 30, 2017 and 2016, the University had been awarded approximately $20,465,000 and $25,411,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, are not reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances are included in unrecognized revenue, and include amounts received from grant and contract sponsors which have not been earned 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.

Letters of Credit

In connection with USA Health's participation in the State of Alabama Medicaid Program, the University has established a $55,382 irrevocable standby letter of credit with Wells Fargo. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds were advanced under this letter during the periods ended June 30, 2018 and 2017.

In connection with RCO participation in the Alabama Medicaid Agency's Health Home Regional Care Organization Program, HCM established a $1,689,000 irrevocable standby letter of credit with Hancock Bank. The Alabama Medicaid Agency was the beneficiary of this letter of credit. No funds were advanced under this letter during the periods ended June 30, 2018 and 2017. Subsequent to June 30, 2018, HCM was released from the letter of credit.

Federal Program Review

In November 2014, the University was the subject of a program review conducted by the U. S. Department of Education. The program review assessed the University's administration of Title IV, Higher Education Act programs for the 2013-2014 fiscal year and the first two months of the 2015 fiscal year. On October 10, 2017, the University received the final program review determination letter. Management is contesting the settlement, but believes there will be no liability to the University beyond the $621,000 currently accrued in the financial statements.

Litigation

Various claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion the resolution of these matters will not have a material effect on the financial position or the statements of revenues, expenses, and changes in net position of the University.

Rent Supplement Agreements

The University has entered into two irrevocable rent supplement agreements with 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. As of June 30, 2018 and 2017, no amounts were payable pursuant to these agreements.

(15) Recently Issued Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose specific information about the agreements. This statement is effective for the current reporting period. In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends Statement No. 68 to exclude pensions that are not governmental pension plans and establishes requirements for the recognition and measurement of non-governmental pension plans that are offered to government employees. Also in December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial statement purposes. Both statements No. 78 and 79 are effective for the University for the current reporting period.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This statement is effective for the University of South Alabama for the current reporting period. Statement 80 amends the blending requirements for financial statement presentation and requires the blending of a component unit that is incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* and Statement No. 82, *Pension Issues*. Both statements are effective for the University of South Alabama for the current reporting period. Statement No. 81 changes the reporting requirements for gifts given to the University in which USA is a beneficiary of a split-interest agreement. Statement No. 82 was issued to address certain matters that have been raised from Statements No. 67, 68 and 73 and clarifies the presentation of payroll-related measures in the required supplementary information, the selection of assumptions and treatment of deviations from the guidance, and the classification of payments made by employers to satisfy employee contribution requirements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will be effective for the University beginning with the fiscal year ending September 30, 2019. Statement 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2020. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*, which will be effective for the University beginning with the fiscal year ending September 30, 2018. The objective is to ensure consistency in the application of accounting and financial reporting requirements related to various topics, including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues,* in May 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2018. Statement 86 addresses financial reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. In June 2017 the GASB issued Statement No. 87, *Leases,* which will be effective for the University beginning with the fiscal year ending September 30, 2021. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was issued in March 2018 to enhance note disclosure for debt agreements. This statement is effective for the University beginning with the fiscal year September 30, 2019. In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which will be effective beginning with fiscal year September 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

The effect of the implementation of GASB Statements Nos. 84, 85, 87, 88 & 89 on the University has not yet been determined.

Statement Nos. 77, 78, 79, 80, 81, 82, 83 and 86 do not have an impact on the University's financial statements.

RESOLUTION

UNIVERSITY TOTAL BUDGET FOR 2018-2019

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2018-2019 University of South Alabama Budget, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees approves the 2018-2019 Budget as a continuation budget for 2019-2020 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2019-2020 fiscal year.

Finance and Administration

UNIVERSITY OF SOUTH ALABAMA

Date:
August 27, 2018

To:
President Tony G. Waldrop

From:
G. Scott Weldon

Subject:
Resolution – University Budget for 2018-2019

Attached is the Resolution for the University Total Budget for 2018-2019. With your approval, we will place this item on the agenda for the August 31, 2018, Board of Trustees meeting.

