

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

MACQUEEN ALUMNI CENTER - CHIEF CALVIN W. MCGHEE GRAND BALLROOM

In compliance with University policies governing social distancing and other COVID-19 protocol, in-person attendance will be limited.

Public access will be available via YouTube livestream (link will be active on the following web page 5 minutes prior to meetings):
<https://www.southalabama.edu/departments/trustees/agendas/2021/>

SEPTEMBER 2, 2021
1:30 P.M.

AUDIT COMMITTEE – RON GRAHAM, CHAIR

- 1 Roll Call
- 2 Approve: [Minutes](#)
- 3 Report: [KPMG 2020 Audit Report – Basic Financial Statements and Single Audit Report in Accordance with the Uniform Guidance](#)
- 4 Report: [KPMG Auditors](#)
- 5 Report: [Independent Audit of the USA Foundation Consolidated Financial Statements and Disproportionate Share Hospital Funds Combined Financial Statements, Years Ended June 30, 2021 and 2020](#)
- 6 Approve: [Audit Plan for Fiscal Year 2022](#)
- 7 Report: [Office of Internal Audit](#)

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR

- 8 Roll Call
- 9 Approve: [Minutes](#)
- 10 Report: [Endowment and Investment Performance](#) * Douglas C. Lane & Associates
- 11 Recommendation to Approve: [Commendation of Drs. John and Sally Steadman](#)
- 12 Report: [Development and Alumni Relations](#)

HEALTH AFFAIRS COMMITTEE – SCOTT CHARLTON, M.D., CHAIR

- 13 Roll Call
- 14 Approve: [Minutes](#)
- 15 Recommendation to Approve: [USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2021](#)
- 16 Report: [USA Health and College of Medicine](#)

ACADEMIC AND STUDENT AFFAIRS COMMITTEE – MIKE WINDOM, CHAIR

- 17 Roll Call
- 18 Approve: [Minutes](#)
- 19 Report: [Academic Affairs](#)
- 20 Report: [Student Affairs](#)
- 21 Report: [Speech, Expressive Activities, and Use of University Space, Facilities, and Grounds Policy and Report, 2020-2021](#)
- 22 Report: [Research and Economic Development](#)

BUDGET AND FINANCE COMMITTEE – LENUS PERKINS, VICE CHAIR

- 23 Roll Call
- 23.A Approve: [Revised Agenda](#)
- 24 Approve: [Minutes](#)
- 25 Report: [Quarterly Financial Statements for the Nine Months ended June 30, 2021](#)
- 26 Recommendation to Approve: [Revision of Retirement Plans for USA HealthCare Management, LLC](#)
- 27 Report: [Results of Refunding of 2012A Bonds](#)
- 28 Recommendation to Approve: [Amended and Restated Series 2016 B, C and D Bonds](#)
- 29 Recommendation to Approve: [2021-2022 University Total Budget](#)
- 29.A Recommendation to Approve: [Naming of USA Health Boulevard](#)

LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR

- 30 Roll Call
- 31 Approve: [Minutes](#)
- 32 Report: [Strategic Planning Process](#)
- 33 Report: [2021 Scorecard](#)

COMMITTEE OF THE WHOLE – JIMMY SHUMOCK, CHAIR

- 34 Roll Call
- 35 Approve: [Minutes](#)
- 36 Approve: [Executive Session](#)

SEPTEMBER 3, 2021
10:30 A.M.

BOARD OF TRUSTEES – JIMMY SHUMOCK, CHAIR PRO TEMPORE

- 1 Roll Call
- 1.A Approve: [Revised Agenda](#)
- 2 Approve: [Minutes](#)
- 3 Report: [Board of Trustees Scholar](#)
- 4 Report: [President Search Committee](#)
- 5 Report: [Interim University President](#)
- 6 Report: [Faculty Senate President](#)
- 7 Report: [Student Government Association President](#)
- 8 Approve: [Consent Agenda Resolutions](#)
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- 9 Report: [Audit Committee](#)
- 10 Report: [Development, Endowment and Investments Committee](#)
- 11 Report: [Health Affairs Committee](#)
- 12 Report: [Academic and Student Affairs Committee](#)
- 13 Report: [Budget and Finance Committee](#)
- 14 Approve: [Amended and Restated Series 2016 B, C and D Bonds](#)
- 15 Approve: [2021-2022 University Total Budget](#)
- 16 Report: [Long-Range Planning Committee](#)
- 17 Approve: [Commendation of Drs. John and Sally Steadman](#)

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



MEETING SCHEDULE

THURSDAY, SEPTEMBER 2, 2021:

1:30 p.m. **Committee Meetings (Consecutive)** **MacQueen Alumni Center**
Chief Calvin W. McGhee Grand Ballroom

FRIDAY, SEPTEMBER 3, 2021:

10:30 a.m. **Board of Trustees Meeting** **MacQueen Alumni Center**
Chief Calvin W. McGhee Grand Ballroom

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UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

STANDING COMMITTEES 2019-2022

EXECUTIVE COMMITTEE:

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

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

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

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

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

EVALUATION AND COMPENSATION COMMITTEE:

- Scott A. Charlton, M.D.
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Robert D. Jenkins III, **Chair**
- Arlene Mitchell
- Kenneth O. Simon, **Vice Chair**
- Michael P. Windom

AUDIT COMMITTEE:

- Katherine Alexis Atkins, **Vice Chair**
- E. Thomas Corcoran
- William Ronald Graham, **Chair**
- Robert D. Jenkins III
- Lenus M. Perkins
- Kenneth O. Simon

LONG-RANGE PLANNING COMMITTEE:

- Chandra Brown Stewart, **Chair**
- Robert D. Jenkins III
- Lenus M. Perkins, **Vice Chair**
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- Michael P. Windom
- James A. Yance

BUDGET AND FINANCE COMMITTEE:

- Katherine Alexis Atkins
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- Arlene Mitchell
- Steven H. Stokes, M.D.
- Margie Malone Tuckson, **Vice Chair**
- James A. Yance
- John V. Marymont, M.D., ex officio
- Edward Panacek, M.D., ex officio
- Tony G. Waldrop, Ph.D., ex officio

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**MEETING AGENDA
AND MINUTES**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS**

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- 31 Approve: Minutes
- 32 Report: Strategic Planning Process
- 33 Report: 2021 Scorecard

COMMITTEE OF THE WHOLE – JIMMY SHUMOCK, CHAIR

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**SEPTEMBER 3, 2021
10:30 A.M.**

BOARD OF TRUSTEES – JIMMY SHUMOCK, CHAIR PRO TEMPORE

- 1 Roll Call
- 1.A Approve: Revised Agenda
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- 3 Report: Board of Trustees Scholar
- 4 Report: President Search Committee
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- 11 Report: Health Affairs Committee
- 12 Report: Academic and Student Affairs Committee
- 13 Report: Budget and Finance Committee
- 14 Approve: Amended and Restated Series 2016 B, C and D Bonds
- 15 Approve: 2021-2022 University Total Budget
- 16 Report: Long-Range Planning Committee
- 17 Approve: Commendation of Drs. John and Sally Steadman



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: August 24, 2021

TO: USA Board of Trustees

FROM: Alexis Atkins 
Secretary, Board of Trustees

SUBJECT: Meeting Minutes

Included herein are the unapproved minutes for meetings of the Board of Trustees and standing committees held on June 3 and 4, 2021. Please review these documents for amendment or approval at the September 2 and 3, 2021, meetings.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**June 4, 2021
11:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Friday, June 4, 2021, at 11:03 a.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

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

Member Absent: Kay Ivey.

Administration & Guests: Owen Bailey, Lynne Chronister, Kristin Dukes, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, Sal Liberto, John Marymont, Abe Mitchell, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan, Julee and Tony Waldrop, and Scott Weldon.

Following introductory remarks by Chairman Shumock, the meeting came to order and the attendance roll was called, **Item 1**. Mr. Shumock called for consideration of the minutes of the meeting held on March 5, 2021, **Item 2**. On motion by Ms. Mitchell, seconded by Ms. Atkins, the Board voted unanimously to adopt the minutes.

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

**RESOLUTION
BOARD MEETING SCHEDULE - 2021-2022**

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

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

- Friday, September 3, 2021
- Thursday, December 2, 2021
- Friday, March 11, 2022
- Friday, June 3, 2022

and,

FURTHER, BE IT RESOLVED that the date of June 3, 2022, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2021-2022.

Chairman Shumock called upon Dr. Smith, acting president, to deliver the President's Report, **Item 4**. Dr. Smith acknowledged the recent passing of Mr. Hollis Shumock, father of Chairman

Shumock and avid Jaguar Athletics fan, and stated the support and prayers of the University community would continue for the Shumock family. He thanked the Board for their confidence in him to lead the University as acting president while the president search progressed, and pledged his and the leadership team's commitment to the continued advancement of the University. He recognized Mr. Abe Mitchell and thanked him for his enduring friendship and support of South Alabama.

Dr. Smith called on Dr. Kent for a report on spring commencement. Dr. Kent advised that eight commencement ceremonies were hosted by eight colleges/schools over May 6, 7 and 8, 2021. She stated, of South's 2,138 spring graduates, 1,328 students participated and 4,769 guests attended the ceremonies held at the Mitchell Center with proper COVID-19 protocols implemented.

Dr. Smith introduced Interim Vice President for Enrollment Services Mr. Sal Liberto for a report on fall 2021 enrollment. Mr. Liberto shared perspective on the challenging enrollment environment nationwide, commented on mitigation strategies to sustain enrollment and retention rates at South, and discussed the status of enrollment thus far for the fall semester, as well as his predictions on how enrollment would develop. Dr. Smith and Mr. Corcoran complimented Mr. Liberto for his diligent efforts and informative report.

Dr. Smith called on Mr. Lawkis for an update on the 2021 legislative session. Mr. Lawkis discussed the movement of legislative bills during a very active session, advising that USA's Office of Governmental Relations had actively engaged with approximately 15 bills. He stated the Alabama Education Trust Fund budget, approved at \$7.67 billion, would provide Alabama universities with appropriation increases of at least six percent for 2021-2022. He said that South's Center for Environmental Resiliency and new pediatric emergency department would also receive earmark money as part of a total funding package that included nearly \$13 million in new dollars for USA.

Dr. Smith called for a report from Ms. Chronister. Ms. Chronister discussed three federal plus-up awards secured recently for College of Engineering research projects and recognized Mr. Lawkis for his networking efforts in Washington, DC. She advised of six requests for additional plus-up funding submitted by the University in recent months and added that seven proposals for federal earmark funding had been submitted by faculty members at the request of Senator Shelby.

Dr. Smith called for a report from Dr. Mitchell, Chair of the University Committee on Diversity, who discussed the committee's role to evaluate suggestions from the campus community on ways the University could strengthen its commitment to diversity, equity and inclusion (DEI). Dr. Mitchell stated, as a result of the committee's work, a working list of 51 DEI recommendations was available on the website. He advised that Dr. Smith had appointed Ms. Dukes, Dr. Kent, Dr. Frazier, Mr. Weldon and him to serve on an administrative committee charged with developing plans to implement the recommendations.

On behalf of Dr. Erdmann, Dr. Smith announced that Jaguar Athletics had won the 2020-2121 Sun Belt Conference All-Sports Trophy, awarded to the best overall program. He added that Jaguar Athletics' APR (academic progress rate) score and graduation success rate also topped those of all other Sun Belt schools.

Chairman Shumock called for a report from the Faculty Senate President, **Item 5**. Ms. Beth Rugan Shepard, Associate Librarian at the Marx Library and President of the Faculty Senate for 2021-2022, acknowledged the faculty's hard work to provide a quality educational experience and maintain research pursuits and service commitments despite pandemic-related challenges. She talked about the work of the Senate pertaining to diversity, equity and inclusion and the facilitation of a survey comparing USA faculty salaries with those of other institutions with similar Carnegie rankings. She expressed gratitude that, through her appointment to the President Search Committee, the faculty had a voice in the selection of the next president.

Chairman Shumock introduced **Item 6**, a report from the Student Government Association (SGA) President. A video featuring 2021-2022 SGA President Ms. Grace Sekaya was shown, in which she shared her story, conveyed enthusiasm for the opportunities ahead in her new role, and discussed that her vision for the coming academic year included building upon the traditions at South, cultivating a sense of home for her peers and advancing diversity and inclusivity.

Chairman Shumock called for consideration of consent agenda resolutions as follows, **Item 7**, all of which were unanimously recommended for Board approval by the respective committees that met on June 3, 2021. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the Board voted unanimously to approve the resolutions:

**RESOLUTION
AUTHORITY TO SELL ALCOHOL AT SELECT LOCATIONS ON CAMPUS**

WHEREAS, the University of South Alabama complies with and upholds all federal, state, and local laws that regulate and prohibit the possession, use, and distribution of alcohol, prescription drugs not prescribed by medical personnel, and/or illicit drugs, and

WHEREAS, students, faculty, staff, and employees of the University of South Alabama are hereby notified of the University's alcoholic beverages policy and are expected to adhere to the guidelines set forth by the University, and

WHEREAS, the University already contracts with Aramark Educational Services, LLC, to serve and/or sell alcoholic beverages at several venues on the University's main campus, specifically Hancock Whitney Stadium (football), the Faculty Club, and the Mitchell Center (basketball and special events), and

WHEREAS, the University desires to extend Aramark's authority to serve and/or sell alcohol at the following locations: the MacQueen Alumni Center, located at 100 Alumni Drive, Mobile, AL 36688; the outdoor areas immediately surrounding the Mitchell Center located at 5950 Old Shell Road, Mobile, AL 36608; Moulton Tower and Alumni Plaza, located at 5985 USA South Drive, Mobile, AL 36688; Laidlaw Performing Arts Center, located at 5751 USA South Drive, Mobile, AL 36688; Mitchell College of Business, located at 5811 USA South Drive, Mobile, AL 36688; HAHN Health Sciences Building, located at 5721 USA North Drive, Mobile, AL 36688; USA Technology and Research Park, located at 650 Clinic Drive, Mobile, AL 36688 and 775 North University Boulevard, Mobile, AL 36608; Alfred and Lucile Delchamps Archeology Museum, located at 6050 USA South Drive, Mobile, AL 36688; Mitchell Cancer Institute, located at 1660 Springhill Avenue, Mobile, AL 36604; the Strada Patient Care Center, located at 1601 Center Street, Mobile, AL 36604; Shelby Hall, located at 150 Student Services Drive, Mobile, AL 36688; USA's Toulmin House (formerly Alumni Hall), located at 5930 USA South Drive, Mobile, AL 36688; USA's Mobile Townhouse, located at 5910 USA South

Drive, Mobile, AL 36688; USA's Seamen's Bethel Church, located at 5920 USA South Drive, Mobile, AL 36688; the SGA Pavilion, located at 6431 John Counts Drive, Mobile, AL 36688; Stanky Field, 70 Jaguar Boulevard, Mobile, AL 36688; and Jaguar Field, located at 6080 Old Shell Road, Mobile, AL 36688; and

WHEREAS, the Board of Trustees has been vested with full management and control over the University of South Alabama pursuant to Section 16-55-1 of the Code of Alabama, 1975,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the University of South Alabama to contract with Aramark Educational Services, LLC, to obtain the necessary and specific license(s) to serve and/or sell alcoholic beverages on the campuses of the University of South Alabama at the above-described locations.

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR FEBRUARY, MARCH AND APRIL 2021

WHEREAS, the Medical Staff appointments and reappointments for February, March and April 2021 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS

WHEREAS, revisions to USA Health Hospitals Medical Staff Bylaws and associated documents, approved May 3, 2021, by the active voting General Medical Staff members via email and attached hereto, are recommended for approval by the Medical Executive Committees and the Executive Committee of USA Health Hospitals,

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

RESOLUTION
DIRECTOR OF THE USA RESEARCH AND TECHNOLOGY CORPORATION

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

WHEREAS, the Board of Directors of the Corporation is authorized to nominate new directors consistent with the aforesaid for consideration and confirmation by the Board of Trustees of the University, and

WHEREAS, the Board of Directors of the Corporation has nominated for consideration and confirmation by the Board of Trustees of the University Mr. Douglas

Whitmore to fill an unexpired, four-year term previously served by the late Mr. Donald L. Langham, effective May 2021 and expiring September 2024, and Mr. Whitmore has agreed to serve in this capacity if elected,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama does hereby elect as Director of the USA Research and Technology Corporation Mr. Douglas Whitmore to serve the remainder of an existing term of four (4) years beginning in May 2021 and ending in September 2024.

Chairman Shumock called for a report from the Audit Committee, **Item 8**. Mr. Graham, Committee Chair, stated that the committee met on June 3, 2021, and shared a summary of the proceedings.

Chairman Shumock called for a report from the Development, Endowment and Investments Committee, **Item 9**. Mr. Yance, Committee Chair, said that the committee met on June 3, 2021, and provided an overview of the business that occurred.

Chairman Shumock called for a report from the Health Affairs Committee, **Item 10**. On behalf of Dr. Charlton, Committee Chair, Dr. Furr advised that the committee held a meeting on June 3, 2021, and he gave a summation of the proceedings.

Chairman Shumock called for a report from the Academic and Student Affairs Committee, **Item 11**. Judge Windom, Committee Chair, stated that the committee met on June 3, 2021, and shared a summary of the business that took place. He presented **Item 12** as follows, which the committee unanimously recommended for Board approval. On motion by Mr. Yance, seconded by Mr. Graham, the Board voted unanimously to approve the resolution:

**RESOLUTION
TENURE AND PROMOTION**

WHEREAS, in accordance with University policy, faculty applications for tenure and/or promotion have been reviewed by the respective faculty peers, departmental chair and college dean, and by the Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President and, as a result of this review process, the individuals listed 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 these individuals, all effective August 15, 2021.