GSW/cbm

Attachment

UNIVERSITY OF SOUTH ALABAMA
BUDGET
2018-2019

INDEX

UNIVERSITY OF SOUTH ALABAMA
2018-2019 BUDGET SUMMARY
TOTAL CURRENT FUNDS

		2018-2019 BUDGET						
		UNRESTRICTED		**RESTRICTED**		**TOTAL**		**2017-2018 BUDGET**
REVENUES:								
TUITION AND FEES	$	171,726,975	$		$	171,726,975	$	167,764,277
STATE APPROPRIATIONS		111,073,800				111,073,800		107,284,718
FEDERAL GRANTS AND CONTRACTS		3,460,832		35,000,000		38,460,832		38,425,000
STATE AND LOCAL GRANTS AND CONTRACTS		521,943		7,100,000		7,621,943		7,009,924
PRIVATE GIFTS, GRANTS AND CONTRACTS		4,523,100		6,900,000		11,423,100		16,870,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES		8,163,500				8,163,500		7,441,750
USA HEALTH		567,131,481				567,131,481		531,848,359
MITCHELL CANCER INSTITUTE		21,318,247				21,318,247		17,775,126
AUXILIARY ENTERPRISES		23,151,131				23,151,131		30,614,429
OTHER SOURCES		7,652,663		6,500,000		14,152,663		13,271,283
TOTAL REVENUES		918,723,672		55,500,000		974,223,672		938,304,866
EXPENDITURES AND MANDATORY TRANSFERS:								
EDUCATIONAL AND GENERAL:								
INSTRUCTION		113,197,804		9,000,000		122,197,804		119,084,027
RESEARCH		5,491,487		13,500,000		18,991,487		20,111,658
PUBLIC SERVICE		2,892,947		5,100,000		7,992,947		14,296,639
ACADEMIC SUPPORT		30,322,947				30,322,947		29,019,887
STUDENT SERVICES		31,391,978		1,000,000		32,391,978		33,018,941
INSTITUTIONAL SUPPORT		27,386,114				27,386,114		25,832,304
OPERATION AND MAINTENANCE OF PLANT		32,815,702				32,815,702		31,090,533
SCHOLARSHIPS		23,915,948		29,300,000		53,215,948		49,282,367
EDUCATIONAL AND GENERAL EXPENDITURES		267,414,927		57,900,000		325,314,927		321,736,356
MANDATORY TRANSFERS FOR:								
PRINCIPAL AND INTEREST		20,308,939				20,308,939		21,632,949
LOAN FUND MATCHING GRANTS		150,000				150,000		150,000
TOTAL EDUCATIONAL AND GENERAL		287,873,866		57,900,000		345,773,866		343,519,305
USA HEALTH (INCLUDING DEBT SERVICE OF $5,146,046):		566,849,817				566,849,817		534,745,615
MITCHELL CANCER INSTITUTE (INCLUDING DEBT SERVICE OF $1,954,649):		35,201,748				35,201,748		25,771,965
AUXILIARY ENTERPRISES:								
EXPENDITURES		16,853,558				16,853,558		25,323,338
MANDATORY TRANSFERS FOR:								
PRINCIPAL AND INTEREST		6,070,310				6,070,310		4,806,860
TOTAL AUXILIARY ENTERPRISES		22,923,868				22,923,868		30,130,198
TOTAL EXPENDITURES AND MANDATORY TRANSFERS		912,849,299		57,900,000		970,749,299		934,167,083
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):								
RENEWALS AND REPLACEMENTS		(7,961,648)				(7,961,648)		(10,158,710)
OTHER TRANSFERS		2,087,275		2,400,000		4,487,275		4,484,594
NET INCREASE (DECREASE) IN FUND BALANCES	$	-	$	-	$	-	$	(1,536,333)

UNIVERSITY OF SOUTH ALABAMA
2018-2019 BUDGET SUMMARY
UNRESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	USA HEALTH	MITCHELL CANCER INSTITUTE	AUXILIARY ENTERPRISES	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:							
TUITION AND FEES	$ 159,960,975	$ 11,766,000	$	$	$	$ 171,726,975	$ 167,764,277
STATE APPROPRIATIONS	67,757,000	29,008,000	9,308,800	5,000,000		111,073,800	107,284,718
FEDERAL GRANTS AND CONTRACTS	710,832	2,750,000				3,460,832	3,025,000
STATE AND LOCAL GRANTS AND CONTRACTS	316,349	205,594				521,943	509,924
PRIVATE GIFTS, GRANTS AND CONTRACTS	2,873,100	1,650,000				4,523,100	10,670,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	7,763,500	400,000				8,163,500	7,441,750
USA HEALTH			567,131,481			567,131,481	531,848,359
MITCHELL CANCER INSTITUTE				21,318,247		21,318,247	17,775,126
AUXILIARY ENTERPRISES - SALES AND SERVICES					23,151,131	23,151,131	30,614,429
OTHER SOURCES	5,352,663	2,300,000				7,652,663	7,271,283
TOTAL REVENUES	244,734,419	48,079,594	576,440,281	26,318,247	23,151,131	918,723,672	884,204,866
EDUCATIONAL AND GENERAL:							
INSTRUCTION	88,015,482	25,182,322				113,197,804	110,684,027
RESEARCH	3,141,487	2,350,000				5,491,487	6,111,658
PUBLIC SERVICE	1,850,000	1,042,947				2,892,947	8,896,639
ACADEMIC SUPPORT	24,886,520	5,436,427				30,322,947	29,019,887
STUDENT SERVICES	29,361,944	2,030,034				31,391,978	32,018,941
INSTITUTIONAL SUPPORT	23,311,311	4,074,803				27,386,114	25,832,304
OPERATION AND MAINTENANCE OF PLANT	26,415,584	6,400,118				32,815,702	31,090,533
SCHOLARSHIPS	22,753,448	1,162,500				23,915,948	22,782,367
EDUCATIONAL AND GENERAL EXPENDITURES	219,735,776	47,679,151				267,414,927	266,436,356
MANDATORY TRANSFERS FOR:							
PRINCIPAL AND INTEREST	19,908,496	400,443				20,308,939	21,632,949
LOAN FUND MATCHING GRANTS	150,000					150,000	150,000
TOTAL EDUCATIONAL AND GENERAL	239,794,272	48,079,594				287,873,866	288,219,305
USA HEALTH:							
EXPENDITURES AND MANDATORY TRANSFERS			566,849,817			566,849,817	534,745,615
MITCHELL CANCER INSTITUTE:							
EXPENDITURES AND MANDATORY TRANSFERS				35,201,748		35,201,748	25,771,965
AUXILIARY ENTERPRISES:							
EXPENDITURES					16,853,558	16,853,558	25,323,338
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST					6,070,310	6,070,310	4,806,860
TOTAL AUXILIARY ENTERPRISES					22,923,868	22,923,868	30,130,198
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	239,794,272	48,079,594	566,849,817	35,201,748	22,923,868	912,849,299	878,867,083
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):							
RENEWALS AND REPLACEMENTS	(2,200,000)		(5,534,385)		(227,263)	(7,961,648)	(10,158,710)
OTHER TRANSFERS	(2,740,147)		(4,056,079)	8,883,501		2,087,275	3,284,594
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,536,333)

UNIVERSITY OF SOUTH ALABAMA
2018-2019 BUDGET SUMMARY
RESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:					
FEDERAL GRANTS AND CONTRACTS	$ 28,000,000	$ 4,500,000	$ 2,500,000	$ 35,000,000	$ 35,400,000
STATE AND LOCAL GRANTS AND CONTRACTS	5,600,000	1,400,000	100,000	7,100,000	6,500,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	5,300,000	1,100,000	500,000	6,900,000	6,200,000
OTHER	4,700,000	1,700,000	100,000	6,500,000	6,000,000
TOTAL REVENUES	43,600,000	8,700,000	3,200,000	55,500,000	54,100,000
EXPENDITURES:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	7,000,000	2,000,000		9,000,000	8,400,000
RESEARCH	4,900,000	5,600,000	3,000,000	13,500,000	14,000,000
PUBLIC SERVICE	3,200,000	1,900,000		5,100,000	5,400,000
STUDENT SERVICES	1,000,000			1,000,000	1,000,000
SCHOLARSHIPS	28,800,000	500,000		29,300,000	26,500,000
TOTAL EXPENDITURES	44,900,000	10,000,000	3,000,000	57,900,000	55,300,000
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
OTHER TRANSFERS	1,300,000	1,300,000	(200,000)	2,400,000	1,200,000
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -	$ -	$ -	$ -