COLLEGE OF ALLIED HEALTH PROFESSIONS:

Tenure:

- Dahye Choi
- Kimberly Smith

Promotion to Senior Instructor:

- Grayson Hill

Promotion to Associate Professor:

- Dahye Choi
- Kimberly Smith

COLLEGE OF ARTS AND SCIENCES:

Tenure

- Samuel Baker
- Scott Liebertz
- Heidi Lyn
- Timothy Lombardo
- Elena Pavelescu
- Charlotte Pence
- Steven Schultze
- Delbert Smee
- Armin Straub

Promotion to Senior Instructor:

- Sheila Wattier

Promotion to Associate Professor:

- Samuel Baker
- Sinead Ni Chadhain
- Scott Liebertz
- Timothy Lombardo
- Elena Pavelescu
- Charlotte Pence
- Steven Schultze
- Armin Straub

Promotion to Professor:

- Nicole Carr
- Joseph Currier
- John Lehrter
- Becky McLaughlin
- Delbert Smee

MITCHELL COLLEGE OF BUSINESS:

Tenure:

- Ying Huang

Promotion to Associate Professor:

- Ying Huang

SCHOOL OF COMPUTING:

Tenure:

- Ryan Benton
- Aviv Segev

Promotion to Professor

- Aviv Segev

Promotion to Associate Professor:

- Ryan Benton

COLLEGE OF EDUCATION AND PROFESSIONAL STUDIES:

Tenure:

- Geoffrey Hudson

Promotion to Associate Professor:

- Geoffrey Hudson

Promotion to Professor:

- Shelley L. Holden
- James R. Stefurak

COLLEGE OF ENGINEERING:

Promotion to Professor:

- T. Grant Glover

MARX LIBRARY:

Tenure:

- Rachel Fenske

Promotion to Associate Librarian:

- Rachel Fenske

COLLEGE OF MEDICINE:

Tenure:

- Natalie Gassman
- Wito Richter

Promotion to Professor:

- Ronald Balczon
- Shikha Gupta
- Sandra Parker
- Walter George Rusyniak

COLLEGE OF MEDICINE CONTINUED:

Promotion to Associate Professor:

- Ronald Brooks
- Casey Daniel
- Daniel Dees
- Natalie Gassman
- Joe Spencer Liles
- Christopher Malozzi
- Praveen Narahari
- Wito Richter
- Marirose Trimmier

Promotion to Professor Continued:

- Anne Michele Schuler
- Anne Michele Schuler (joint In Microbiology)

COLLEGE OF NURSING:

Tenure:

- Chrystal Lewis

Promotion to Associate Professor:

- Linda Sue Hammonds
- Chrystal Lewis
- Susan Williams

SIMULATION:

Promotion to Associate Professor:

- Anjanetta Davis
- Alison Rudd

Judge Windom also presented **Item 13** as follows, which was unanimously recommended for Board approval by the Academic and Student Affairs Committee at its meeting on June 3, 2021. On motion by Judge Simon, seconded by Capt. Jenkins, the board voted unanimously to approve the resolution:

**RESOLUTION
TUITION, FEES, AND HOUSING AND DINING RATES, 2021-2022**

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

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

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

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

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

WHEREAS, housing and dining services must make facility and operational improvements to maintain and enhance campus life for students, and

WHEREAS, with the proposed tuition, fees, housing and dining rates for 2021-2022, as set forth in the attached schedules, such costs of attendance 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 2021-2022 academic year as set forth in the attached schedules.

Chairman Shumock called for a report from the Budget and Finance Committee, **Item 14**. Mr. Corcoran, Committee Chair, said that a meeting of the committee was held on June 3, 2021, and he provided an overview of the proceedings. He presented **Item 15** as follows, which was unanimously recommended for Board approval by the committee:

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$15,387,000 PRINCIPAL AMOUNT UNIVERSITY FACILITIES REVENUE BOND, SERIES 2021-B

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:

(1) The University heretofore issued its \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, which is presently outstanding in the aggregate principal amount of \$16,523,333 (herein called the "Series 2012-A Bond") and was issued under that certain University Facilities Revenue Trust Indenture dated as of February 15, 1996, as supplemented and amended (the "Indenture"), between the University and The Bank of New Mellon Trust Company, N.A, as successor Trustee (herein called the "Trustee");

(2) Under the Indenture the 2012-A Bond may be redeemed by the University on August 1, 2021, and on any date thereafter, and due to the currently favorable interest rate environment, acting upon the advice of PFM Financial Advisors LLC, financial advisor to the University (herein called "PFM"), the University has determined it to be necessary, wise, and in the public interest to refinance the Series 2012-A Bond with proceeds of a loan in an amount not to exceed \$15,387,000 (herein called the "Loan"); such loan to be evidenced by the University Facilities Revenue Bond, Series 2021-B (herein called the "Series 2021-B Bond") to be issued by the University as herein authorized; and

(3) The University, acting upon the advice and guidance of PFM, has determined it necessary, wise and in the public interest to secure the best terms for the Loan and the Series 2021-B Bond by conducting a competitive request for proposals (herein called the "RFP") from qualified banks and financial institutions and, following the RFP process, the Vice President for Finance and Administration shall identify the bidder (herein called the "Winning Bidder") whose bid, as determined by the Vice President for Finance and Administration, offers the best

terms of finance for the University based upon its adherence to the terms and requirements for the Loan and the Series 2021-B Bond set forth in the Bid Specifications hereinafter defined and the overall cost of finance to the University (such bid herein called the "Winning Bid"); provided, such bid satisfies the criteria set forth in Section 2(b) of this resolution.

(b) Series 2021-B Bond to be Issued as an Additional Bond Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture.

The Series 2021-B Bond shall be issued as an additional parity bond under Article VIII of the Indenture hereinafter referred to. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture, and no such default is imminent;

(2) the Series 2021-B Bond shall be designated "Series 2021-B";

(3) the person to whom the Series 2021-B Bond is to be delivered shall be the Winning Bidder, the name of which shall be affixed as Attachment A to this resolution prior to issuance of the Series 2021-B Bond by the Vice President for Finance and Administration and deemed a part hereof as if set out in full herein;

(4) the Series 2021-B Bond is to be issued by sale in accordance with, and at the sale price determined as set forth in, Section 2(b) and Section 9 hereof;

(5) the only bonds that have previously been issued by the University under the Indenture are its (i) \$31,680,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (herein called the "Series 1996 Bonds"), which were issued under and pursuant to the Trust Indenture dated as of February 15, 1996; (ii) \$7,055,000 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (herein called the "Series 1996B Bonds"), which were issued under and pursuant to the First Supplemental Trust Indenture dated as of October 15, 1996; (iii) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (herein called the "Series 1999 Bonds"), which were issued under and pursuant to the Second Supplemental Trust Indenture dated as of October 15, 1999; (iv) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (herein called the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated March 15, 2004; (v) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (herein called the "Series 2006 Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006; (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Series 2008 Bonds"), which were issued under and pursuant to the Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008; (vii) \$29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (herein called the "Series 2010 Bond"), which was issued under and pursuant to the Seventh Supplemental University Facilities Revenue Trust Indenture dated as of June 16, 2010 and paid with proceeds of the Series 2019-C Bond hereinafter authorized; (viii) \$25,000,000

original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (herein called the "Series 2012-A Bond"), which was issued under and pursuant to an Eighth Supplemental University Facilities Revenue Trust Indenture dated as of January 4, 2012 (herein called the "Eighth Supplemental Indenture"); (ix) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (herein called the "Series 2012-B Bond"), which was issued under and pursuant to the Eighth Supplemental Indenture; (x) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (herein called the "Series 2013-A Bond"), which was issued under and pursuant to the Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (herein called the "Ninth Supplemental Indenture"); (xi) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (herein called the "Series 2013-B Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xii) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "Series 2013-C Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xiii) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (herein called the "Series 2014-A Bond"), which was issued under and pursuant to the Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014; (xiv) \$6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (herein called the "Series 2015 Bond"), which was issued under and pursuant to the Eleventh Supplemental University Facilities Revenue Trust Indenture dated June 15, 2015; (xv) \$85,605,000 University Facilities Refunding Revenue Bonds, Series 2016, dated September 14, 2016 (herein called the "Series 2016 Bonds") which were issued under and pursuant to the Twelfth Supplemental University Facilities Revenue Trust Indenture dated as of March 14, 2014; (xvi) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (herein called the "Series 2016-B Bond") which was issued under and pursuant to the Thirteenth Supplemental University Facilities Revenue Trust Indenture dated as of December 7, 2016 (herein called the "Thirteenth Supplemental Indenture"), (xvii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (herein called the "Series 2016-C Bond") which was issued under the Thirteenth Supplemental Indenture, (xviii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (herein called the "Series 2016-D Bond") which was issued under the Thirteenth Supplemental Indenture, (xix) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (herein called the "Series 2017 Bonds") which were issued under a Fourteenth Supplemental University Facilities Revenue Trust Indenture dated June 15, 2017; (xx) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (herein called the "Series 2019-A Bonds") which were issued under a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated February 7, 2019 (herein called the "Fifteenth Supplemental Indenture"), (xxi) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (herein called the "Series 2019-B Bonds") which were issued under the Fifteenth Supplemental Indenture, (xxii) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (herein called the "Series 2019-C Bond") which was issued under a Sixteenth Supplemental University Facilities Revenue Trust Indenture dated December 12, 2019, (xxiii) \$37,005,000 original principal amount University Facilities Revenue Bonds, Series 2020, dated March 10, 2020 (herein called the "Series 2020 Bonds") which were issued under a Seventeenth Supplemental University Facilities Revenue Trust Indenture

dated March 10, 2020, and (xiv) \$40,555,000 original principal amount University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, which were issued under an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated March 10, 2021. The Series 2012-A Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond, the Series 2020 Bonds, and the Series 2021-A Bonds are herein collectively called the "Outstanding Bonds");

(6) the Outstanding Bonds are the only bonds heretofore issued under the Indenture that are at this time, and immediately prior to issuance of the Series 2021-B Bond will be, outstanding under the Indenture; and

(7) the Series 2021-B Bond is being issued for the purposes described in Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver the Series 2021-B Bond to the purchaser specified in Section 6 hereof upon payment of the purchase price designated therein.

Section 2. RFP Process; Authorization of Loan; Authorization of the Series 2021-B Bond.

(a) The Board does hereby authorize the RFP process, which shall include the circulation of materials setting forth requested terms and provisions for the Loan and the Series 2021-B Bond as set forth in Exhibit I hereto, subject to change or modification as determined by the Interim President and the Vice President for Finance and Administration, or either of them (herein called the "Bid Specifications").

(b) For the purposes specified in Section 1(a) of this resolution, the Board does hereby authorize the Loan and, as evidence thereof, that there be issued by the University its University Facilities Revenue Bond, Series 2021-B, dated its date of initial issuance (herein called the "Series 2021-B Bond"), in a principal amount of not to exceed \$15,387,000, under such terms, conditions and provisions to be set out in the Nineteenth Supplemental Indenture hereinafter defined, which terms, conditions and provisions shall be determined in accordance with the Bid Specifications and, further, shall reflect the following plan of finance (herein called the "Plan of Finance"):

(i) The Series 2021-B Bond shall bear interest at a fixed rate, payable semiannually on each February and August, commencing February 1, 2022.

(ii) The Series 2021-B Bond (1) shall be callable on August 1, 2026, and on any date thereafter, or (2) shall not be subject to optional redemption, all as determined by the Vice President for Finance and Administration pursuant to the Bid Specifications.

(iii) The Series 2021-B Bond may bear interest at a rate not exceeding 2.50%.

(iv) The present value of all debt service on the Series 2021-B Bond is not greater than 97.0% percent of the present value of all debt service on the Series 2012-A Bond (as such present value to be computed by PFM using a discount rate equal

to the bond yield of the Series 2021-B Bond) determined as if the Series 2012-A Bond was paid and retired in accordance with its schedule annual maturities of principal.

(v) The Series 2021-B Bond shall have a final maturity of not later than August 1, 2032, and shall have an average life that is not longer than the remaining average life of the refunded Series 2012-A Bond plus 6 months.

(vi) The Series 2021-B Bond shall be sold by September 1, 2021, and shall be issued and delivered by October 15, 2021.

Section 3. Source of Payment of the Series 2021-B Bond.

The principal of and the interest on the Series 2021-B Bond shall be payable from Pledged Revenues as defined in the Indenture. The Series 2021-B Bond shall not represent or constitute an obligation of any nature whatsoever of the State of Alabama (herein called the "State"), and shall not be payable out of moneys appropriated to the University by the State. The agreements, covenants and representations contained in this resolution, in the Series 2021-B Bond and in the Indenture do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the Series 2021-B Bond nor the pledge or any agreement contained in the Indenture or in this resolution shall be or constitute an obligation of any nature whatsoever of the State, and neither the Series 2021-B Bond nor any obligations arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State. Nothing contained in this section shall, however, relieve the University from the observance and performance of the several covenants and agreements on its part herein contained and contained in the Indenture.

Section 4. Series 2021-B Bond Payable at Par.

All remittances of principal of and interest on the Series 2021-B Bond to the holder thereof shall be made at par without any deduction or exchange or other cost, fees or expenses. The bank at which the Series 2021-B Bond shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the Series 2021-B Bond, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

Section 5. Authorization of Nineteenth Supplemental Indenture.

In connection with the issuance of the Series 2021-B Bond, the Board does hereby authorize and direct the Interim President of the University and the Vice President for Finance and Administration, or either of them, to execute and deliver, for and in the name and behalf of the University, to The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), a Nineteenth Supplemental University Facilities Trust Indenture dated the date of the Series 2021-B Bond in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit II to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), updated to reflect the final pricing terms of the Series 2021-B Bond based upon the Winning Bid and such

other changes as shall be determined by the Interim President and the Vice President for Finance and Administration, or either of them, acting on behalf of the University (herein called the "Nineteenth Supplemental Indenture"), and does hereby further authorize and direct the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to affix to the Nineteenth Supplemental Indenture the corporate seal of the University and to attest the same. The Nineteenth Supplemental Indenture is supplemental to that certain University Facilities Revenue Trust Indenture between the University and the Trustee dated as of February 15, 1996, as heretofore supplemented and amended (together with the Nineteenth Supplemental Indenture, "Indenture").

Section 6. Sale of the Series 2021-B Bond.

The Series 2021-B Bond shall be sold and delivered to the bidder whose bid, as determined by the Vice President for Finance and Administration, offers the best terms of finance for the University based upon its adherence to the terms and requirements for the Loan and the Series 2021-B Bond set forth in the Bid Specifications and the overall cost of finance to the University, all as determined by the Vice President of Finance and Administration. In connection with the sale of the Series 2021-B Bond to the Winning Bidder, the Board does hereby authorize and direct the Interim President and the Vice President for Finance and Administration of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, such instruments, documents and other agreements as shall be reasonably requested by the Winning Bidder to make the Loan and acquire the Series 2020-B Bond. The Series 2021-B Bond shall bear such date, shall mature in annual installments at such times, in such amounts and in such manner, shall bear such rates of interest, shall be payable at such place, and shall be in such form and contain such provisions as shall be set out in the Nineteenth Supplemental Indenture authorized in Section 5 above and as further determined by the Interim President and the Vice President for Finance and Administration, or either of them.

Section 7. Execution and Delivery of the Series 2021-B Bond.

The Board does hereby authorize the Interim President of the University and the Vice President for Finance and Administration, or either of them, to execute the Series 2021-B Bond, in the name and on behalf of the University, by manually signing said bond, and does hereby authorize the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or either of them, to cause the corporate seal of the University to be imprinted or impressed on the Series 2021-B Bond and to attest the same by signing the Series 2021-B Bond, and for any such officer to deliver the Series 2021-B Bond, subsequent to its execution as provided herein, to the Winning Bidder following authentication of such bond upon payment of the purchase price thereof.

Section 8. Call of Series 2012-A Bond for Redemption.

The Board does hereby elect to redeem and pay, and does hereby call for redemption and payment, on August 1, 2021, the Series 2012-A Bond; provided, if the Series 2021-B Bond is not issued sooner than ten days prior to August 1, 2021, on such date designated by a Designated Officer that is at least ten days, but not more than twenty days, following issuance of the Series 2021-B Bond (herein called the "2012-A Redemption Date"), at and for a redemption price equal to 100% of the principal amount of the Series 2012-A Bond currently outstanding plus accrued interest thereon to the 2012-A Redemption Date.

Section 9. Designated Officials.

Each of the Interim President of the University and the Vice President for Finance and Administration is herein designated a "Designated Officer". Each of the following members of the Board is hereby designated as a "Designated Board Member" for purposes of this resolution:

Name	Office
James H. "Jimmy Shumock	Chair Pro Tempore
Arlene Mitchell	Vice Chair
Tom Corcoran	Chairman of the Budget and Finance Committee

Any Designated Board Member, together with any Designated Officer, are hereby authorized to confirm satisfaction of the Plan of Finance. When the details of the Plan of Finance have been approved by a Designated Board Member and a Designated Officer, the designees shall execute, in the name and on behalf of the Board and the University, respectively, a certificate evidencing such approval (herein called the "Certificate of Compliance") in substantially the form set forth on Exhibit III hereto, and shall file a copy of such certificate with the Secretary of the Board, and such certificate shall be maintained in the records of the Board by the Secretary of the Board. The Certificate of Compliance may be executed in counterparts.

Section 10. Application of Proceeds.

The entire proceeds derived by the University from the sale of the Series 2021-B Bond, less and except any origination fee retained by the Winning Bidder, shall be paid to the University and used for the redemption and payment of the Series 2012-A Bond and for payment of the costs of issuing the Series 2021-B Bond.

Section 11. Resolution Constitutes Contract; Severability.

The provisions of this resolution shall constitute a contract between the University and the holder of the Series 2021-B Bond. The various provisions of this resolution are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this resolution.

Section 12. General Authorization.

The Interim President of the University, the Vice President for Finance and Administration of the University, the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, are hereby authorized to execute such other agreements, certifications, instruments, notices, consents, acknowledgments, 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 (including, without limitation, to obtain the Loan) and to the end that the Series 2021-B Bond may be executed, issued and delivered, and the Series 2012-A Bond redeemed and retired on the 2012-A Redemption Date. The Secretary of the Board, the Vice Chair of the Board and the and the Chair Pro Tempore of the Board, or any of them, are hereby authorized and directed to affix the official seal of the Board to such agreements, certifications, instruments, notices, consents, acknowledgments, or other documents and to attest the same.

Chairman Shumock called for a report from the Long-Range Planning Committee, **Item 16**. Ms. Brown Stewart, Committee Chair, advised that the committee held a meeting on June 3, 2021, and she gave a summation of the proceedings.

Chairman Shumock recognized President Waldrop and his wife, Dr. Julee Waldrop, and thanked them for joining the meeting. Judge Simon reflected on the Waldrops' record of service, read **Item 17** as follows, and moved for its approval. Mr. Yance seconded and the Board voted unanimously to approve the resolution. On behalf of the Board, Chairman Shumock presented President Waldrop with an appreciation gift – a fine art glass vase created by Visual Arts Assistant Professor Matthew Patterson – and unveiled a portrait of President Waldrop that would be installed in the Whiddon Administration Building. President Waldrop shared brief remarks of thanks for the recognition:

**RESOLUTION
COMMENDATION OF PRESIDENT TONY G. WALDROP**

WHEREAS, Dr. Tony G. Waldrop was named as the third president of the University of South Alabama (USA) on February 2, 2014, and subsequently began his tenure at South on April 1, faithfully and honorably serving the University and its students, faculty, staff and alumni during a seven-year presidency, and

WHEREAS, President Waldrop organized the University's future around five priorities – student access and success, enhancement of research and graduate education, excellence in healthcare, global engagement and University-community engagement – and the Institution has achieved measured progress in each of these categories, and

WHEREAS, under President Waldrop's leadership, the University has enrolled the highest-achieving freshman classes in its history and improved academic advising, academic facilities, and housing and student life, leading to higher retention and graduation rates, and

WHEREAS, President Waldrop launched the Pathway USA partnership with regional community colleges, opened USA's Honors College, and closed a capital campaign that raised more than \$160 million for scholarships, fellowships, equipment and facilities, and

WHEREAS, President Waldrop streamlined international initiatives under Global USA and increased the number of students participating in study abroad programs, expanding educational opportunities and preparing students for a global workforce, and

WHEREAS, the University, under President Waldrop's leadership, responded to business and industry needs by adding graduate programs and, in 2020, grew its research awards to historic levels, and

WHEREAS, President Waldrop oversaw a significant expansion of USA Health, which during his presidency added dozens of new physicians and practices to its roster of providers, expanding and improving options for patients across coastal Alabama, and

WHEREAS, President Waldrop has played an active civic role in South Alabama and has encouraged the University community to do the same, including through the creation of the Office of Community Engagement, and

WHEREAS, in recent years, the University has added and enhanced its facilities, improving both infrastructure and aesthetics, including construction of the MacQueen Alumni Center; Health Simulation Building; Fanny Meisler Trauma Center, which is a modern new home for the region's only Level I Trauma Center providing world-class emergency services at USA Health University Hospital; and Hancock Whitney Stadium, which is a state-of-the-art college football venue serving as a centerpiece for campus life, pride and unity, and

WHEREAS, President Waldrop announced his retirement effective July 1, 2021, in order to return to North Carolina, where Dr. Julee Waldrop, his wife, accepted a position at Duke University as assistant dean for the School of Nursing,

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees extends its utmost appreciation to President Tony G. Waldrop for his leadership and service to the University of South Alabama, and extends its sincere and heartfelt best wishes to him and Julee in their future endeavors, and

BE IT FURTHER RESOLVED that the Board of Trustees bestows upon President Waldrop the title of President *Emeritus*.