UNIVERSITY OF SOUTH ALABAMA
OPERATIONS AND MAINTENANCE
2018-2019 BUDGET
UNRESTRICTED CURRENT FUNDS

	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:		
TUITION AND FEES	$ 159,960,975	$ 155,643,277
ALLOCATION OF STATE APPROPRIATIONS	67,757,000	65,335,214
FEDERAL GRANTS AND CONTRACTS	710,832	925,000
STATE GRANTS AND CONTRACTS	316,349	315,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	2,873,100	3,610,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	7,763,500	7,441,750
OTHER SOURCES	5,352,663	5,721,283
TOTAL REVENUES	244,734,419	238,991,524
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	88,015,482	84,054,749
RESEARCH	3,141,487	2,951,658
PUBLIC SERVICE	1,850,000	3,000,000
ACADEMIC SUPPORT	24,886,520	24,812,437
STUDENT SERVICES	29,361,944	30,170,006
INSTITUTIONAL SUPPORT	23,311,311	22,570,772
OPERATION AND MAINTENANCE OF PLANT	26,415,584	26,674,355
SCHOLARSHIPS	22,753,448	21,614,867
EDUCATIONAL AND GENERAL EXPENDITURES	219,735,776	215,848,844
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	19,908,496	21,232,506
LOAN FUND MATCHING GRANTS	150,000	150,000
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	239,794,272	237,231,350
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	(2,200,000)	(4,100,000)
OTHER TRANSFERS	(2,740,147)	803,493
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ (1,536,333)

UNIVERSITY OF SOUTH ALABAMA
COLLEGE OF MEDICINE
2018-2019 BUDGET
UNRESTRICTED CURRENT FUNDS

	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:		
TUITION AND FEES	$ 11,766,000	$ 12,121,000
ALLOCATION OF STATE APPROPRIATIONS	29,008,000	27,972,031
FEDERAL GRANTS AND CONTRACTS	2,750,000	2,100,000
STATE GRANTS AND CONTRACTS	205,594	194,924
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,650,000	7,060,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	400,000	
OTHER SOURCES	2,300,000	1,550,000
TOTAL REVENUES	48,079,594	50,997,955
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	25,182,322	26,629,278
RESEARCH	2,350,000	3,160,000
PUBLIC SERVICE	1,042,947	5,896,639
ACADEMIC SUPPORT	5,436,427	4,207,450
STUDENT SERVICES	2,030,034	1,848,935
INSTITUTIONAL SUPPORT	4,074,803	3,261,532
OPERATION AND MAINTENANCE OF PLANT	6,400,118	4,416,178
SCHOLARSHIPS	1,162,500	1,167,500
EDUCATIONAL AND GENERAL EXPENDITURES	47,679,151	50,587,512
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	400,443	400,443
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	48,079,594	50,987,955
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS		(10,000)
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -

UNIVERSITY OF SOUTH ALABAMA
USA HEALTH
2018-2019 BUDGET
UNRESTRICTED CURRENT FUNDS

	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	$ 902,729,126	$ 865,460,061
CONTRACTUAL ADJUSTMENTS	368,180,583	376,286,463
OTHER ADJUSTMENTS	6,715,178	3,896,961
TOTAL DEDUCTIONS FROM REVENUES	374,895,761	380,183,424
NET PATIENT REVENUES	527,833,365	485,276,637
ALLOCATION OF STATE APPROPRIATIONS	9,308,800	8,977,473
MOBILE COUNTY HOSPITAL BOARD	17,291,204	16,400,000
MOBILE COUNTY INDIGENT CARE BOARD	375,000	326,583
MEDICAID DISPROPORTIONATE SHARE	12,257,913	21,336,209
OTHER REVENUES	9,373,999	8,508,930
TOTAL REVENUES	576,440,281	540,825,832
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
NURSING SERVICES	123,013,376	111,702,744
PROFESSIONAL SERVICES	127,713,166	120,687,696
GENERAL DIVISION	22,620,380	23,453,024
ADMINISTRATIVE DIVISION	72,546,141	74,030,091
MEDICAL EDUCATION	20,699,116	19,434,961
AMBULATORY CLINICS	84,639,412	82,304,107
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	110,472,179	93,838,886
TOTAL EXPENDITURES	561,703,771	525,451,509
MANDATORY TRANSFERS FOR:		
PRINCIPAL AND INTEREST	5,146,046	9,294,106
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	566,849,817	534,745,615
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	(5,534,385)	(5,574,479)
OTHER TRANSFERS	(4,056,079)	(505,738)
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -

UNIVERSITY OF SOUTH ALABAMA
MITCHELL CANCER INSTITUTE
2018-2019 BUDGET
UNRESTRICTED CURRENT FUNDS

	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	$ 35,589,281	$ 30,189,049
ALLOCATION OF STATE APPROPRIATIONS	5,000,000	5,000,000
OTHER REVENUES	3,397,060	3,289,404
TOTAL REVENUES	43,986,341	38,478,453
LESS: CONTRACTUAL ADJUSTMENTS	17,668,094	15,703,327
NET REVENUES	26,318,247	22,775,126
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
PROFESSIONAL SERVICES	10,508,476	7,721,831
ADMINISTRATIVE DIVISION	21,077,154	15,487,930
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	1,661,469	648,572
TOTAL EXPENDITURES	33,247,099	23,858,333
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	1,954,649	1,913,632
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	35,201,748	25,771,965
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	8,883,501	2,996,839
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -

UNIVERSITY OF SOUTH ALABAMA
AUXILIARY ENTERPRISES
2018-2019 BUDGET
UNRESTRICTED CURRENT FUNDS

	HOUSING	DINING SERVICES	BOOKSTORE	PUBLICATIONS	2018-2019 BUDGET	2017-2018 BUDGET
REVENUES:						
RENTAL INCOME	$ 12,002,599	$	$	$	$ 12,002,599	$ 10,414,368
SALES				1,090,700	1,090,700	11,454,525
COMMISSION INCOME		8,520,021	1,119,251		9,639,272	8,262,594
OTHER INCOME	288,560	130,000			418,560	482,942
TOTAL REVENUES	12,291,159	8,650,021	1,119,251	1,090,700	23,151,131	30,614,429
LESS: COST OF GOODS SOLD					-	7,657,064
NET REVENUES	12,291,159	8,650,021	1,119,251	1,090,700	23,151,131	22,957,365
EXPENDITURES:						
SALARIES AND WAGES	1,963,767	117,885	69,885		2,151,537	2,709,123
EMPLOYEE BENEFITS	409,671	47,154	27,954		484,779	633,774
OTHER EXPENDITURES	4,430,819	7,894,386	542,369	1,349,668	14,217,242	14,377,377
TOTAL EXPENDITURES	6,804,257	8,059,425	640,208	1,349,668	16,853,558	17,720,274
NET OPERATING INCOME	5,486,902	590,596	479,043	(258,968)	6,297,573	5,237,091
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):						
MANDATORY TRANSFERS:						
PRINCIPAL AND INTEREST	(5,383,093)	(450,685)	(236,532)		(6,070,310)	(4,752,860)
NON-MANDATORY TRANSFERS:						
RENEWALS AND REPLACEMENTS	(103,809)	(139,911)	(242,511)	258,968	(227,263)	(484,231)
TOTAL TRANSFERS	(5,486,902)	(590,596)	(479,043)	258,968	(6,297,573)	(5,237,091)
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	$ -	$ -	$ -	$ -	$ -