There being no further business, the meeting was adjourned at 12:11 p.m.

Attest to:

Respectfully submitted:

Katherine Alexis Atkins, Secretary

James H. Shumock, Chair *pro tempore*

APPENDIX A



UNIVERSITY OF SOUTH ALABAMA

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

PROPERTY ADDRESS:

5909 Westhaven Drive
Mobile, Alabama 36608
Key Number 489563

APPRAISAL INFORMATION:

No appraisal was obtained. The Mobile County Revenue Commission reported a 2020 Appraised Value of \$23,900.00 for the property.

CONTRACTS RELATED TO THE PURCHASE:

Attached as “**Exhibit A**”

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

Inst. # 2021031611 Pages: 1 of 2 Doc: D
I certify this instrument filed on 5/18/2021 4:41 PM
Don Davis, Judge of Probate
Mobile County, AL. Rec: \$9.00
DeedTx: \$0.00
MinTx \$0.00 Clerk: JHANCOCK

GTC - 94788

STATE OF ALABAMA
COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **TODD BROWN**, a married man, the Grantor, who is conveying separate property that does not constitute a part of his or his spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of THIRTY FIVE THOUSAND AND 00/100 DOLLARS (\$35,000.00) and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL AND CONVEY unto the said Grantee, subject to the provisions hereinafter contained, all that real property in the County of Mobile, State of Alabama, described as follows:

Lot 18 in Block 11, according to the plat of Hillsdale Heights as the same appears of record in the Office of the Judge of Probate of Mobile County, Alabama as recorded in Map Book 10, Page 183.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any;

Property Address: 5909 Westhaven Drive, Mobile, Alabama 36608.

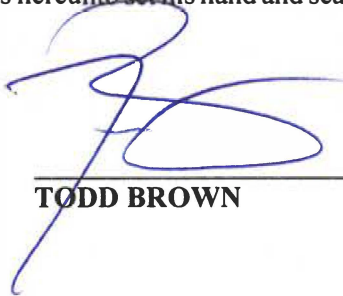
together with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, FOREVER.

This conveyance is made subject to building setback lines, drainage and utility line easements and notes or restrictions as shown on recorded plat of said subdivision.

And, except as to the above and the taxes hereafter falling due, the said Grantor, for himself, and his heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that he is seized of an indefeasible estate in fee simple in and to said property; that he has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that he is in the quiet and peaceable possession of said property; and that he does hereby WARRANT AND WILL

FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

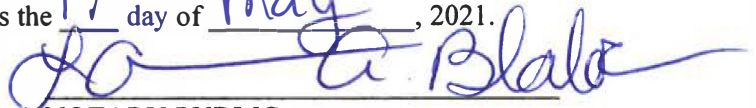
IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal on this the 17th day of may, 2021.


_____(SEAL)
TODD BROWN

STATE OF ALABAMA
COUNTY OF MOBILE

I, the undersigned Notary Public in and for said State and County, hereby certify that **TODD BROWN**, whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, he executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 17th day of may, 2021.



NOTARY PUBLIC
My Commission expires: _____

THE GRANTEES' ADDRESS IS:

775 N. University Blvd., Ste. 150
Mobile, AL 36608

THE GRANTOR'S ADDRESS IS:

2665 Pleasant Valley Rd
Mobile AL 36606

THIS INSTRUMENT WAS PREPARED BY:

Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172



**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



AUDIT COMMITTEE

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Audit Committee

**June 3, 2021
1:30 p.m.**

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Ron Graham, Chair, on Thursday, June 3, 2021, at 1:34 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Alexis Atkins, Tom Corcoran, Ron Graham Ron Jenkins,
Lenus Perkins and Ken Simon.

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

Administration & Guests: Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann,
Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent,
Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt,
Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan and
Scott Weldon.

Following introductory remarks by Chairman Shumock, the meeting came to order and the attendance roll was called, **Item 1**. Mr. Graham called for consideration of **Item 2**, the minutes of the March 4, 2021, meeting of the Audit Committee. On motion by Mr. Corcoran, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Mr. Graham called on Ms. Schratt to discuss **Item 3**, a report on the activities of the Office of Internal Audit (OAI). Ms. Schratt presented the OAI key performance indicator (KPI) report for the second quarter of fiscal year 2021.

Mr. Graham asked Ms. Schratt to address **Item 4**, authorization of the Quality Assessment and Improvement Program (QAIP) for fiscal year 2021 by the Audit Committee, as is required by the USA Internal Audit Charter. On motion by Ms. Atkins, seconded by Mr. Corcoran, the Audit Committee unanimously approved the QAIP.

There being no further business, the meeting was adjourned at 1:38 p.m.

Respectfully submitted:

William Ronald Graham, Chair



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

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

September 30, 2020

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

September 30, 2020

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UNIVERSITY OF SOUTH ALABAMA
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September 30, 2020

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Management's Discussion and Analysis (Unaudited)
September 30, 2020 and 2019

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 2020 and 2019, and for the years then ended. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units either are blended with the University's financial position and results of operations or are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB). As more fully described in note 1 to the basic financial statements, the University of South Alabama Professional Liability Trust Fund, the University of South Alabama General Liability Trust Fund and USA HealthCare Management, LLC are reported as blended component units. The University of South Alabama Foundation, the USA Research and Technology Corporation and the University of South Alabama Health Care Authority (HCA) are discretely presented. During fiscal year 2019 and 2020 several non-profit limited liability companies were formed, with the University as sole member, to manage the complex patient and insurance billings of USA Health.

Financial Highlights

At September 30, 2020 and 2019, the University had total assets and deferred outflows of \$1,610,872,000 and \$1,413,980,000, respectively; total liabilities and deferred inflows of \$1,394,594,000 and \$1,321,855,000, respectively; and net position of \$216,278,000 and \$92,125,000, respectively.

The University has experienced a significant growth in its health care operations over the past two years with increases in net patient service revenues of \$62,635,000, or 13%, between 2019 and 2020 and \$75,762,000, or 18%, between 2018 and 2019. The University also experienced significant growth in its cash and investment balances between 2019 and 2020, increasing by \$145,175,000, or 31% to \$609,822,000 at September 30, 2020. This increase is due largely to significant increases in hospital days, surgeries and other procedures throughout the health system and is driven by increases in the Health System's primary care physician referral base. This is a trend that management expects to continue in the immediate future.

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

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at September 30, 2020 and 2019. Net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may be either expendable or nonexpendable and is the net position that is restricted by law or external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statements of net position, along with all of the University's basic

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financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments and net patient receivables. Of these amounts, cash and cash equivalents, investments and net patient receivables comprise approximately 67%, 10% and 13%, respectively, of current assets at September 30, 2020. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

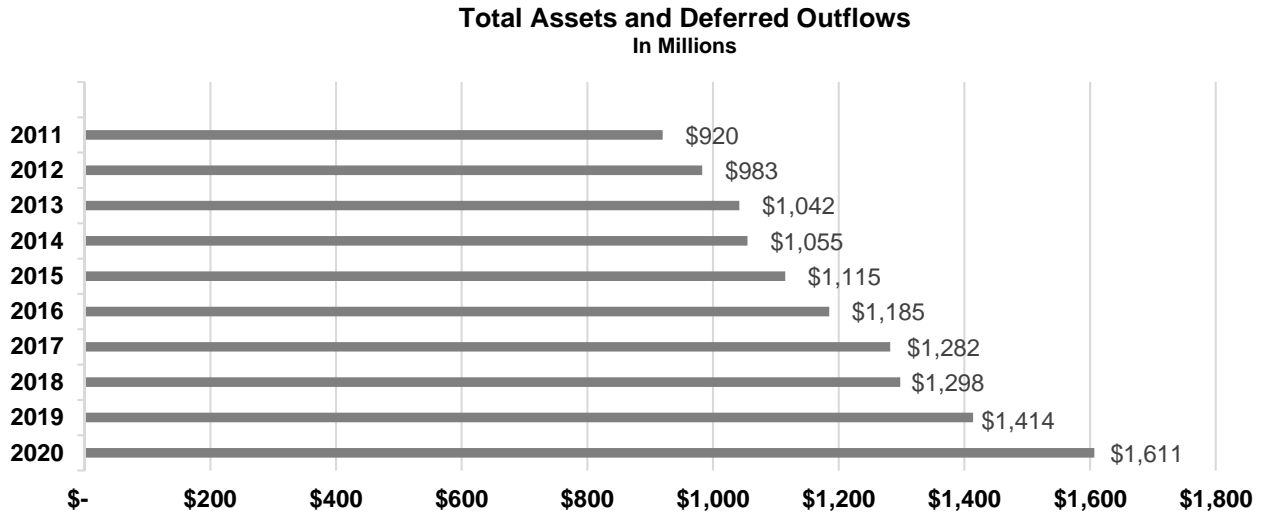
The condensed schedules of net position at September 30, 2020, 2019 and 2018 follow (in thousands):

Condensed Schedules of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current	\$ 355,235	224,156	182,139
Capital assets, net	818,084	759,801	719,816
Other noncurrent	<u>341,027</u>	<u>338,985</u>	<u>308,941</u>
Total assets	1,514,346	1,322,942	1,210,896
Deferred outflows	<u>96,526</u>	<u>91,038</u>	<u>87,469</u>
Total assets and deferred outflows	<u>1,610,872</u>	<u>1,413,980</u>	<u>1,298,365</u>
Liabilities:			
Current	253,028	172,847	157,059
Noncurrent	<u>927,735</u>	<u>1,053,095</u>	<u>1,006,862</u>
Total liabilities	1,180,763	1,225,942	1,163,921
Deferred inflows	<u>213,831</u>	<u>95,913</u>	<u>99,046</u>
Total liabilities and deferred inflows	<u>1,394,594</u>	<u>1,321,855</u>	<u>1,262,967</u>
Net position:			
Net investment in capital assets	377,602	354,556	337,303
Restricted, nonexpendable	63,623	59,378	58,078
Restricted, expendable	82,912	69,139	68,311
Unrestricted	<u>(307,859)</u>	<u>(390,948)</u>	<u>(428,294)</u>
Total net position	<u>\$ 216,278</u>	<u>92,125</u>	<u>35,398</u>

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



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

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

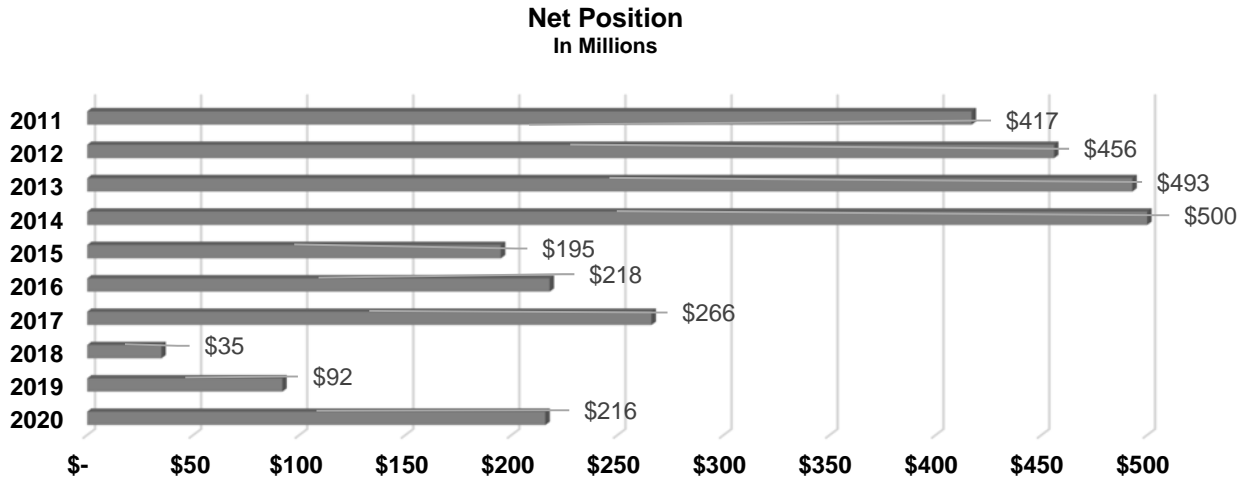
Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

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

Unrestricted net position represents amounts not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at September 30, 2020 and 2019 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

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



All categories of restricted net position collectively increased by approximately \$18,018,000 between September 30, 2020 and 2019, primarily due to the addition of restricted gifts to the University and investment earnings on those gifts. Unrestricted net position increased from \$(390,948,000) to \$(307,859,000) between September 30, 2020 and 2019. A summary of unrestricted net position at September 30, 2020 and 2019 is summarized as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Unrestricted net position related to net pension liability	\$ (291,297)	(295,765)
Unrestricted net position related to net OPEB liability	(234,739)	(254,530)
Unrestricted net position related to other activity	218,177	159,347
Unrestricted net position	<u>\$ (307,859)</u>	<u>(390,948)</u>

Statements of Revenues, Expenses, and Changes in Net Position

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

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

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

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

The condensed schedules of revenues, expenses, and changes in net position for the years ended September 30, 2020, 2019 and 2018 follow (in thousands):

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Tuition and fees, net	\$ 129,644	139,871	136,222
Patient service revenues, net	554,431	491,796	416,034
Federal, state and private grants and contracts	39,668	36,647	34,093
Other	58,949	62,527	66,730
	<u>782,692</u>	<u>730,841</u>	<u>653,079</u>
Operating expenses:			
Salaries and benefits	491,791	495,123	486,156
Supplies and other services	285,289	268,416	255,145
Other	81,216	79,492	78,081
	<u>858,296</u>	<u>843,031</u>	<u>819,382</u>
Operating loss	<u>(75,604)</u>	<u>(112,190)</u>	<u>(166,303)</u>
Nonoperating revenues and expenses:			
State appropriations	123,063	115,209	108,268
Net investment income	23,378	8,203	17,857
Other, net	41,274	25,189	22,674
Net nonoperating revenues	<u>187,715</u>	<u>148,601</u>	<u>148,799</u>
Income (loss) before capital contributions and grants and additions to endowment	112,111	36,411	(17,504)

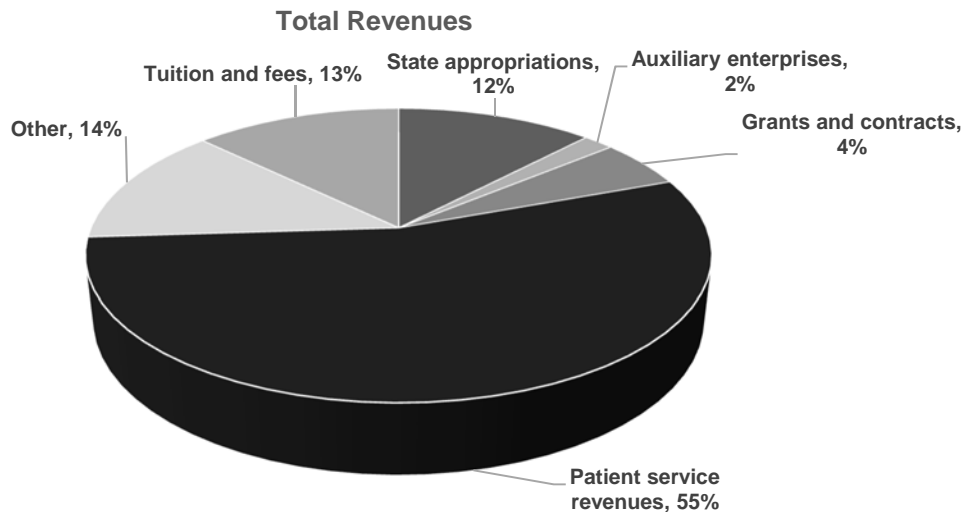
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**Condensed Schedules of Revenues, Expenses,
and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital contributions and grants and additions to endowment	\$ 12,042	20,316	16,770
Increase (decrease) in net position	<u>124,153</u>	<u>56,727</u>	<u>(734)</u>
Beginning net position, before cumulative effect of change in accounting principle	92,125	35,398	265,819
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>(229,687)</u>
Beginning net position – as adjusted	<u>92,125</u>	<u>35,398</u>	<u>36,132</u>
Ending net position	<u>\$ 216,278</u>	<u>92,125</u>	<u>35,398</u>

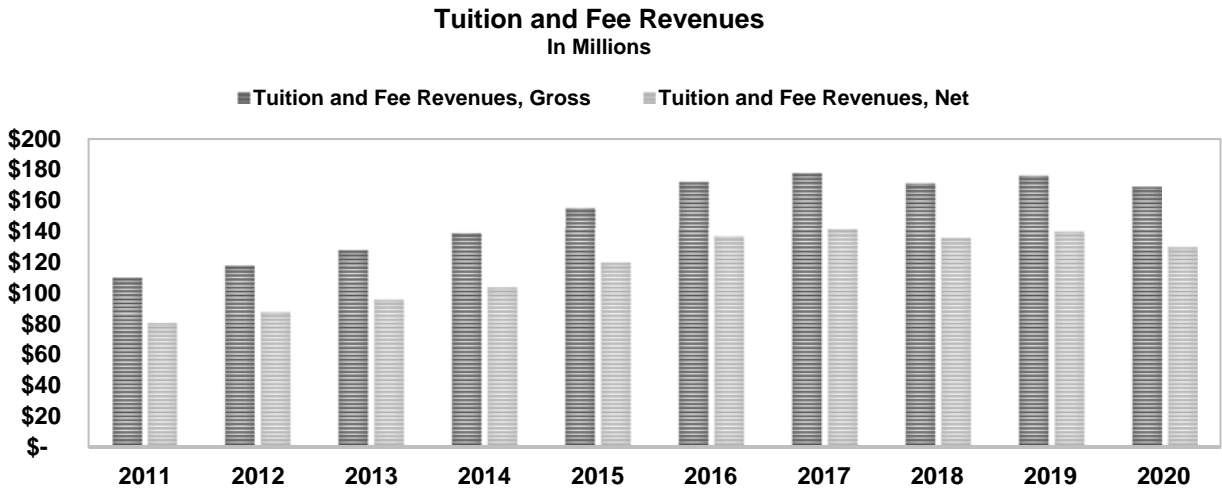
Approximately 55%, and 53% of total revenues of the University were net patient service revenues in 2020 and 2019, respectively. Excluding patient service revenues, tuition and fees charged to students represent the largest component of total University revenues, approximately 13%, and 15% of total revenues in 2020 and 2019, respectively. In both 2020 and 2019, state appropriations and grants and contracts (federal, state and private) represented approximately 16% of total revenues.