UNIVERSITY OF SOUTH ALABAMA
STATE APPROPRIATIONS
EDUCATION TRUST FUND

2018-2019	2017-2018
$ 111,073,800	$ 107,284,718

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

LONG-RANGE PLANNING COMMITTEE

University of South Alabama -- Scorecard 2018

	Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Target	Progress
Student Success and Access	One (1) Year FTFT* Undergraduate Retention Rate (FactBook 2015-2016/FactBook 2016-2017)	73% 2014 Cohort	73% 2015 Cohort	78% 2016 Cohort			81%	↑
	Six (6) Year FTFT Graduation Rate (FactBook 2015-2016/FactBook 2016-2017)	35% 2009 Cohort	38% 2010 Cohort	40% 2011 Cohort			45%	↑
	One (1) Year FTFT Undergraduate Retention Rate for Pell Eligible Students (IR Freshman Cohort Retention Report)	71% 2014 Cohort	69% 2015 Cohort	75% 2016 Cohort			81%	↑
	Student/Faculty Ratio (Common Data Set 2015-2016/Common Data Set 2016-2017)	20:1 Fall 2015	20:1 Fall 2016	18:1 Fall 2017			20:1	★
	Percent of disciplines where USA scores above national average on license/exit tests**	85%	92%	83%			90%	↓

* FTFT= First Time Full Time Undergraduates

** Includes: Social Work, Audiology, Cardiorespiratory Care, Occupational Therapy, Paramedic, Physical Therapy, Physician Assistant Studies, Speech Pathology, Medicine, Nursing (Accelerated and Traditional tracks), and Radiologic Sciences (added in 2018)

	Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Target	Progress
Research and Graduate Education	Number of awards received from external agencies	283 FY 2015	300 FY 2016	298 FY 2017			336	↓
	Number of students funded from external grants, gifts, or contracts	AY 2015	AY 2016	AY 2017				
	- Undergraduate	208	185	230			251	↑
	- Graduate	101	99	95			121	↓
	Percentage of South Alabama projects involved in multidisciplinary sponsored research across college and department lines	6% FY 2015	13% FY 2016	9% FY 2017			15%	↓
	Develop a new graduate degree program biennially- (FactBook 2015-2016-baseline FactBook 2016-2017- added *Sport Management)	47 Fall 2015	48 Fall 2016	48 Fall 2017			49	→
	Average of peer-reviewed publications, books, and juried works to full, associate, and assistant professors in the Humanities and Arts (*English, History, Modern and Classical Languages & Literature, Music, Philosophy, Theatre & Dance, and Visual Arts)	1.75 2015 Annual Report	3.28* 2016 Annual Report	3.10 2017 Annual Report			3.4	↓

*We have adjusted the definition of juried works in 2017.

	Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Target	Progress
University Community	Number of unique service-learning courses	83 AY 2015	51 AY 2016	46 AY 2017			91	↓
	Attendance at Music and Theater Events at the Laidlaw Performing Arts Center	9,818 AY 2015	8,987 AY 2016	10,838 AY 2017			10,482	★
	Attendance at Athletic Events	200,505 AY 2015	210,159 AY 2016	206,329 AY 2017			262,500	↓

University of South Alabama -- Scorecard 2018

	Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Target	Progress
Global Engagement	The number of new non-resident international students enrolled (FactBook 2015-2016/FactBook 2016-2017)	71 Fall 2017	N/A Global USA began Spring 2017	*Fall 2017 data used for Baseline.			300 Fall 2020	NA
	The number of countries and average number of new non-resident international students per country (I.R.)	Fall 2017	N/A Global USA began Spring 2017	*Fall 2017 data used for Baseline.			Fall 2020	NA
	-Countries	25					60	
	-Average number of students per country	3					16	
	Number of students earning the Global Engagement Certificate (established Fall 2017)	NA	N/A begins Fall 2017	8			5	
	Percentage of students participating in study abroad programs*	1.58% *175 AY 2015	1.95% *226 AY 2016	2.15% *292 AY 2017			3%	
	Number of formal active collaborations with foreign universities as indicated by faculty/ student exchanges or research/scholarly collaborations	10 2015	18 2016	45 2018			21	

*Percentage of students participating in study abroad programs including actual numbers.

	Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Target	Progress
Excellence in Healthcare	Eight (8) indicators of the standardized infection rate are at or below target	5 at or below	6 at or below	6 at or below			8 at or below	
	80% of patients are willing to recommend facility or providers							
	Children's and Women's	85%	93%	83%			85%	
	Medical Center*	77%	73%	76%			80%	
	USA Physicians Group	94%	94%	94%			95%	
	Mitchell Cancer Institute	96%	96%	96%			97%	
	USA Medical Center-Value Based Purchasing - Achieve neutral or financial gain	Gain	Gain	Gain			Neutral/ Gain	

*Current scores only reflect data from Q1.

Progress Icon Key			
Met/On Target	On track to meet target	No Change	Losing ground

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

May 31, 2018
4:52 p.m.

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Judge Ken Simon, Chair *pro tempore*, on Thursday, May 31, 2018, at 4:52 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Ken Simon, Steve Stokes, Mike Windom and Jim Yance.
Members Absent:	Chandra Brown Stewart, Tom Corcoran, Kay Ivey and Margie Tuckson.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Matthew Reichert (Faculty Senate), John Smith, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Cassie Fambro and Alyssa Newton (WPMI) and Richard Narramore (*Vanguard*).

The meeting came to order and the attendance roll was called. Chairman Simon called for consideration of the minutes of the Evaluation and Compensation Committee meeting held on March 1, 2018. On motion by Mr. Shumock, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Chairman Simon presented **ITEM 24**, a resolution authorizing the dates of Board meetings for 2018-2019 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 1, 2018). On motion by Mr. Shumock, seconded by Mr. Windom, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Chairman Simon called upon Provost Johnson to discuss **ITEM 25**, a resolution to adopt the amended bylaws of the Board of Trustees. Provost Johnson shared background involving a request from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) for legislation that would abolish the Governor's position as chair of Alabama college and university boards, which was viewed as a conflict of interest. He stated SACSCOC later agreed to accept commensurate changes in the language of the Alabama Community College System bylaws in lieu of new legislation. Accordingly, he said authorization of South's amended Board bylaws as proposed would bring South Alabama into compliance with the SACSCOC recommendation. He added that the Governor's role as President of the Board would not change and stated USA had communicated with Governor Ivey and she was understanding of the revisions. He predicted public universities around the state would need to effect similar corrective action eventually. Ms. Tucker described other minor housekeeping updates, such as the addition of language relating to the Evaluation and Compensation

Committee and correction of titles. She stated statutory amendments and additional changes to the Board bylaws may be needed at a later time.

There being no further business, the meeting was adjourned at 5:00 p.m.

Respectfully submitted:

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Kenneth O. Simon, Chair

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

SPECIAL ACKNOWLEDGMENT

RESOLUTION

COMMENDATION OF MELINDA AND LOUIS MAPP

WHEREAS, for decades, Melinda and Louis Mapp and the Mapp Family Foundation have pursued the goals of expanding access to quality health care and improving outcomes for patients, as has the University of South Alabama through the mission of USA Health, and

WHEREAS, six years ago Melinda and Louis Mapp initiated a partnership through a gift to the University of South Alabama Children's & Women's Hospital to expand the Child Life Program and thus assure that young patients' developmental, educational, psychosocial and emotional needs are met even during lengthy hospital stays, and

WHEREAS, the Mapps have strengthened this partnership through generous support for USA Health initiatives, including the USA Mitchell Cancer Institute, Children's Miracle Network activities, and the Collins Carr Memorial roof-top garden, and

WHEREAS, in 2017, Louis Mapp discovered a passion and expanded his commitment to USA Health's most vulnerable patients by volunteering every Tuesday to rock, hold and feed the premature babies who are receiving care in the Hollis J. Wiseman Neonatal Intensive Care Unit (NICU), and

WHEREAS, Mr. Mapp's commitment to the welfare of NICU patients has extended even to donning a kangaroo costume for Kangaroo-A-Thon, an educational event to teach parents of NICU babies about the healing effects skin-to-skin contact can promote for their newborn children, and

WHEREAS, Mr. Mapp's deep involvement in the work of the NICU has given him visionary understanding of its needs, inspiring generous gifts by the Mapps for general operations and the purchase of a transport isolette, which are producing a transformative impact on the care provided by the NICU, and