A summary of University revenues for the year ended September 30, 2020 is presented as follows:

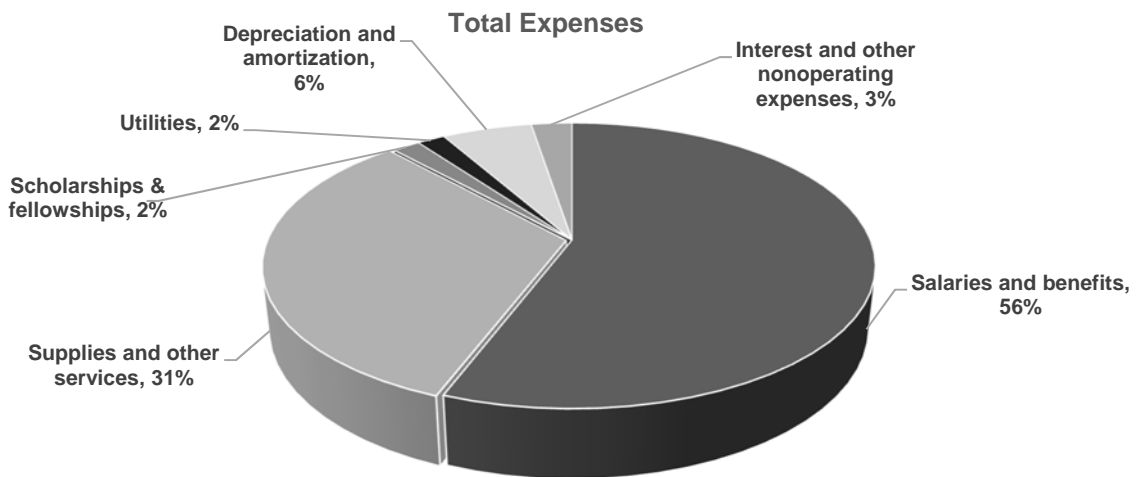


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Tuition revenues have generally increased in recent years. A decline in enrollment coupled with increases in tuition rates have caused tuition revenues to remain relatively flat. Tuition and fees, gross and net of scholarship allowances, for the past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



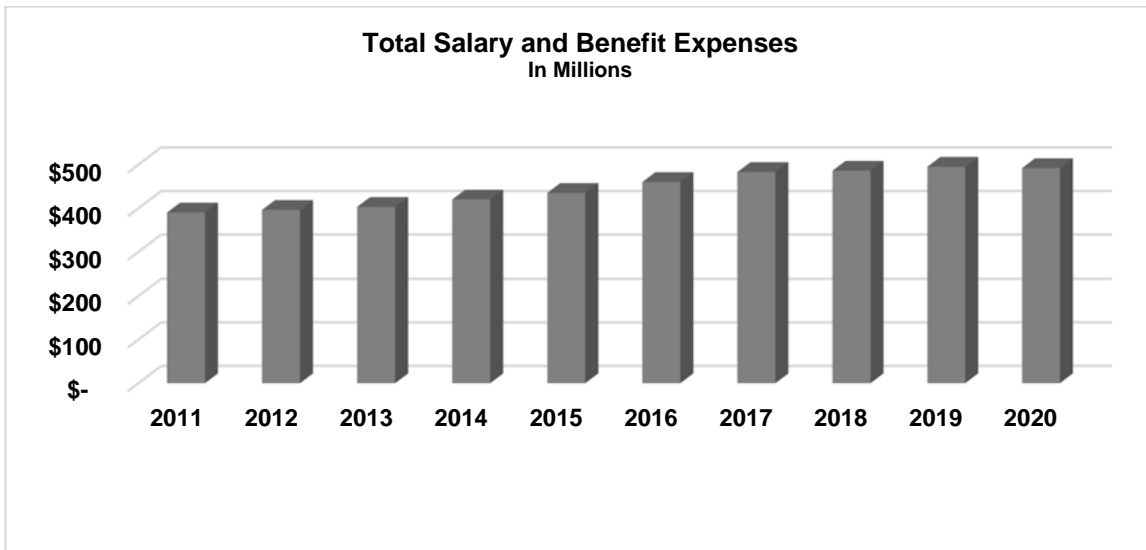
University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2020 is presented as follows:



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

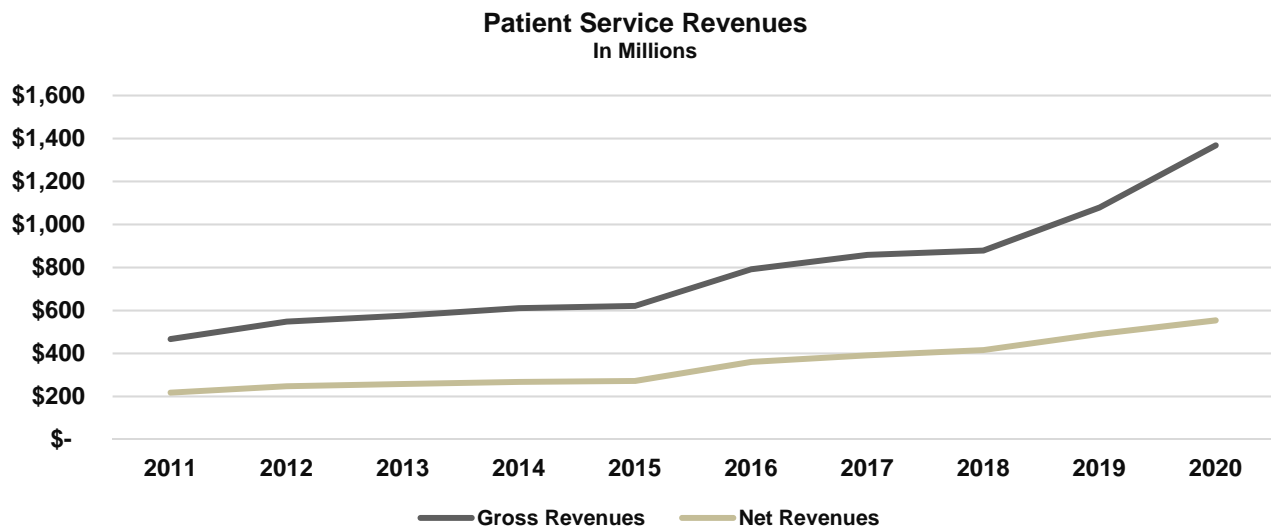
In 2020 and 2019, respectively, approximately 57% and 59% of the University's total operating expenses were salaries and benefits.



For the years ended September 30, 2020 and 2019, the University reported operating losses of approximately \$75,604,000 and \$112,190,000, respectively. Operating losses are offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, the total change in net position was approximately \$124,153,000 and \$56,727,000 for the years ended September 30, 2020 and 2019, respectively.

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



Statements of Cash Flows

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

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately \$110,120,000 and \$88,796,000 in 2020 and 2019, respectively. Significant construction projects that remain in progress at September 30, 2020 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, Hancock Whitney Stadium, Jon Lieber Baseball Clubhouse, the Transportation building, and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal year 2020 include the Medical Simulation Lab Building, Mitchell Center renovations and MacQueen Alumni Center. At September 30, 2020, the University had outstanding commitments of approximately \$14,513,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

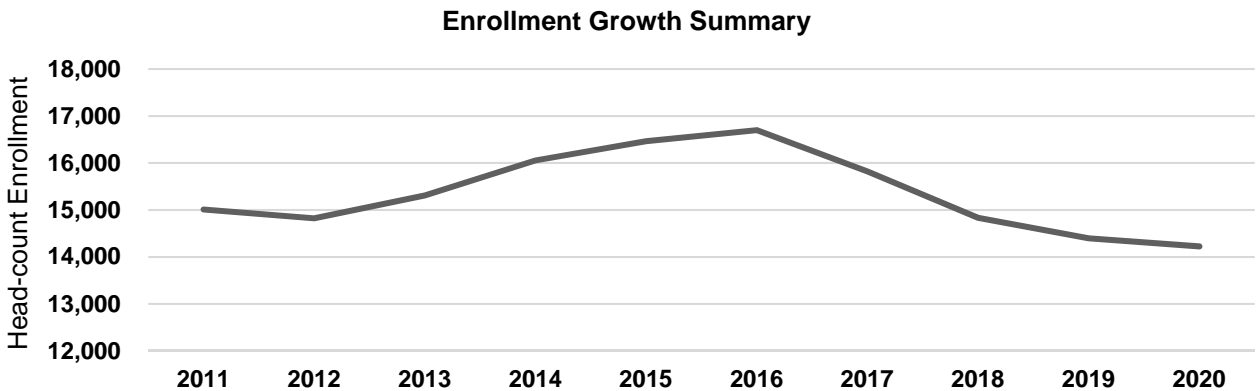
In February 2019, the University issued new revenue bonds, Series 2019AB, with a face value of \$66,190,000. The proceeds, along with internal contributions from the University, are financing the construction of Hancock Whitney Stadium and intramural fields. In December 2019, the University refinanced the Series 2010 Bond with the University Facilities Revenue Bond, Series 2019-C, with a face value of \$19,086,000. In February 2020, the University issued a new University Facilities Revenue Bond, Series 2020, with a face value of \$37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities.

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The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during 2020 or 2019. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2019 and 2020 Bond issuances. Additional information regarding the University's debt is included in note 7.

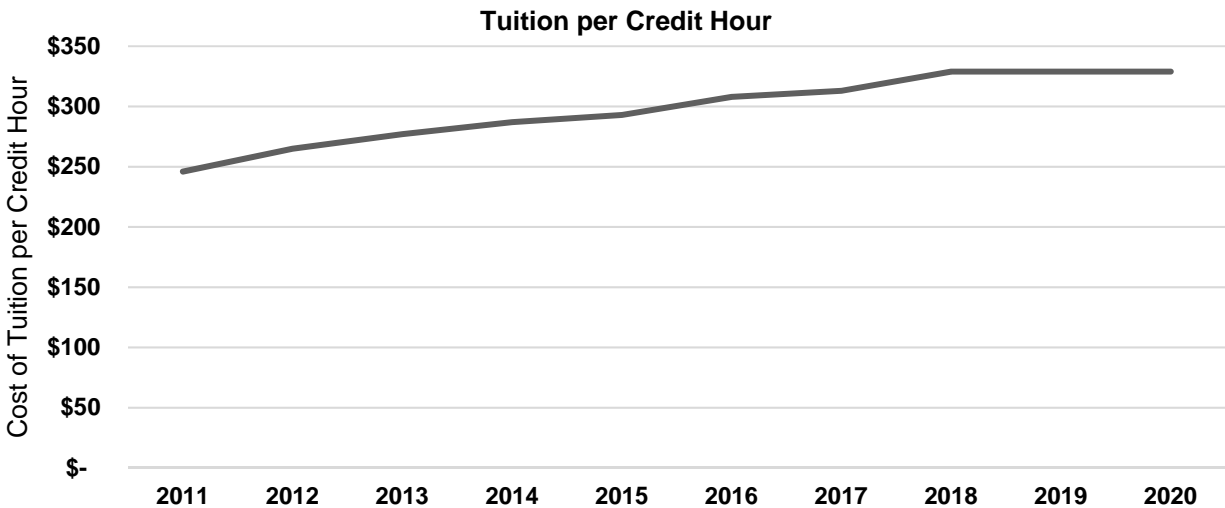
Economic Outlook

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 3% from Fall 2018 to Fall 2019 and an additional decline of 1% between Fall 2019 and Fall 2020, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of incoming freshmen. The enrollment trend for the University between 2011 and 2020 is as follows:



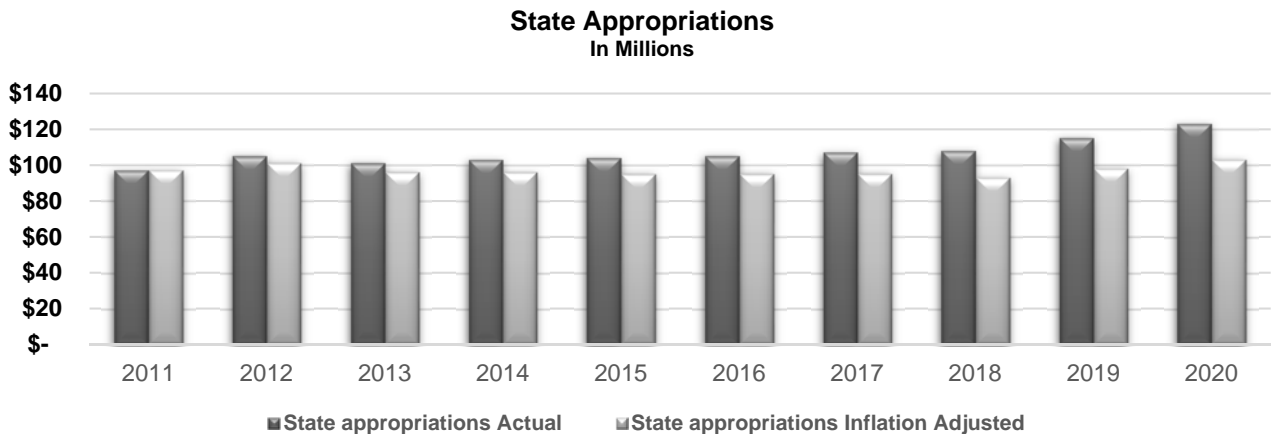
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During the same period, in-state tuition per credit hour has increased by approximately 34%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. The trend of in-state tuition per credit hour between 2011 and 2020 is as follows:



A state appropriation in the amount of approximately \$118,299,000 and \$115,209,000 was authorized and received for the years ended September 30, 2020 and 2019, respectively. An additional appropriation of approximately \$4,764,000 was received during fiscal year 2020 for advancement and technology, and certain healthcare initiatives. A state appropriation in the amount of approximately \$121,564,000, representing an increase of approximately 2.76%, has been authorized for the year ending September 30, 2021. While no announcement has been made, the University is aware that reductions in the 2021 appropriation are possible.

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



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

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

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

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

Management has taken a number of actions to mitigate the anticipated declines in operations, including a reduction of operational expenses throughout the University, including USA Health. Additionally, the University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of September 30, 2020, the University has been awarded approximately \$31,437,000 in grants from federal and state sources. Of those grants, payments of approximately \$17,844,000 have been received as of year-end. Revenues of approximately \$14,919,000 have been recognized in the 2020 financial statements.

Management believes that the impact of the Crisis will continue in the 2021 fiscal year.

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 2021 or beyond.

Requests for Information

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



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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2020 financial statements of the University of South Alabama Foundation, which represent 93% and 99%, respectively, of the total assets and net assets or net position as of June 30, 2020 and 49% of revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Nor did we audit the 2019 consolidated financial statements of the University of South Alabama Foundation, which represent 93% and 99%, respectively, of the total assets and net assets or net position as of June 30, 2019 and 49% of revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Those statements were audited by other auditors whose report, which included an emphasis of matter paragraph related to the retroactive adoption of the provisions of Accounting Statements Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, effective July 1, 2018, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*.



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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component units as of September 30, 2020 and 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1-12, the schedule of the University's proportionate share of the net pension liability and related ratios, schedule of the University's pension contributions, schedule of the University's proportionate share of the net OPEB liability and related ratios, and schedule of the University's OPEB contributions on pages 83 - 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 16, 2020

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

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 237,573	110,282
Investments	35,831	28,572
Patient receivables (net of allowance for doubtful accounts of \$74,026 in 2020 and \$92,114 in 2019)	45,796	53,104
Accounts receivable, other	16,694	14,479
Notes receivable, net	7,321	8,063
Prepaid expenses, inventories, and other	12,020	9,656
Total current assets	355,235	224,156
Noncurrent assets:		
Restricted cash and cash equivalents	50,805	60,181
Restricted investments	265,620	255,412
Investments	19,993	10,200
Other noncurrent assets and accounts receivable	4,609	13,192
Capital assets, net	818,084	759,801
Total noncurrent assets	1,159,111	1,098,786
Total assets	1,514,346	1,322,942
Deferred outflows		
Total assets and deferred outflows	1,610,872	1,413,980
Current liabilities:		
Accounts payable and accrued liabilities	113,363	84,748
Unrecognized revenues	101,731	56,141
Deposits	3,386	3,019
Current portion of other long-term liabilities	6,515	6,374
Current portion of long-term debt	28,033	22,565
Total current liabilities	253,028	172,847
Noncurrent liabilities:		
Long-term debt, less current portion	443,321	420,861
Net pension liability	294,615	282,739
Net other postemployment benefits liability	103,288	259,418
Other long-term liabilities, less current portion	86,511	90,077
Total noncurrent liabilities	927,735	1,053,095
Total liabilities	1,180,763	1,225,942
Deferred inflows		
Total liabilities and deferred inflows	1,394,594	1,321,855
Net position:		
Net investment in capital assets	377,602	354,556
Restricted, nonexpendable:		
Scholarships	32,898	29,028
Other	30,725	30,350
Restricted, expendable:		
Scholarships	24,699	18,490
Other	58,213	50,649
Unrestricted deficit	(307,859)	(390,948)
Total net position	\$ 216,278	92,125

See accompanying notes to basic financial statements.

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

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 2,633	1,520
Investments:		
Equity securities	157,457	150,796
Timber and mineral properties	168,063	164,307
Real estate	53,455	61,508
Other	5,811	5,809
Other assets	453	444
Total assets	\$ 387,872	384,384
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 155	135
Other liabilities	594	737
Total liabilities	749	872
Net assets:		
Without donor restrictions	79,835	89,245
With donor restrictions	307,288	294,267
Total net assets	387,123	383,512
Total liabilities and net assets	\$ 387,872	384,384

See accompanying notes to basic financial statements.

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

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

	2020	2019
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 819	649
Rent receivable	187	211
Prepaid expenses and other current assets	19	2
Total current assets	1,025	862
Noncurrent assets:		
Intangible assets, net	215	217
Capital assets, net	19,738	20,840
Total noncurrent assets	19,953	21,057
Deferred outflows	1,089	1,262
Total assets and deferred outflows	22,067	23,181
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses	202	455
Unrecognized rent revenue	353	393
Current portion of notes payable	7,950	1,043
Total current liabilities	8,505	1,891
Noncurrent liabilities:		
Notes payable, excluding current portion	12,531	20,201
Payable to University of South Alabama	—	368
Total noncurrent liabilities	12,531	20,569
Total liabilities	21,036	22,460
Net position:		
Net investment in capital assets	555	393
Unrestricted	476	328
Total net position	\$ 1,031	721

See accompanying notes to basic financial statements.

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

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,576	1,188
Patient receivables (net of allowance for doubtful accounts of \$450 in 2020 and \$381 in 2019)	1,552	2,195
Inventories	32	155
Other current assets	614	678
Total current assets	4,774	4,216
Noncurrent assets:		
Capital assets	1,932	1,602
Total assets	6,706	5,818
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	2,258	1,448
Accrued salaries and wages	2,535	1,439
Unrecognized revenue	1,640	—
Other current liabilities	19	—
Total current liabilities	6,452	2,887
Noncurrent liabilities:		
Long term debt, less current portion	24	—
Total liabilities	6,476	2,887
Net position:		
Net investment in capital assets	1,889	1,602
Unrestricted	(1,659)	1,329
Total net position	\$ 230	2,931

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
Tuition and fees (net of scholarship allowances of \$38,995 in 2020 and \$35,767 in 2019)	\$ 129,644	139,871
Patient service revenues (net of provision for bad debts of \$99,459 in 2020 and \$99,713 in 2019)	554,431	491,796
Federal grants and contracts	21,814	20,276
State grants and contracts	8,884	9,513
Private grants and contracts	8,970	6,858
Auxiliary enterprises (net of scholarship allowances of \$1,206 in 2020 and \$1,106 in 2019)	19,038	21,481
Other operating revenues	39,911	41,046
Total operating revenues	782,692	730,841
Operating expenses:		
Salaries and benefits	491,791	495,123
Supplies and other services	285,289	268,416
Scholarships and fellowships	15,464	13,990
Utilities	15,515	16,877
Depreciation and amortization	50,237	48,625
Total operating expenses	858,296	843,031
Operating loss	(75,604)	(112,190)
Nonoperating revenues (expenses):		
State appropriations	123,063	115,209
Net investment income	23,378	8,203
Interest expense	(9,543)	(12,106)
Other nonoperating revenues	64,035	48,307
Other nonoperating expenses	(13,218)	(11,012)
Net nonoperating revenues	187,715	148,601
Income before capital contributions and grants and additions to endowment	112,111	36,411
Capital contributions and grants	6,631	13,617
Additions to endowment	5,411	6,699
Increase in net position	124,153	56,727
Net position:		
Beginning of year	92,125	35,398
End of year	\$ 216,278	92,125

See accompanying notes to basic financial statements.

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

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2020

(In thousands)

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

See accompanying notes to basic financial statements.

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

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2019

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, losses and other support:			
Net realized and unrealized gains (losses) on investments	\$ (2,731)	19,146	16,415
Rents, royalties and timber sales	3,080	152	3,232
Interest and dividends	925	1,289	2,214
Gifts	1	4,136	4,137
Required match of donor contributions	(4)	4	—
Interfund interest	(500)	500	—
Other income	335	—	335
Net assets released from program restrictions	7,683	(7,683)	—
Total revenues, gains, losses and other support	8,789	17,544	26,333
Expenditures:			
Program services:			
Faculty support	2,473	—	2,473
Scholarships	1,172	—	1,172
Other academic programs	6,390	—	6,390
Total program service expenditures	10,035	—	10,035
Management and general	2,195	—	2,195
Other investment expense	1,591	—	1,591
Depletion expense	3,170	—	3,170
Depreciation expense	40	—	40
Total expenditures	17,031	—	17,031
Change in net assets	(8,242)	17,544	9,302
Net assets – beginning of year	97,487	276,723	374,210
Net assets – end of year	\$ 89,245	294,267	383,512

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues	\$ 3,961	3,607
Operating expenses:		
Building management and operating expenses	1,163	1,189
Depreciation and amortization	1,161	1,125
Legal and administrative fees	221	192
Insurance	29	29
Total operating expenses	2,574	2,535
Operating income	1,387	1,072
Nonoperating revenues (expenses):		
Interest expense	(1,085)	(1,123)
Debt issuance expense	—	(25)
Other	8	(7)
Net nonoperating expenses	(1,077)	(1,155)
Change in net position	310	(83)
Net position:		
Beginning of year	721	804
End of year	\$ 1,031	721

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
Patient service revenues (net of provision for bad debts of \$643 in 2019 and \$283 in 2019)	\$ 18,581	22,470
Other operating revenues	1,196	1,098
Total operating revenues	19,777	23,568
Operating expenses:		
Salaries and benefits	22,992	18,132
Building and equipment expenses	2,787	1,751
Medical and surgical supplies	2,194	6,870
Other expenses	4,769	4,231
Depreciation and amortization	415	276
Total operating expenses	33,157	31,260
Operating loss	(13,380)	(7,692)
Nonoperating revenues:		
Investment income	5	—
Support from University of South Alabama	10,478	9,394
Other nonoperating revenues	196	9
Total nonoperating revenues	10,679	9,403
(Decrease) increase in net position	(2,701)	1,711
Net position at beginning of year	2,931	1,220
Net position at end of year	\$ 230	2,931

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 127,260	138,226
Receipts from and on behalf of patients and third-party payers	561,967	478,756
Receipts from grants and contracts	38,627	34,553
Receipts related to auxiliary enterprises	19,237	20,439
Payments to suppliers and vendors	(301,683)	(267,340)
Payments to employees and related benefits	(474,360)	(506,781)
Payments for scholarships and fellowships	(14,574)	(12,886)
Other operating receipts	19,402	51,947
	(24,124)	(63,086)
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
State appropriations	123,063	115,209
Endowment gifts	5,411	6,699
Agency funds received	2,537	2,443
Agency funds disbursed	(1,851)	(2,085)
Student loan program receipts	144,694	149,937
Student loan program disbursements	(145,725)	(148,193)
Other nonoperating revenues	119,217	38,518
Other nonoperating expenses	(14,298)	(10,820)
	233,048	151,708
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital contributions and grants	6,631	13,617
Purchases of capital assets	(101,589)	(89,056)
Proceeds from sales of capital assets	18	60
Proceeds from issuance of capital debt	64,528	71,067
Principal payments on capital debt	(40,988)	(23,137)
Interest payments on capital debt	(15,699)	(14,203)
	(87,099)	(41,652)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest and dividends on investments	8,582	2,977
Purchases of investments	(119,852)	(66,090)
Proceeds from sales of investments	107,360	90,270
	(3,910)	27,157
Net cash (used in) provided by investing activities		
Net increase in cash and cash equivalents	117,915	74,127
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	170,463	96,336
End of year	\$ 288,378	170,463

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Statements of Cash Flows
Years ended September 30, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (75,604)	(112,190)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,237	48,625
Changes in assets and liabilities, net:		
Student receivables	(1,568)	634
Net patient receivables	7,308	(9,263)
Grants and contracts receivables	(2,452)	(2,562)
Other receivables	(18,447)	10,824
Prepaid expenses, inventories, and other	11,936	(9,665)
Accounts payable and accrued liabilities	4,252	12,725
Unrecognized revenues	214	(2,214)
Net cash provided by (used in) operating activities	<u>\$ (24,124)</u>	<u>(63,086)</u>
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of investment income	\$ 14,980	9,716
Addition of capital leases	3,584	2,240
Additional maturity on capital appreciation on bonds payable and other borrowings recorded as interest expense	—	49
Gifts of capital and other assets	115	204
Capitalization of construction period interest	4,662	2,030
(Decrease) increase in accounts payable related to capital assets	(2,967)	6,412

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Notes to Basic Financial Statements
September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

On May 3, 1963, the Governor of Alabama signed enabling legislation creating the University of South Alabama (the University). The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama. The financial statements of the University present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

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

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2020 and 2019, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units.

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

GASB requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements. Based on these requirements, the University reports the Professional Liability

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

Trust Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM), USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

(b) Professional Liability and General Liability Trust Funds

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

(c) USA HealthCare Management, LLC

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

(d) USA Health Billing Limited Liability Companies

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

(e) University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority (HCA). The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. The HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. HCA presents its financial statements in accordance with GASB. During fiscal year 2019, two not-for-profit limited liability companies were formed to manage the complex patient and insurance billings. The HCA is the sole member of these LLCs. As such, these entities are blended component units of the HCA. During fiscal year 2020, three additional not for profit limited liability companies were formed. There was no financial activity for these entities during fiscal year 2020. The HCA is a sole member of two of these limited liability companies and the majority owner of the third limited liability company. Since inception, HCA's operations have been partially

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

funded by the University, with total support amounting to \$10,478,000 during the year ended September 30, 2020 and \$9,394,000 during the year ended September 30, 2019. This support is reported in nonoperating expenses on the University's statements of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for HCA as of and for the years ended September 30, 2020 and 2019 are discretely presented.

(f) *University of South Alabama Foundation*

The University of South Alabama Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. Total distributions received or accrued by the University for the years ended September 30, 2020 and 2019 were \$10,280,000 and \$9,755,000, respectively, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 14 and GASB Statement No. 61, this discretely presented unit has been included with the most recent fiscal year. The accompanying consolidated statements of financial position and consolidated statements of activities and changes in net assets for the USA Foundation as of and for the years ended June 30, 2020 and 2019 are discretely presented.

(g) *USA Research and Technology Corporation*

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for the Corporation as of and for the years ended September 30, 2020 and 2019 are discretely presented.

(h) *Measurement Focus and Basis of Accounting*

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as

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

Notes to Basic Financial Statements

September 30, 2020 and 2019

amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(i) Use of Estimates

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

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

(j) Cash and Cash Equivalents

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

(k) Investments and Investment Income

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

(l) Derivatives

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At September 30, 2020 and 2019, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows on the statements of net position since the interest rate swaps were deemed effective.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Notes to Basic Financial Statements
September 30, 2020 and 2019

(m) *Deferred Outflows and Inflows of Resources*

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

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

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

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

(o) *Accounts Receivable*

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

(p) *Inventories*

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

(q) *Capital Assets*

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the years ended September 30, 2020 and 2019 was approximately \$4,662,000 and \$2,030,000, respectively.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2020 and 2019, no impairments were recorded.

(r) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenues and then recognized over the applicable portion of each school term. In fiscal year 2020, the University received funding from the CARES Act which is reported as unrecognized revenues in the 2020 statement of net position. Additionally, USA Health received Advanced Medicare funding, and this amount is also reported as unrecognized revenues in the 2020 statement of net position.

(s) Cost Sharing Multiple-Employer Pension Plan

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

(t) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other post employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred

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outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(u) Classification of Net Position

The University's net position is classified as follows:

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

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

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

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

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

(v) Scholarship Allowances and Student Financial Aid

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

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nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

(w) Donor Restricted Endowments

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

(x) Classification of Revenues

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

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

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

(y) Gifts and Pledges

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

(z) Grants and Contracts

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the

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revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

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

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

The Centers for Medicare and Medicaid Services (CMS) has implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, and hospitals, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. USA Health utilizes a grant accounting model to recognize EHR incentive revenues. EHR incentive revenue is recorded ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30.

University Hospital has met the Medicare and Medicaid meaningful use objectives for fiscal year 2019. The hospital also expects to meet meaningful use objectives in fiscal 2020. No meaningful use payment is expected for fiscal year 2018 forward as a result of the transition to the Merit-Based Incentive Payment System, which is an ambulatory Eligible Professional attestation. While University Hospital is moving to Penalty Aversion, it is still in the Meaningful Use program for eligible hospitals. Any payment adjustments for fiscal year 2017 through 2019 will not be paid until 2021.

In 2020, USA Health recognized a Medicare EHR incentive payment determination of \$54,225 as final settlement for the USA Health University Hospital's year ended September 30, 2015. The EHR incentive revenues are included in other operating revenues in the accompanying 2020 statement of revenues, expenses, and changes in net position.

(bb) Compensated Absences

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

(cc) Recently Adopted Accounting Pronouncements

In 2020, the University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which updates the information

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that is disclosed in the financial statements related to debt. The University adopted this Statement and applied the effects retroactively. All effected disclosures were updated accordingly. There was no significant impact to the University in the adoption of this statement.

(2) Income Taxes

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

In addition, the University's discretely presented component units, except for HCA, are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The income of HCA is excluded from federal and state income taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Consistent with these designations, no provision for income taxes has been made in the accompanying discretely presented component unit financial statements.

(3) Cash and Cash Equivalents

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2020 and 2019, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$14.2 billion and \$11.7 billion, respectively. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of \$288,378,000 and \$170,463,000 at September 30, 2020 and 2019, respectively.

At September 30, 2020, restricted cash and cash equivalents consist of \$1,183,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, \$31,958,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$9,468,000 related to collateral requirements of interest rate swaps, \$6,887,000 related to restricted donations related to certain capital projects, and \$1,309,000 related to endowment funds. At September 30, 2019, restricted cash and cash equivalents consist of \$5,243,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, \$42,073,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$11,200,000 related to collateral requirements of interest rate swaps, \$925,000 related to restricted donations related to certain capital projects, and \$740,000 related to endowment funds.

(4) Investments

(a) University of South Alabama

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policies," the "Endowment Fund Investment Policy," and the "Derivatives Policy" (collectively referred to as the University Investment Policies) as adopted by the

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Board of Trustees. The purpose of the nonendowment cash pool investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the “prudent person” standard in the context of managing its investment portfolio.

The investments of the blended component units of the University are invested pursuant to the separate investment policy shared by the PLTF and GLTF (the Trust Fund Investment Policy.) The objectives of the Trust Fund Investment Policy are to provide a source of funds to pay general and professional liability claims and to achieve long-term capital growth to help defray future funding requirements. Additionally, certain investments of the University’s component units, both blended and discretely presented, are subject to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as any requirements placed on them by contract or donor agreements.

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

Investments of the University, by type, at fair value, are as follows at September 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
U.S. Treasury securities	\$ 12,033	14,681
U.S. federal agency notes	73,994	75,299
Commingled equity funds	92,882	95,925
Commingled fixed income funds	42,127	27,591
Marketable equity securities	36,728	26,207
Marketable debt securities	12,749	9,969
Real estate	—	125
Private equity	14,805	12,526
Managed income alternative investments (low-volatility multi-strategy funds of funds)	36,126	31,861
	<u>\$ 321,444</u>	<u>294,184</u>

At September 30, 2020 and 2019, restricted investments consist of endowment funds, funds held in the PLTF and GLTF to pay insurance liability claims and funds related to collateral requirements of the interest rate swaps.

At September 30, 2020 and 2019, \$28,113,000 and \$22,243,000, 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.

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The University invests in several private equity funds. At September 30, 2020, the University had capital commitments to those funds of \$7,269,000.

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

Nonendowment Cash Pool Investment Policy

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

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

Endowment Fund Investment Policy

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

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

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The University's exposure to credit risk and concentration of credit risk at September 30, 2020 and 2019 is as follows:

	2020	
	Credit rating	Percentage of total investments
Federal National Mortgage Association	AAA	4.9 %
Federal Home Loan Mortgage Corporation	AAA	13.5
Federal Farm Credit Banks Funding Corporation	AAA	3.1
Common Fund Bond Fund	AAA	6.5
PIMCO Pooled Bond Fund	BAA+/AA/A	6.6
US Treasury securities	AAA/AA+	3.7
Marketable debt securities	Various	4.0
	2019	
	Credit rating	Percentage of total investments
Federal National Mortgage Association	AAA	3.2 %
Federal Home Loan Mortgage Corporation	AAA	3.7
Federal Farm Credit Banks Funding Corporation	AAA	9.8
Common Fund Bond Fund	AAA	7.4
Federal Farm Credit Banks Debenture	AAA/AA+	8.9
PIMCO Pooled Bond Fund	BAA+/AA/A	2.0
US Treasury securities	AAA/AA+	5.0
Marketable debt securities	Various	3.0

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(ii) *Interest Rate Risk*

At September 30, 2020 and 2019, the maturity dates of the University's fixed income investments are as follows (in thousands):

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

		2019				
		Years to maturity				
	Fair value	Less than 1	1-5	6-10	More than 10	
U.S. Treasury securities	\$ 14,681	—	8,543	6,138	—	
U.S. federal agency notes	75,299	22,419	42,696	—	10,184	
Marketable debt securities	9,969	—	4,679	5,290	—	
Commingled fixed income funds	27,591	1,375	1,445	3,128	21,643	
	<u>\$ 127,540</u>	<u>23,794</u>	<u>57,363</u>	<u>14,556</u>	<u>31,827</u>	

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

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

(iii) *Custodial Credit Risk*

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

(iv) *Mortgage-Backed Securities*

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

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

(v) *Fair Value Measurement*

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

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

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

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The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value as of September 30, 2020 and 2019 (in thousands):

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

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

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<u>Description</u>	<u>Asset fair value measurements at September 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ 14,681	—	—	14,681
U.S. federal agency notes	—	75,299	—	75,299
Commingled equity funds	58,570	37,355	—	95,925
Commingled fixed income funds	5,948	21,643	—	27,591
Marketable equity securities	26,207	—	—	26,207
Marketable debt securities	9,969	—	—	9,969
Private equity	—	—	11,513	11,513
Real estate	—	—	125	125
Total investments at fair value	<u>\$ 115,375</u>	<u>134,297</u>	<u>11,638</u>	261,310
Investments measured at NAV:				
Private equity				1,013
Managed income alternative investments (low volatility multi-strategy funds of funds)				<u>31,861</u>
Total investments				<u>\$ 294,184</u>

<u>Description</u>	<u>Liability fair value measurements at September 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate exchange agreements	\$ —	45,750	—	45,750

A rollforward schedule of amounts for Level 3 financial instruments for the fiscal years ended September 30, 2020 and 2019 is as follows (in thousands):

<u>Description</u>	<u>Private equity and real estate</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 11,638	1,915
Purchases	790	9,630
Net realized/unrealized gains (losses)	1,477	598
Sales	(432)	(505)
Ending balance	<u>\$ 13,473</u>	<u>11,638</u>

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(b) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling \$157,457,000 and \$150,796,000 at June 30, 2020 and 2019, respectively.

Investment income was comprised of the following for the years ended June 30, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
Unrealized gains	\$ 7,651	13,188
Realized gains	3,096	3,227
Timber sales	3,190	2,505
Interest and dividends	2,182	2,214
Rents	705	642
Royalties	63	85
	<u>\$ 16,887</u>	<u>21,861</u>

Investment related expenses in the amounts of \$368,000 and \$359,000 are included in the USA Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2020 and 2019, respectively.

Real estate at June 30, 2020 and 2019 consisted of the following property held (in thousands):

	<u>2020</u>	<u>2019</u>
Land and land improvements – held for investment	\$ 52,423	60,448
Building and building improvements – held for investment	1,032	1,060
	<u>\$ 53,455</u>	<u>61,508</u>

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

Investments at June 30, 2020 and 2019, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation from the trustee responsible for the management of the company and the timber valuation.

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

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

The USA Foundation's investment assets at June 30, 2020 and 2019, are summarized based on the criteria of ASC 820 as follows (in thousands):

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

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Description	Fair value measurements at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 96,151	—	—	96,151
Timber and mineral properties	—	—	164,307	164,307
Real estate	—	—	61,508	61,508
Other investments	—	—	5,809	5,809
	\$ 96,151	—	231,624	327,775
Investment in Commonfund measured at NAV				54,645
				\$ 382,420

For the years ended June 30, 2020 and 2019, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

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

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2019				
Description	Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	\$ 160,949	69,163	5,805	235,917
Net unrealized gains (losses)	6,247	(7,620)	4	(1,369)
Reforestation	281	—	—	281
Depreciation/depletion	(3,170)	(35)	—	(3,205)
Ending balance	\$ 164,307	61,508	5,809	231,624

As of June 30, 2020, the USA Foundation has no outstanding commitments to purchase securities or other investments. Additionally, substantially all of the USA Foundation's equity securities at June 30, 2020 are considered readily liquid. Timber and mineral properties, real estate, and other investments are generally considered illiquid.