WHEREAS, the Mapps' most recent gift of $1,050,000 to establish the Louis and Melinda Mapp NICU Patient Support Fund will provide flexible funding to meet the needs of families with critically ill newborn babies far into the future,

THEREFORE, BE IT RESOLVED, the Board of Trustees commends Melinda and Louis Mapp and the Mapp Family Foundation for their extraordinary commitment to assuring access to the highest quality health care for the most vulnerable members of our community, and

BE IT FURTHER RESOLVED, the Board of Trustees extends profound thanks on behalf of the entire USA Health system, the University's faculty, students and staff, as well as patients and families who will benefit from the visionary philanthropy of Melinda and Louis Mapp for many years to come.

MEMORANDUM
Development and Alumni Relations

UNIVERSITY OF SOUTH ALABAMA

Date:
August 1, 2018

To:
Dr. Tony Waldrop
President

From:
Margaret Murray Sullivan
Vice President
Development and Alumni Relations

Subject:
Melinda and Louis Mapp Resolution

It gives me great pleasure to recommend presentation of the attached resolution to the Board of Trustees.

This resolution commends the philanthropy of Melinda and Loius Mapp, whose generous gift will establish the Louis and Melinda Mapp NICU Patient Support Fund.

With your support, this commendation by the Board of Trustees will be a fitting and effective way of recognizing and appreciating the extraordinary generosity of Mr. and Mrs. Mapp.

RESOLUTION

TRIBUTE TO THE MITCHELL FAMILY

WHEREAS, over the past 40 years, Abraham, Arlene and the late Mayer Mitchell have served as trusted leaders, visionaries, advocates, advisers and benefactors of the University of South Alabama and have made a transformational impact on both the University and the USA Health system with charitable giving that represents the largest contribution by any family to any public university in the state of Alabama, and

WHEREAS, Abraham Mitchell has provided extraordinary philanthropic support to the University of South Alabama, endowing the Mitchell Cancer Institute Scholars and the Mitchell College of Business, and committing $50 million to the University in support of student scholarships through the Mitchell-Moulton Scholarship Initiative as well as continuing support for faculty and students in the Mitchell College of Business, commitments that will impact the lives of thousands of students and patients for generations to come, and

WHEREAS, Mayer Mitchell provided visionary leadership in numerous key positions on the USA Board of Trustees, including as Chair *Pro Tempore*, and played an instrumental role in shaping the University through his exemplary Board service and his extensive and generous philanthropy, specifically to the Mitchell College of Business, Mitchell Center, Mitchell Cancer Institute and the Joseph and Rebecca Mitchell Learning Resource Center, and

WHEREAS, Arlene Mitchell has extended her husband's legacy of service and philanthropy to the University through her dedication and wise counsel to the USA Board of Trustees and her philanthropic support of the University, especially to the Mitchell Cancer Institute and the USA Children's & Women's Hospital, and has worked passionately to instill her values of caring and generosity in her children, grandchildren and all with whom she comes in contact,

THEREFORE, BE IT RESOLVED, the Board of Trustees acknowledges the profound generosity of Abraham, Arlene and the late Mayer Mitchell, pays tribute to their many contributions, their invaluable service and their abiding commitment to the University of South Alabama, the citizens of this state, region and nation, and the countless individuals whose lives have been impacted by their generosity, and proudly recognizes them for receiving the prestigious 2018 Distinguished Friend of Education Award from the Council for Advancement and Support of Education.

MEMORANDUM
Development and Alumni Relations

UNIVERSITY OF SOUTH ALABAMA

Date:
August 1, 2018

To:
Tony Waldrop
President

From:
Margaret Murray Sullivan
Vice President
Development and Alumni Relations

Subject:
Mitchell CASE Award Resolution

It gives me great pleasure to recommend presentation of the attached resolution to the Board of Trustees.

This resolution commends the philanthropy of the Mitchell Family, whose generosity has been transformational for the University of South Alabama and recognized by the Council for Advancement and Support of Education.

With your support, this commendation by the Board of Trustees will recognize and appreciate the extraordinary difference made by the Mitchell Family.