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(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the years ended September 30, 2020 and 2019 follows (in thousands):

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

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

	2019				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Capital assets not being depreciated:					
Land and other	\$ 23,106	1,276	—	—	24,382
Construction-in-progress	83,472	69,091	(55,533)	—	97,030
	<u>106,578</u>	<u>70,367</u>	<u>(55,533)</u>	<u>—</u>	<u>121,412</u>
Capital assets being depreciated:					
Land improvements	39,591	2,219	6,598	—	48,408
Buildings, fixed equipment, and infrastructure	786,620	4,459	47,259	(147)	838,191
Other equipment	246,185	7,952	1,676	(12,535)	243,278
Library materials	74,958	3,799	—	—	78,757
	<u>1,147,354</u>	<u>18,429</u>	<u>55,533</u>	<u>(12,682)</u>	<u>1,208,634</u>
Less accumulated depreciation for:					
Land improvements	(23,224)	(1,904)	—	—	(25,128)
Buildings, fixed equipment, and infrastructure	(301,598)	(23,625)	—	123	(325,100)
Other equipment	(151,189)	(19,923)	—	12,418	(158,694)
Library materials	(58,105)	(3,218)	—	—	(61,323)
	<u>(534,116)</u>	<u>(48,670)</u>	<u>—</u>	<u>12,541</u>	<u>(570,245)</u>
Capital assets being depreciated, net	<u>613,238</u>	<u>(30,241)</u>	<u>55,533</u>	<u>(141)</u>	<u>638,389</u>
Capital assets, net \$	<u><u>719,816</u></u>	<u><u>40,126</u></u>	<u><u>—</u></u>	<u><u>(141)</u></u>	<u><u>759,801</u></u>

At September 30, 2019, the University had commitments of approximately \$42,456,000 related to various construction projects.

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(b) USA Research and Technology Corporation

Changes in capital assets for the years ended September 30, 2020 and 2019 are as follows (in thousands):

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

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	2019				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Land	\$ 223	—	—	—	223
Land improvements	1,976	9	—	—	1,985
Buildings	28,303	149	—	—	28,452
Tenant improvements	1,840	337	—	(203)	1,974
Other equipment	373	14	—	—	387
Construction in progress - nondepreciable	—	10	—	—	10
	<u>32,715</u>	<u>519</u>	<u>—</u>	<u>(203)</u>	<u>33,031</u>
Less accumulated depreciation for:					
Land improvements	(1,312)	(94)	—	—	(1,406)
Buildings	(8,769)	(733)	—	—	(9,502)
Tenant improvements	(954)	(225)	—	178	(1,001)
Other equipment	(250)	(32)	—	—	(282)
	<u>(11,285)</u>	<u>(1,084)</u>	<u>—</u>	<u>178</u>	<u>(12,191)</u>
Capital assets, net \$	<u>21,430</u>	<u>(565)</u>	<u>—</u>	<u>(25)</u>	<u>20,840</u>

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(6) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the years ended September 30, 2020 and 2019 follows (in thousands):

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

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	2019					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	\$ 370,201	71,813	(18,385)	423,629	16,211	407,418
Notes payable from direct borrowings	5,160	—	(865)	4,295	892	3,403
Capital lease obligations	18,270	2,240	(5,008)	15,502	5,462	10,040
Total long-term debt	<u>393,631</u>	<u>74,053</u>	<u>(24,258)</u>	<u>443,426</u>	<u>22,565</u>	<u>420,861</u>
Other noncurrent liabilities:						
Net pension liability	296,654	—	(13,915)	282,739	—	282,739
Net OPEB liability	256,178	3,240	—	259,418	—	259,418
Other long-term liabilities	91,165	15,596	(10,310)	96,451	6,374	90,077
Total other noncurrent liabilities	<u>643,997</u>	<u>18,836</u>	<u>(24,225)</u>	<u>638,608</u>	<u>6,374</u>	<u>632,234</u>
Total noncurrent liabilities	<u>\$ 1,037,628</u>	<u>92,889</u>	<u>(48,483)</u>	<u>1,082,034</u>	<u>28,939</u>	<u>1,053,095</u>

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

During 2017, the University entered into a note payable for a period of ten years payable monthly at \$19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. In January 2020, there was an amendment of the Alabama Power note payable by an increase in the amount of \$2,147,000. The amount outstanding on the note at September 30, 2020 and 2019 is \$3,405,000 and \$1,605,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

During 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 was \$5,000,000 and interest on the outstanding amounts accrued at the rate of the London InterBank Offered Rate (LIBOR) plus 1.00%. In July 2018, the University converted the line of credit into a term loan for a period of five years, with monthly payments of \$63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at September 30, 2020 and 2019 is \$2,029,000 and \$2,690,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

During 2020, the University entered into a variable rate revolving line of credit with Hancock Whitney Bank to ensure the University was adequately prepared for potential cash-flow issues that could have been caused by the onset of the COVID-19 pandemic. The line of credit expires in June 2021. The total amount available under the line of credit is \$50,000,000. Interest accrues on any outstanding principal balances at

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a rate of LIBOR plus 1.5%. There is also an unused fee of .15% that is billed to the University quarterly. There have been no draws on the line of credit during the year ended September 30, 2020.

(a) USA Research and Technology Corporation

(i) Notes Payable

Notes payable from direct borrowings consisted of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019
PNC Bank promissory note, 4.38%, payable through 2028	\$ 12,195	12,640
PNC Bank promissory note, 4.50%, payable through 2021	7,103	7,418
University of South Alabama, 3.0%, payable through 2023	1,183	1,186
	\$ 20,481	21,244

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

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

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2020, the Corporation's debt service coverage ratio was 1.3 to 1.

During fiscal 2020, the payable to the University totaling \$386,151 and the promissory note payable totaling \$1,186,015 at September 30, 2019 was converted into a new promissory note payable to the University. It is a fully-amortizing note with a 4-year term and an interest rate of 3%.

The Corporation's outstanding notes from direct borrowings with PNC Bank contain a provision that, in the event of default, PNC Bank may take any or all of the following actions: (a) declare the loan due and payable, (b) declare the note in default, and (c) exercise any other remedies or rights

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which it has under any instrument executed in connection with the loan. Prior to any of these actions, however, PNC Bank will give the University 30 days to cure the default. The Corporation's outstanding note from a direct borrowing with the University contains a provision that, in the event principal payments are not made when due, allows the University to declare the loan due and payable.

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

At September 30, 2020, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes		
	Principal	Interest	Total
2021	\$ 7,950	661	8,611
2022	880	523	1,403
2023	913	489	1,402
2024	530	460	990
2025	554	436	990
2026–2030	9,654	1,068	10,722
Total	\$ 20,481	3,637	24,118

(iii) *Derivative Transaction*

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

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was \$1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At September 30, 2020 and 2019, the balance was \$1,089,000 and \$1,262,000, respectively.

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(7) Bonds Payable

Bonds payable consisted of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019
University Facilities Revenue Capital Improvement Bonds, Series 2010, 3.81%, payable through August 2030	\$ —	19,086
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92% payable through August 2032	16,523	17,700
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	22,764	24,196
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033	5,691	6,049
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028	5,841	6,485
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of LIBOR plus .73%, 0.83% and 1.87% at September 30, 2020 and 2019, respectively, payable through March 2024	31,440	38,365
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030	3,750	4,125
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037	80,310	83,020
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 0.82% and 1.86% at September 30, 2020 and 2019, respectively, 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%, 0.87% and 1.91% at September 30, 2020 and 2019, respectively, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023	35,000	35,000
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 0.93% and 1.97% at September 30, 2020 and 2019, respectively, 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	34,990	34,990
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 2049	47,750	47,750
University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 2033	18,440	18,440

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	2020	2019
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	\$ 17,630	—
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	37,005	—
	422,134	400,206
Plus unamortized premium	32,141	25,155
Less unamortized debt extinguishment costs	(1,624)	(1,732)
	\$ 452,651	423,629

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

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of \$85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the asset of the escrow trust account, nor the defeased indebtedness is included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of \$7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds and the balance of the related deferred outflow totaled \$6,274,000 and \$6,663,000, respectively, at September 30, 2020 and 2019. The principal outstanding on all defeased bonds is \$80,310,000 and \$83,020,000 at September 30, 2020 and 2019, respectively. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C & D, with a face value totaling \$100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of \$4,539,000 was recorded as a deferred inflow and is being amortized over the remaining life of the Series 2016-B, C & D

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Bonds and the balance of the related net deferred inflow at September 30, 2020 and 2019 totaled \$3,669,000 and \$3,896,000, respectively.

In February 2019, the University issued its University Facilities Revenue Bonds, Series 2019-A and Taxable University Facilities Revenue Bonds, Series 2019-B with a face value of \$47,750,000 and \$18,440,000, respectively. The proceeds from the Series 2019-A and B Bonds are financing the football stadium and intramural fields.

In December 2019, the University issued its University Facilities Revenue Refunding Bonds, Series 2019-C, with a face value of \$19,086,000. The proceeds refunded the remaining Series 2010 Bonds.

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

Approximately \$2,356,000 and \$5,292,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at September 30, 2020 and 2019, respectively, and is included in restricted cash and cash equivalents on the statements of net position. Approximately \$57,000 of proceeds from the issuance of the Series 2019-A and B Bonds remained unspent at September 30, 2020 and is included in restricted cash and cash equivalents on the statement of net position. Approximately \$29,545,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at September 30, 2020 and is included in restricted cash and cash equivalents on the 2020 statement of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At September 30, 2020 and 2019, no amounts were due or recorded in the financial statements.

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

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Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal years is as follows as of September 30, 2020 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2021	\$ 19,180	13,454	1,063	66	33,763
2022	20,099	12,891	1,090	39	34,119
2023	20,982	12,399	988	11	34,380
2024	21,895	11,887	371	—	34,153
2025	19,838	11,334	371	—	31,543
2026–2030	110,068	47,272	1,548	—	158,888
2031–2035	110,297	29,305	—	—	139,602
2036-2040	71,980	12,276	—	—	84,256
2041-2045	15,285	5,495	—	—	20,780
2046–2050	12,510	1,543	—	—	14,053
Subtotal	422,134	\$ 157,856	5,431	116	585,537
Plus (less):					
Unamortized bond premium	32,141		—		
Unamortized debt extinguishment costs	(1,624)		—		
Total	\$ 452,651		5,431		

(8) Capital Lease Obligations

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, and other office equipment.

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Future minimum capital lease payments at September 30, 2020 are as follows (in thousands):

Year ending September 30:			
2021	\$		6,983
2022			4,854
2023			1,329
2024			533
2025			6
2026-2039			90
			13,795
Less amounts representing interest			(523)
Net minimum lease payments	\$		13,272

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

(9) Derivative Transactions – Interest Rate Swaps

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

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

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

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The 2016 swap will terminate in December 2036, when the Series 2016-B, C & D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C & D Bonds bear 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 amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2014 interest rate swap as other long-term liabilities in the amount of (\$3,001,000) and (\$3,653,000) in the statements of net position at September 30, 2020 and 2019, respectively. The change in the fair value of the swap of \$652,000 and (\$56,000), respectively, during the years ended September 30, 2020 and 2019, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statements of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2014 interest rate swap totaled \$197,000 and \$459,000 at September 30, 2020 and 2019, respectively.

The 2016 interest rate swap had a negative fair value of approximately (\$48,530,000) at its inception. This amount, net of any amortization and adjustments to fair value, is reported as a borrowing arising from the 2016 interest rate swap as other long-term liabilities in the amount of (\$47,161,000) and (\$42,097,000) in the statements of net position at September 30, 2020 and 2019, respectively. The change in the fair value of the swap of (\$5,064,000) and (\$11,868,000) during the years ended September 30, 2020 and 2019, respectively, is reported as a deferred outflow and contra asset (other noncurrent assets) in the statements of net position at September 30, 2020 and 2019 since the interest rate swap is a hedging derivative instrument. Net deferred inflows and outflows of resources for the 2016 interest rate swap totaled \$8,417,000 and \$956,000 of deferred outflows at September 30, 2020 and 2019, respectively.

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

Risks Associated with these Transactions

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

Credit risk. As of September 30, 2020 and 2019, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2020 and 2019.

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

Derivative payments and hedged debt. As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2020 and calculating interest for subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year, are as follows (in thousands):

	Variable rate loan		Interest rate swap, net	Total
	Principal	Interest		
2021	\$ 7,280	249	1,267	8,796
2022	7,655	162	947	8,764
2023	8,050	103	578	8,731
2024	8,455	37	193	8,685
2025	—	—	—	—
Total	\$ 31,440	551	2,985	34,976

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

	Variable rate loan		Interest rate swap, net	Total
	Principal	Interest		
2021	\$ —	901	4,639	5,540
2022	—	860	4,680	5,540
2023	—	892	4,648	5,540
2024	—	976	4,565	5,541
2025–2029	31,020	5,183	18,350	54,553
2030–2034	39,835	3,501	10,256	53,592
2035–2038	29,145	551	1,885	31,581
Total	\$ 100,000	12,864	49,023	161,887

(10) Patient Service Revenues

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

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

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

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

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

Revenues from the Medicare program accounted for approximately 15% and 14% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

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

Revenues from the Blue Cross program accounted for approximately 29% and 30% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

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

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

Revenues from the Medicaid program accounted for approximately 26% and 29% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

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

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The composition of net patient service revenues for the years ended September 30, 2020 and 2019 follows (in thousands):

	2020	2019
Gross patient service revenues	\$ 1,367,755	1,129,815
Less:		
Provision for contractual and other adjustments	(713,865)	(538,306)
Provision for bad debts	(99,459)	(99,713)
	\$ 554,431	491,796

Changes in estimates related to prior cost reporting periods resulted in a decrease of approximately \$2,986,000 and an increase of approximately \$465,000 in patient service revenues for the years ended September 30, 2020 and 2019, respectively.

(11) Defined Benefit Cost Sharing Pension Plan

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

(a) Plan Description

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

(b) Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with

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the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

(c) Contributions

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

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

Participating employers' contractually required contribution rates were 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$21,413,000 and \$22,481,000 for the years ended September 30, 2020 and 2019, respectively.

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

At September 30, 2020 and 2019, the University reported a liability of \$294,615,000 and \$282,739,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2020, the collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2019, the University's proportion of contributions to the pension plan was 2.664536%, which was a decrease of 0.179184% from its proportion measured as of September 30, 2018 of 2.843720%.

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For the years ended September 30, 2020 and 2019, the University recognized pension expense of approximately \$17,629,000 and \$9,902,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2020	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ 10,259	—
Changes of assumptions	9,077	—
Differences between expected and actual experience	4,356	9,771
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	32,016
Employer contributions subsequent to measurement date	21,413	—
	\$ 45,105	41,787
	2019	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ —	21,342
Changes of assumptions	15,716	—
Differences between expected and actual experience	6,101	8,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	27,369
Employer contributions subsequent to measurement date	22,481	—
	\$ 44,298	57,324

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At September 30, 2020, approximately \$21,413,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:	
2021	\$ (10,114)
2022	(8,176)
2023	(1,485)
2024	2,156
2025	(476)
	\$ (18,095)

(e) Actuarial Assumptions

The total pension liability as of September 30, 2020 and 2019 was determined by an actuarial valuation as of September 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25-5.00

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

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

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

	2020	
	Target allocation	Long-term expected rate of return*
Fixed income	17.0 %	4.4 %
U.S. large stocks	32.0	8.0
U.S. mid stocks	9.0	10.0
U.S. small stocks	4.0	11.0
International developed market stocks	12.0	9.5
International emerging market stocks	3.0	11.0
Alternatives	10.0	10.1
Real estate	10.0	7.5
Cash equivalents	3.0	1.5
	<u>100.0 %</u>	

* Includes assumed rate of inflation of 2.5%

(f) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2020 and 2019 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate (in thousands):

	2020		
	1% Decrease (6.70)%	Current rate (7.70)%	1% Increase (8.70)%
University's proportionate share of collective net pension liability	\$ 399,958	294,615	205,471

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019 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, 2019. The auditors' report dated August 18, 2020 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, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(12) Other Employee Benefits

(a) Other Pension Plans

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed \$462,000 and \$506,000 in 2020 and 2019, respectively, representing 197 and 215 employees for 2020 and 2019, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed \$5,544,000 and \$4,916,000 in 2020 and 2019, respectively, representing 1,436 and 1,403

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employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

(b) *Compensated Absences*

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately \$12,962,000 and \$12,866,000 at September 30, 2020 and 2019, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(13) Other Postemployment Benefit Plans

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

(a) *Plan Description*

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. Effective for the year ended September 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statements note disclosures.

(b) *Benefits Provided*

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This

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Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

(c) Contributions

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were \$7,947,000 and \$7,772,000 for the years ended September 30, 2020 and 2019, respectively.

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

At September 30, 2020 and 2019, the University reported a liability of \$103,288,000 and \$259,418,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2020, the net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2019, the University's proportion of contributions to the OPEB plan was 2.737717%, which was a decrease of 0.418703% from its proportion measured as of September 30, 2018 of 3.156420%.

For the years ended September 30, 2020 and 2019, the University recognized OPEB expense of approximately \$(11,830,000) and \$18,634,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

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At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2020	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 213	—
Differences between expected and actual experience	3,420	79,197
Changes of assumptions	4,938	42,782
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,208	46,198
Employer contributions subsequent to the measurement date	7,947	—
	\$ 36,726	168,177
	2019	
	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	\$ —	1,390
Differences between expected and actual experience	4,884	—
Changes of assumptions	—	12,636
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,465	20,208
Employer contributions subsequent to the measurement date	7,772	—
	\$ 39,121	34,234

At September 30, 2020, approximately \$7,947,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021. Other

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

Year ending September 30:		
2021	\$	(26,638)
2022		(26,638)
2023		(26,638)
2024		(27,978)
2025		(27,212)
Thereafter		(4,294)
	\$	<u>(139,398)</u>

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2020 and 2019 was determined by an actuarial valuation performed as of September 30, 2018 and 2017, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.75 %	2.75 %
Projected salary increases*	3.25%-5.00%	3.25%-5.00%
Long-term investment rate of return**	7.25 %	7.25 %
Municipal bond index rate at the measurement date	3.00	4.18
Municipal bond index rate at the prior measurement date	4.18	3.57
Projected year for fiduciary net position to be depleted	2055	2029
Single equivalent interest rate at the measurement date	5.50 %	4.44 %
Single equivalent interest rate at the prior measurement date	4.44	4.63
Healthcare cost trend rate		
Pre-medicare eligible	6.75 %	7.00 %
Medicare eligible	***	5.00
Ultimate trend rate		
Pre-medicare eligible	4.75 %	4.75 %
Medicare eligible	4.75	4.75
Year of ultimate trend rate		
Pre-medicare eligible	2026	2026
Medicare eligible	2024	2024

* Includes 3% wage inflation

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

*** Initial medicare claims are set based on scheduled increases through plan year 2022

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Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however updated Medicare Advance Premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table:

	2020	
	Target allocation	Long-term expected real rate of return*
Fixed income	30 %	4.40 %
U.S. large stocks	38	8.00
U.S. mid stocks	8	10.00
U.S. small stocks	4	11.00
International developed market stocks	15	9.50
Cash	5	1.50
	100 %	

* Geometric mean, includes 2.5% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2019 and 2018 was 5.50% and 4.44%, respectively. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that amount will increase by 1.00% per year. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit

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payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

(g) Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rates

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 4.75%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 3.75% or 1-percentage point higher 5.75% than the current rate (in thousands):

	2020		
	1% Decrease (3.75)%	Current rate (4.75)%	1% Increase (5.75)%
University's proportionate share of collective net OPEB liability	\$ 82,818	103,288	129,068

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 4.50% or 1-percentage point higher 6.50% than the current rate (in thousands):

	2020		
	1% Decrease (4.50)%	Current rate (5.50)%	1% Increase (6.50)%
University's proportionate share of collective net OPEB liability	\$ 124,847	103,288	85,681

(h) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2019 and 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019 and 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

(14) Risk Management

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. An independent trustee administers both funds. These trust funds are revocable and use contributions by the University and HCA, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. Any risk related to the payment of claims is the responsibility of the PLTF and GLTF. If

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the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the financial statements of the University for the years ended September 30, 2020 and 2019. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University, HCM and HCA each participate in a separate self-insured health plan administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately \$2,560,000 and \$2,287,000 in 2020 and 2019, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2020 and 2019 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	2020	2019
Balance, beginning of year	\$ 39,400	40,405
Liabilities incurred and other additions	101,204	80,930
Claims, administrative fees paid and other reductions	(100,609)	(81,935)
Balance, end of year	\$ 39,995	39,400

These amounts are included in other long-term liabilities (and current portion thereof) and in accounts payable and accrued liabilities in the accompanying statements of net position.

(15) Other Related Parties and Related-Party Transactions

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2020, SAMSF had total assets of \$10,244,000, net assets of \$9,097,000, and total revenues of \$1,148,000 for the year then ended. At September 30, 2019, SAMSF had total assets of \$10,632,000, net assets of \$9,403,000, and total revenues of \$1,806,000 for the year then ended. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$412,000 in 2019, and are reflected as private grants and contracts in the accompanying 2019 statements of revenues, expenses, and changes in net position. No such amounts were received for such expenses in 2020.

(16) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2020 and 2019, the University had been awarded approximately \$53,257,000 and \$36,381,000, respectively, in grants and contracts for which resources had not been received and for

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which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.

(b) Letter of Credit

In connection with USA Health's participation in the State of Alabama Medicaid Program, the University had established a \$55,382 irrevocable standby letter of credit with Wells Fargo. The Alabama Medicaid Agency was the beneficiary of this letter of credit. No funds were advanced under this letter during the years ended September 30, 2020 and 2019. This letter of credit terminated on December 31, 2019 and was not renewed.

(c) 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.

(d) Rent Supplement Agreements

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 6). As of September 30, 2020 and 2019, no amounts were payable pursuant to these agreements.

(e) USA Research and Technology Corporation Leases

The Corporation leases space in Building I to five tenants under operating leases. One lease has a 5-year initial term expiring in October 2023 with two 5 year renewal options. The second lease has a 5-year term expiring in April 2024 with no renewal option. The third lease has a 5-year term expiring in July 2024 with no renewal option. The fourth lease has a 5-year initial term expiring in August 2024 with one 5-year renewal option. The fifth lease has a 90-month initial term expiring in June 2025 with two 5-year renewal options.

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

The Corporation leases from the University the third floor of a campus building. Located on that floor is the Coastal Innovation Hub (the Hub), a technology incubator, which currently houses seven tenants with month to month leases.

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Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (which generally is the first calendar year of the lease term). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 64,385 and 63,965 square feet at September 30, 2020 and 2019, respectively.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease had a 10 year initial term, expiring in March 2020, with three 5 year renewal options. The lease was renewed for an additional 5 years, expiring in March 2025, with two 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2020. One lease is for a 40 year initial term expiring in October 2046 with 20 year, and 15 year renewal options. The second lease is for a 30 year initial term expiring in October 2036 with four 5 year renewal options. The third lease has a 38.5 year initial term expiring in September 2046 with 20 year and 15 year renewal options.

Minimum future rentals by fiscal year are as follows (in thousands):

2021	\$	3,343
2022		3,067
2023		2,006
2024		1,596
2025		809
2026–2048		<u>6,284</u>
Total	\$	<u><u>17,105</u></u>

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(17) Functional Expense Information

Operating expenses by functional classification for the years ended September 30, 2020 and 2019 are listed below (in thousands).

	<u>2020</u>	<u>2019</u>
Instruction	\$ 108,737	111,289
Research	31,558	27,944
Public service	7,009	7,245
Academic support	27,242	26,415
Student services	33,570	35,506
Institutional support	19,386	41,354
Operation and maintenance of plant	28,184	31,429
Scholarships	17,468	16,311
USA Health	523,020	482,270
Auxiliary enterprises	11,885	14,643
Depreciation and amortization	50,237	48,625
	<u>\$ 858,296</u>	<u>843,031</u>

(18) Blended Component Units

As more fully described in note 1, HCM, PLTF and GLTF are reported as blended component units. Required combining financial information of the aggregate blended component units as of and for the years ended September 30, 2020 and 2019 is presented below (in thousands):

	<u>2020</u>	<u>2019</u>
Current assets	\$ 13,858	15,340
Noncurrent assets	50,775	63,079
Total assets	<u>64,633</u>	<u>78,419</u>
Current liabilities	27,869	44,564
Noncurrent liabilities	33,743	31,816
Total liabilities	<u>61,612</u>	<u>76,380</u>
Net position	<u>\$ 3,021</u>	<u>2,039</u>

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	2020	2019
Operating revenues	\$ 224,850	206,493
Operating expenses	(228,936)	(205,883)
Operating loss	(4,086)	610
Nonoperating revenues	5,069	47
Nonoperating expenses	—	(313)
Change in net position	\$ 983	344

(19) Recently Issued Accounting Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as allowed by Statement 95.

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, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90, *Majority Equity Interests*, was issued in August 2018. Effective for the University beginning with the fiscal year ending September 30, 2021, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

In May 2020, the GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*.

The effect of the implementation of GASB Statement Nos. 84, 87, 89, 90, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93 and 94 will not impact the University.

(20) COVID-19 Pandemic

COVID-19, a respiratory disease caused by a novel strain of the coronavirus, has spread around the world, including the State of Alabama. The Centers for Disease Control confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020.

As a result of the pandemic, most higher education institutions, including the University, moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls. This had an adverse effect on the operations of the University due to the pro-rata refund of housing and dining fees and incremental costs incurred as a result of having to convert all instruction to an on-line format. All instruction for the May and summer terms was delivered online and residence halls remained largely closed. While the University returned to a modified in-person delivery of education for the fall semester, residence halls reopened at a lower occupancy level. Management is unable to predict the future impact of the pandemic on the University's operations.

Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. While patient volumes and revenues have experienced gradual improvement beginning in July 2020 and continuing through the end of the current fiscal year, management is unable to predict the future impact of the pandemic on the USA Health's operations.

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The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to provide economic relief to Higher Education Institutions and other entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2020, the University (including USA Health) has been awarded \$31,437,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount, \$14,919,000 has been recognized as nonoperating revenue in the statement of revenues, expenses and changes in net position for the year ended September 30, 2020.

As noted, a portion of Cares Act funding has been designated to the health care providers for purposes of covering costs incurred and lost revenues due to the pandemic. Subsequent to the passage of this legislation, the Department of Health and Human Services (HHS) has issued additional pronouncements which provides guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance. USA Health has received approximately \$11,838,000 in CARES Act funding as of September 30, 2020 in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Exchange Transactions*, and will be recognized in the statement of revenue, expenses and changes in net position as nonoperating revenue once the applicable terms and conditions have been met. The amounts recognized in the statement of revenues, expenses and changes in net position are conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that the payment will be used to prevent, prepare for and respond to coronavirus, and shall reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to coronavirus. Given the complexity of the guidance provided to date and the nature, timing and volume of changes in such guidance both prior to and subsequent to September 30, 2020, USA Health does not believe that the underlying conditions have been met as of September 30, 2020 which would allow for recognition in the statement of revenues, expenses and changes in net position. As such, amounts are recorded as unrecognized revenues in the accompanying 2020 statement of net position.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAAPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPs program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. During the year ended September 30, 2020, USA Health received accelerated payments under this program of approximately \$35,156,000. These advances must be repaid and, as such, they are reflected as unrecognized revenues in the accompanying 2020 statement of net position.

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The University's (including USA Health's) pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Management has taken precautionary steps to enhance operational and financial flexibility and to react to the risks the COVID-19 pandemic presents to operations, including the following:

- Established a campus wide contact tracing office to minimize the spread of the virus and therefore minimizing the financial impact on the University.
- Established a campus-wide campus reopening committee to address COVID issues related to the reopening of campus, including the return of employees and students to an in-person environment.
- As part of campus reopening, the student housing model was revised to provide a safer environment for residential students. This was accomplished by increasing the number of single occupant rooms and creating a quarantine facility within housing for students that become COVID positive.
- Implemented a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August. This unpaid furlough plan ultimately ended and funds were returned to employees due to positive financial results for the University.
- Proactively permanently eliminated certain positions, mostly unfilled, in academic and administrative areas.

Management believes the extent of the COVID-19 pandemic's adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the University's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for indeterminable length of time, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposures. The potential for a negative impact on University enrollment is also uncertain. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on the University.

The University (including USA Health) received additional CARES Act funding subsequent to September 30, 2020 of approximately \$2,022,000.

On September 19, 2020, October 22, 2020, and November 2, 2020, HHS released *General and Targeted Distribution Post-Payment Notice of Reporting Requirements* related to the CARES Act PRF received by USA Health. This guidance describes the calculation of lost revenues to be reported due to the COVID-19 pandemic and the time period in which to measure and report such lost revenues and expenses. Specifically, the guidance designates calendar year 2020 as the period for measuring pandemic related costs and lost revenues as compared to the same period in 2019 with an additional six months extension through June 2021, if necessary. USA Health believes the conditions associated with the PRF exist until December 31, 2020 at which time USA Health can calculate the lost revenues to which it is entitled to claim under the grant and therefore no amounts have been recognized in the statement of revenues, expenses or changes in net position for the fiscal year ended September 30, 2020.

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Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2020

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
University's proportion of the net pension liability	2.664536 %	2.843720 %	3.018313 %	3.108048 %	3.185471 %
University's proportionate share of the net pension liability	\$ 294,615	282,739	296,654	336,477	329,294
University's covered-employee payroll	181,875	190,559	191,520	200,464	198,378
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.99 %	148.37 %	154.89 %	167.85 %	165.99 %
Plan fiduciary net position as a percentage of the total pension liability	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Required Supplementary Information

Schedule of the University's Pension Contributions (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2020

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 21,413	22,481	22,262	23,664	23,405
Contributions in relation to the contractually required contribution	21,413	22,481	22,262	23,664	23,405
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
University's covered-employee payroll	\$ 181,875	190,559	191,520	200,464	198,378
Contributions as a percentage of covered-employee payroll	11.77%	11.80%	11.62%	11.80%	11.80%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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Required Supplementary Information

Schedule of the University's Proportionate Share of the Net OPEB Liability and Related Ratios (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2020

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the net OPEB liability	2.737717 %	3.156420 %	3.449076 %
University's proportionate share of the net OPEB liability	\$ 103,288	259,418	256,178
University's covered-employee payroll	181,875	190,559	191,520
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	56.79 %	136.14 %	133.76 %
Plan fiduciary net position as a percentage of the total OPEB liability	28.14 %	14.81 %	15.37 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Required Supplementary Information

Schedule of the University's OPEB Contributions (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2020

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 7,947	7,772	7,728
Contributions in relation to the contractually required contribution	<u>7,947</u>	<u>7,772</u>	<u>7,728</u>
Contribution deficiency (excess)	\$ —	—	—
University's covered-employee payroll	\$ 181,875	190,559	191,520
Contributions as a percentage of covered-employee payroll	4.37 %	4.08 %	4.04 %

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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Notes to Required Supplementary Schedules (Unaudited)
September 30, 2020 and 2019

(1) Summary of Cost Sharing Pension Plan Provisions and Assumptions

Employees of the University of South Alabama are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Actuarial Assumptions

The total pension liability as of September 30, 2020 and 2019 was determined by an actuarial valuation as of September 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25–5.00

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

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

(b) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2020 and 2019 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Required Supplementary Schedules (Unaudited)
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(2) Summary of OPEB Plan Provisions and Assumptions

Retirees of the University of South Alabama are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

(b) Recent Plan Changes

Beginning in plan year 2021, the Medicaid Advantage Prescription Drug plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Prescription Drug plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

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September 30, 2020 and 2019

(c) Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years	26 years
Asset valuation method	Market value of assets	Market value of assets
Inflation	2.875%	3.00%
Health care cost trend rate:		
Pre-medicare eligible	7.75%	7.75%
Medicare eligible	5.00%	5.00%
Ultimate trend rate:		
Pre-medicare eligible	5.00%	5.00%
Medicare eligible	5.00%	5.00%
Year of ultimate trend rate	2022 for Pre-medicare eligible 2018 for Medicare eligible	2021 for Pre-medicare eligible 2018 for Medicare eligible
Investment rate of return	5.00%, including inflation	5.00%, including inflation

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Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
Student Financial Assistance Cluster*:							
U.S. Department of Education:							
Federal Supplemental Educational Opportunity Grant Program	84.007			\$ 433,176	—	433,176	—
Federal Work Study Program	84.033			469,143	—	469,143	—
Federal Perkins Loan Program	84.038			1,683,347	—	1,683,347	—
Federal Pell Grant Program	84.063			18,169,807	—	18,169,807	—
Federal Direct Student Loan Program	84.268			125,208,907	—	125,208,907	—
Teacher Education Assistance for College and Higher Education	84.379			42,848	—	42,848	—
Nurse Faculty Loan Program	93.264			213,001	—	213,001	—
Total Student Financial Assistance Cluster				<u>146,220,229</u>	<u>—</u>	<u>146,220,229</u>	<u>—</u>
Research and Development Cluster:							
U.S. Department of Agriculture:							
Forestry Research	10.652			241,705	—	241,705	—
U.S. Department of Agriculture	10.UNK			63,887	—	63,887	—
Total U.S. Department of Agriculture				<u>305,592</u>	<u>—</u>	<u>305,592</u>	<u>—</u>
U.S. Department of Commerce:							
Sea Grant Support	11.417	18-03 548001-1000	Texas A&M University	—	283,484	283,484	112,723
Sea Grant Support	11.417	8006034-01.01 USA-R/HCE-11-PD	University of Southern Mississippi	—	7,957	7,957	—
Sea Grant Support	11.417	8006034-01.01 USA-R/HCE-16-PD	University of Southern Mississippi	—	10,000	10,000	—
Total CFDA				<u>—</u>	<u>301,441</u>	<u>301,441</u>	<u>112,723</u>
Coastal Zone Management Estuarine Research Reserves	11.420			4,338	—	4,338	—
Marine Fisheries Initiative	11.433			92,746	—	92,746	—
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451			231,293	—	231,293	118,821
Meteorologic and Hydrologic Modernization Development	11.467	SUBAWD001579	University Corporation for Atmospheric Research	—	11,115	11,115	—
Center for Sponsored Coastal Ocean Research – Coastal Ocean	11.478	17024-USA-001	Florida Gulf Coast University	—	70,221	70,221	20,538
Measurement and Engineering Research and Standards	11.609	G-99042-12	Colorado State University	—	24,026	24,026	—
Arrangements for Interdisciplinary Research Infrastructure	11.619	140453	Colorado State University	—	22,142	22,142	—
US Department of Commerce	11.UNK			243	—	243	—
Total U.S. Department of Commerce				<u>328,620</u>	<u>428,945</u>	<u>757,565</u>	<u>252,082</u>
U.S. Department of Defense:							
Military Medical Research and Development	12.420			38,046	—	38,046	7,034
Basic Scientific Research	12.431			94,216	—	94,216	34,869
Basic, Applied, and Advanced Research in Science and Engineering	12.830			68,912	—	68,912	20,088
Air Force Defense Research Sciences Program	12.800			25,410	—	25,410	—
Information Security Grant Program	12.902	2102985-01	Stevens Institute of Technology	—	11,233	11,233	—
Department of Defense	12.UNK			74,458	—	74,458	17,771
Department of Defense	12.UNK	18-0473	Natural Fiber Welding, Inc.	—	45,991	45,991	—
Department of Defense	12.UNK	2102964	Stevens Institute of Technology	—	1,183	1,183	—
Total U.S. Department of Defense				<u>301,042</u>	<u>58,407</u>	<u>359,449</u>	<u>79,762</u>
U.S. Department of Interior:							
Wildlife Restoration	15.611	19-0165	ADCNR	—	2,068	2,068	—
Wildlife Restoration	15.611	20-0173	ADCNR	—	47,774	47,774	—
Total CFDA				<u>—</u>	<u>49,842</u>	<u>49,842</u>	<u>—</u>
National Cooperative Geologic Mapping Program	15.810			1,666	—	1,666	—
Department of Interior	15.UNK			2,407,328	—	2,407,328	217,054
Department of Interior	15.UNK	140D0419-9-0003	Wichita State University	—	339,525	339,525	—
Total U.S. Department of Interior				<u>2,408,994</u>	<u>389,367</u>	<u>2,798,361</u>	<u>217,054</u>
U.S. Department of Justice:							
National Sexual Assault Kit Initiative	16.833	18-0054	Mobile Police Department	—	43,938	43,938	—
National Sexual Assault Kit Initiative	16.833	2018-AK-BX-0006	City of Mobile	—	57,543	57,543	—
U.S. Department of Justice	16.UNK	20-0015	City of Mobile	—	28,939	28,939	—
Total U.S. Department of Justice				<u>—</u>	<u>130,420</u>	<u>130,420</u>	<u>—</u>

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Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
U.S. Department of Transportation:							
Highway Planning and Construction	20.205	HSIP-NR18(911)	Alabama Department of Transportation	\$ —	10,001	10,001	—
Highway Planning and Construction	20.205	930-937	Alabama Department of Transportation	—	3,012	3,012	—
Highway Planning and Construction	20.205	930-841R	Alabama Department of Transportation	—	(18)	(18)	—
Highway Planning and Construction	20.205	#1954 (OX-001954-000)	Alabama Department of Transportation	—	63,645	63,645	—
Highway Planning and Construction	20.205	#1954 (OX-001954-003)	Alabama Department of Transportation	—	49,201	49,201	—
Highway Planning and Construction	20.205	930-917	Alabama Department of Transportation	—	22,459	22,459	—
Highway Planning and Construction	20.205	930-980	Alabama Department of Transportation	—	63,754	63,754	16,389
Highway Planning and Construction	20.205	170358	The University of Alabama	—	(186)	(186)	—
Total U.S. Department of Transportation				—	211,868	211,868	16,389
National Aeronautics and Space Administration:							
Aerospace Education Services Program	43.001			14,793	—	14,793	—
Exploration	43.003	18-0175	University of Alabama in Huntsville	—	5,030	5,030	—
Education	43.008	160195	University of Alabama in Huntsville	—	134,246	134,246	367
Education	43.008	2019-217	University of Alabama in Huntsville	—	216,108	216,108	—
Total CFDA				—	350,354	350,354	367
NASA	43.UNK			29,230	—	29,230	—
Total National Aeronautics and Space Administration				44,023	355,384	399,407	367
National Science Foundation:							
Engineering Grants	47.041			262,715	—	262,715	18,423
Engineering Grants	47.041	2017-91	University of Alabama in Huntsville	—	59,262	59,262	—
Total CFDA				262,715	59,262	321,977	18,423
Mathematical and Physical Sciences	47.049			127,259	—	127,259	—
Geosciences	47.050			85,492	—	85,492	7,863
Geosciences	47.050	17056-NSF-USA-MCI-02	Florida Gulf Coast University	—	260,831	260,831	—
Geosciences	47.050	2722JK	Dauphin Island Sea Lab	—	14,243	14,243	—
Total CFDA				85,492	275,074	360,566	7,863
Computer and Information Science and Engineering	47.070			197,277	—	197,277	58,905
Biological Sciences	47.074			140,432	—	140,432	—
COVID-19 – Biological Sciences	47.074			30,125	—	30,125	—
Total CFDA				170,557	—	170,557	—
Social Behavioral and Economic Sciences	47.075			20,464	—	20,464	14,477
Education and Human Resources	47.076			1,188,022	—	1,188,022	—
Education and Human Resources	47.076	2102429-01	Stevens Institute of Technology	—	29,916	29,916	—
Total CFDA				1,188,022	29,916	1,217,938	—
Polar Programs	47.078	UA 16-052	University of Alabama	—	59,197	59,197	—
International Science and Engineering (OISE) (B)	47.079			980,417	—	980,417	775,413
Office of Integrative Activities	47.083			85,378	—	85,378	—
National Science Foundation	47.UNK	19-84813-01	University of Texas Medical Branch (The)	—	46,833	46,833	—
Total National Science Foundation				3,117,581	470,282	3,587,863	875,081
U.S. Department of Veteran Affairs	64.UNK			10,406	—	10,406	—
US Environmental Protection Agency:							
Gulf of Mexico Program	66.475			189,073	—	189,073	105,162
U.S. Department of Energy:							
Basic Energy Sciences University and Science Education	81.049			918,168	—	918,168	470,800
U.S. Department of Health and Human Services:							
Biological Response to Environmental Health Hazards	93.113			800,543	—	800,543	27,387
Biological Response to Environmental Health Hazards	93.113	17056-NIH-USA/MCI-02	Florida Gulf Coast University	—	303,393	303,393	—
Biological Response to Environmental Health Hazards	93.113	97220614	University of California, San Diego	—	130,755	130,755	—
Total CFDA				800,543	434,148	1,234,691	27,387
Research and Training in Alternative Medicine	93.213			145,099	—	145,099	—
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			148,680	—	148,680	—
Minority Health and Health Disparities Research	93.307			(9)	—	(9)	—

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Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
Trans-NIH Research Support	93.310	18-0083	University of Alabama at Birmingham	\$ —	630,480	630,480	—
National Center for Advancing Translational Sciences	93.350	UC90631	University of Alabama at Birmingham	—	5,118	5,118	—
National Center for Advancing Translational Sciences	93.350	000520679-010	University of Alabama at Birmingham	—	207,532	207,532	—
COVID-19 – National Center for Advancing Translational Sciences	93.350	000520679-010	University of Alabama at Birmingham	—	65,471	65,471	—
National Center for Advancing Translational Sciences	93.350	000520695-002	University of Alabama at Birmingham	—	64,467	64,467	—
Total CFDA				—	342,588	342,588	—
Research Infrastructure Programs	93.351			364,815	—	364,815	69,875
Advanced Education Nursing Traineeships	93.358	XIONG/ZHA 001/R01NS140349	Morehouse School of Medicine, Inc.	—	7,818	7,818	—
Cancer Cause and Prevention Research	93.393			1,417,261	—	1,417,261	—
Cancer Cause and Prevention Research	93.393	FCCC#15137-01	Fox Chase Cancer Center	—	268,059	268,059	—
Total CFDA				1,417,261	268,059	1,685,320	—
Cancer Treatment Research	93.395			370,470	—	370,470	24,801
Cancer Treatment Research	93.395	170272	Children's Hospital of Philadelphia	—	99	99	—
Cancer Treatment Research	93.395	9500080215-12C	Children's Hospital of Philadelphia	—	1,192	1,192	—
Cancer Treatment Research	93.395	9500080216-13C WORK ORDER	Children's Hospital of Philadelphia	—	3,248	3,248	—
Cancer Treatment Research	93.395	9400380000	Children's Hospital of Philadelphia	—	25	25	—
Cancer Treatment Research	93.395	35263-1	Augusta University	—	67,997	67,997	—
Cancer Treatment Research	93.395	1 R43 CA217502-01A1	ADT Pharmaceuticals, Inc.	—	(1,763)	(1,763)	—
Total CFDA				370,470	70,798	441,268	24,801
Cancer Biology Research	93.396			427,929	—	427,929	—
Cardiovascular Diseases Research	93.837			347,853	—	347,853	—
Cardiovascular Diseases Research	93.837	1R43HL142325-01A1	EVAS Therapeutics LLC	—	(81)	(81)	—
Cardiovascular Diseases Research	93.837	180090	University of Alabama at Birmingham	—	16,834	16,834	—
Total CFDA				347,853	16,753	364,606	—
Lung Diseases Research	93.838			4,568,348	—	4,568,348	201,157
Lung Diseases Research	93.838	170187	Thomas Jefferson University	—	128,102	128,102	—
Lung Diseases Research	93.838	NIH 5 R01 HL058506-22	Thomas Jefferson University	—	161,741	161,741	—
Total CFDA				4,568,348	289,843	4,858,191	201,157
Arthritis Musculoskeletal and Skin Diseases Research	93.846			30,944	—	30,944	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	576028	University of Pennsylvania	—	30,319	30,319	—
Clinical Research Related to Neurological Disorders	93.853			297,380	—	297,380	59,631
Allergy Immunology and Transplantation Research	93.855			382,761	—	382,761	—
Allergy Immunology and Transplantation Research	93.855	000522211-016	University of Alabama at Birmingham	—	12,591	12,591	—
COVID-19 – Allergy Immunology and Transplantation Research	93.855	20-0345	Florida International University	—	3,682	3,682	—
Total CFDA				382,761	16,273	399,034	—
Pharmacology Physiology and Biological Chemistry	93.859			572,871	—	572,871	119,747
Pharmacology Physiology and Biological Chemistry	93.859	783K893	University of Wisconsin-Madison	—	24,840	24,840	—
Total CFDA				572,871	24,840	597,711	119,747
Aging Research	93.866			13,389	—	13,389	—
HIV Prevention Activities Health Department Based	93.940	19-0124	University of Alabama at Birmingham	—	36,290	36,290	—
Medicaid	93.UNK	19-0041	ADT Pharmaceuticals Inc	—	26,689	26,689	—
Medicaid	93.UNK	19-0062	Florida International University	—	46,535	46,535	—
Medicaid	93.UNK	HHSO100201500027C	Stratiatech Corporation	—	5,618	5,618	—
National Institute of Health	93.UNK	18038-01	Fox Chase Cancer Center	—	21,139	21,139	—
Total U.S. Department of Health and Human Services				9,888,334	2,268,190	12,156,524	502,598
Total Research and Development Cluster				17,511,833	4,312,863	21,824,696	2,519,295
Other federal assistance:							
U.S. Department of Commerce:							
Coastal Zone Management Administration Awards	11.419	USA-CZM-309-20-1	Alabama Dept. of Conservation and Natural Resources	—	10,465	10,465	—
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	DISL SHORT FORM D-14	Dauphin Island Sea Lab	—	16,172	16,172	—
U.S. Department of Commerce	11.UNK	170230	Earth Networks, Inc.	—	22,122	22,122	—
U.S. Department of Commerce	11.UNK	20-0398	Synoptic Data PBC	—	37,544	37,544	—
U.S. Department of Commerce	11.UNK	9943-05	Moffatt & Nichol	—	15,386	15,386	—
Total U.S. Department of Commerce				—	101,689	101,689	—

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Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
U.S. Department of Defense:							
Basic Scientific Research	12.431			\$ 204,317	—	204,317	—
Air Force Defense Research Sciences Program	12.800			38,391	—	38,391	—
U.S. Department of Defense	12.UNK	DESE-19-020	DESE Research, Inc	—	53,269	53,269	—
Total U.S. Department of Defense				<u>242,708</u>	<u>53,269</u>	<u>295,977</u>	<u>—</u>
U.S. Department of Labor:							
WIOA Youth Activities Cluster	17.259	07703881	Southwest Alabama Partnership for Training & Employment, Inc	—	82	82	—
U.S. Department of Treasury:							
COVID-19 – Coronavirus Relief Fund*	21.019	20-0544	Alabama Department of Finance	—	2,033,824	2,033,824	—
COVID-19 – Coronavirus Relief Fund*	21.019	SLT00002 / SLT0223	Alabama Department of Finance	—	1,535,486	1,535,486	—
COVID-19 – Coronavirus Relief Fund*	21.019	SLT00002 / SLT0223	University of Alabama at Birmingham	—	170,330	170,330	—
Total CFDA and U.S. Department of Treasury				<u>—</u>	<u>3,739,640</u>	<u>3,739,640</u>	<u>—</u>
National Aeronautics and Space Administration:							
Aerospace Education Services Program	43.001	2015-055	University of Alabama in Huntsville	—	4,116	4,116	—
Exploration	43.003	XHAB 2020-02	National Space Grant Foundation	—	19,317	19,317	—
Education	43.008	Various	University of Alabama in Huntsville	—	55,399	55,399	—
Total National Aeronautics and Space Administration				<u>—</u>	<u>78,832</u>	<u>78,832</u>	<u>—</u>
U. S. Environmental Protection Agency:							
Nonpoint Source Implementation Grants	66.460	C80592039	Alabama Department of Environmental Management	—	(6,334)	(6,334)	—
U.S. Department of Education:							
Undergraduate International Studies and Foreign Language	84.016			39,002	—	39,002	—
TRIO Cluster:							
TRIO Talent Search	84.044			331,260	—	331,260	—
TRIO Upward Bound	84.047			183,041	—	183,041	—
Total TRIO Cluster				<u>514,301</u>	<u>—</u>	<u>514,301</u>	<u>—</u>
Supporting Effective Instruction State Grants	84.367	U200566	Alabama State Department of Education	—	21,734	21,734	—
Transition Programs for Students with Intellectual Disabilities into Higher Ed	84.407			455,119	—	455,119	—
COVID-19 – Higher Education Emergency Relief Fund - Student*	84.425E			5,704,268	—	5,704,268	—
COVID-19 – Higher Education Emergency Relief Fund - Institution*	84.425F			3,751,990	—	3,751,990	—
COVID-19 – Higher Education Emergency Relief Fund - Strengthening Institutions Program*	84.425M			78,476	—	78,476	—
Total Education Stabilization Fund				<u>9,534,734</u>	<u>—</u>	<u>9,534,734</u>	<u>—</u>
Total U.S. Department of Education				<u>10,543,156</u>	<u>21,734</u>	<u>10,564,890</u>	<u>—</u>
U.S. Department of Health and Human Services:							
Alzheimer's Disease Demonstration Grants to States	93.051	13-130338	South Alabama Regional Planning Commission	—	303	303	—
COVID-19 – Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153			363,568	—	363,568	—
Substance Abuse and Mental Health Services	93.243			546	—	546	—
Advanced Education Nursing Grant Programs	93.247			828,082	—	828,082	—
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	18-0365	Vizient, Inc.	—	426	426	—
Foster Care Title IV-E	93.658	A20-0007-S011	University of Alabama	—	88,398	88,398	—
Medical Student Education	93.680			444,323	—	444,323	—
PPHF-2012 Mental and Behavioral Health Education and Training Grants	93.732			395,577	—	395,577	—
Medicaid Cluster	93.778	Various	Alabama Medicaid Agency	—	11,917	11,917	—
Organized Approaches to Increase Colorectal Cancer Screening	93.800	C90116208 (GC 19-322)	State of Alabama Dept of Public Health	—	71,738	71,738	—
Hospital Preparedness Program (HPP) Center for Disease and Prevention	93.817	C90116240 (GC 19-395)	State of Alabama Department of Public Health	—	39,347	39,347	—
Grants for Primary Care Training and Enhancement	93.884			459,385	—	459,385	—
National Bioterrorism Hospital Preparedness Program	93.889	C80113204 (GC 18-355)	State of Alabama Department of Public Health	—	(4,410)	(4,410)	—
National Bioterrorism Hospital Preparedness Program	93.889	C90116209 (GC 19-324)	State of Alabama Department of Public Health	—	176,278	176,278	—
National Bioterrorism Hospital Preparedness Program	93.889	C90116215 (GC 19-337)	State of Alabama Department of Public Health	—	543,308	543,308	—
National Bioterrorism Hospital Preparedness Program	93.889	C90116214 (GC 19-336)	State of Alabama Department of Public Health	—	49,575	49,575	—
National Bioterrorism Hospital Preparedness Program	93.889	C00119195 (GC 20-376)	State of Alabama Department of Public Health	—	65,183	65,183	—
National Bioterrorism Hospital Preparedness Program	93.889	20-0484	State of Alabama Department of Public Health	—	169,468	169,468	—
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	20-0358	State of Alabama Department of Public Health	—	7,391	7,391	—
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	20-0357	State of Alabama Department of Public Health	—	19,742	19,742	—
Total CFDA				<u>—</u>	<u>1,026,535</u>	<u>1,026,535</u>	<u>—</u>

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Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to the University expenditures	Total expenditures	Pass-through to subrecipients expenditures
Cancer Prevention & Control Programs for State, Territorial & Tribal Orgs	93.898	C90116193 (GC-19-293)	State of Alabama Dept of Public Health	\$ —	41,264	41,264	—
HIV Care Formula Grants	93.917	RW-USAF-2021	United Way of Central Alabama	—	14,205	14,205	—
HIV Care Formula Grants	93.917	190358	United Way of Central Alabama	—	23,736	23,736	—
Total CFDA				—	37,941	37,941	—
COVID-19 Testing for the Uninsured*	93.461			1,478,187	—	1,478,187	—
Total U.S. Department of Health and Human Services				3,969,668	1,317,869	5,287,537	—
Corporation for National and Community Service: AmeriCorp	94.006			4,045	—	4,045	—
Total other federal assistance				14,759,577	5,306,781	20,066,358	—
Total federal expenditures				\$ 178,491,639	9,619,644	188,111,283	2,519,295

* Indicates major program

See accompanying notes to schedule of expenditures of federal awards.

UNIVERSITY OF SOUTH ALABAMA
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Notes to Schedule of Expenditures of Federal Awards

September 30, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the University of South Alabama (the University) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Campus-Based Loan Programs

Outstanding campus-based federal loans made by the University are included in notes receivable in the University's 2020 statement of net position and consist of the following loan programs:

	CFDA #		Outstanding amount at September 30, 2020	Amount advanced in 2020
Federal Perkins Loan Program	84.038	\$	1,317,237	—
Nurse Faculty Loan Program	93.264		848,473	213,001
Nurse Faculty Loan Program ARRA	93.408		5,098	—
		\$	2,170,808	213,001

For the Federal Perkins Loan Program (FPLP) the Schedule includes the beginning of the year balance of loans outstanding under the FPLP and current year FPLP loan advances to students totaling \$1,683,347 and \$0, respectively. No administrative cost allowance was claimed related to the FPLP during 2020.

(3) Contingencies

The University's federal programs are subject to financial and compliance audits by grantor agencies which may result in disallowed expenditures and affect the University's continued participation in specific programs.

(4) Federal Direct Student Loans (CFDA #84.268)

The University's Federal Direct Student Loan Program (Direct Loan) included in the Schedule represents loans advanced to students of the University during fiscal year 2020, which were not originated by the University. Accordingly, Direct Loan amounts are not reflected in the University's basic financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of September 30, 2020.

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2020

During the year ended September 30, 2020, the University advanced to students the following amounts of new loans under Direct Loan Programs:

	Amount advanced
Stafford loans	\$ 16,929,781
Unsubsidized Stafford loans	71,551,745
Parent Loans for Students	<u>36,727,381</u>
Total	<u>\$ 125,208,907</u>

(5) Matching

Under the Federal Supplemental Education Opportunity Grant Program, the University matched \$192,913 in funds awarded to students for the year ended September 30, 2020 in addition to the Federal share of expenditures included in the Schedule.

(6) Indirect Cost Rate

For the year ended September 30, 2020, the University did not elect to use the 10% De Minimus Indirect Cost Rate permitted by Uniform Guidance, as a negotiated indirect cost rate existed on all grants where indirect costs are applicable.



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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 16, 2020. Our report includes a reference to other auditors who audited the financial statements of the University of South Alabama Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of South Alabama Foundation and the USA Research and Technology Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of South Alabama Foundation and the USA Research and Technology Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
November 16, 2020



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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
University of South Alabama:

Report on Compliance for Each Major Federal Program

We have audited the University of South Alabama's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2020. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance



for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University and its aggregate discretely presented component units as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Jackson, Mississippi
August 11, 2021

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
 - Student Financial Assistance Cluster – various CFDA numbers
 - COVID-19 – Coronavirus Relief Fund – CFDA #21.019
 - COVID-19 – Education Stabilization Fund – CFDA #84.425E, 84.425F, and 84.425M
 - COVID-19 – Testing for the Uninsured – CFDA #93.461
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,256,732**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs relating to Federal Awards

None



University of South Alabama

Discussion with the Audit Committee

Audit plan and strategy for the year ending September 30, 2021

September 2, 2021



Our commitment to you

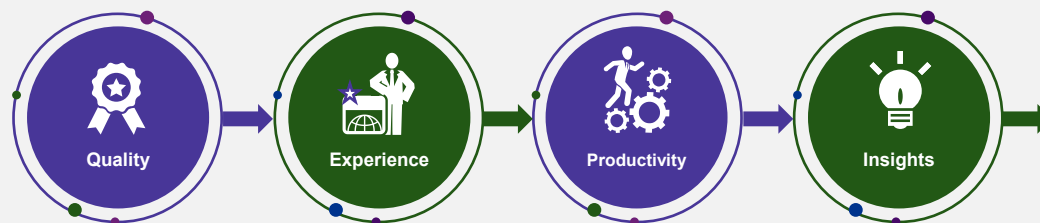


Delivering a better audit experience drives us.

With KPMG you can expect an experience that's better for your team, organizations and the capital markets. An experience that's built for a world that demands agility and integrity.

See patterns in what has passed. See where risks may emerge. See opportunities emerge. See opportunities to optimize processes. And see ahead to new possibilities.

We aim to deliver an exceptional client experience for the University of South Alabama by focusing on:



Executive summary



Scope of the audit



Scope of work

Audits of the following, performed in accordance with auditing standards generally accepted in the United States of America and standards applicable to the financial audits contained in Government Auditing Standards:

- University of South Alabama basic financial statements
- Federal Financial Awards in accordance with Uniform Guidance (UG)
- USA Research and Technology Corporation financial statements
- University of South Alabama Health Care Authority basic 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

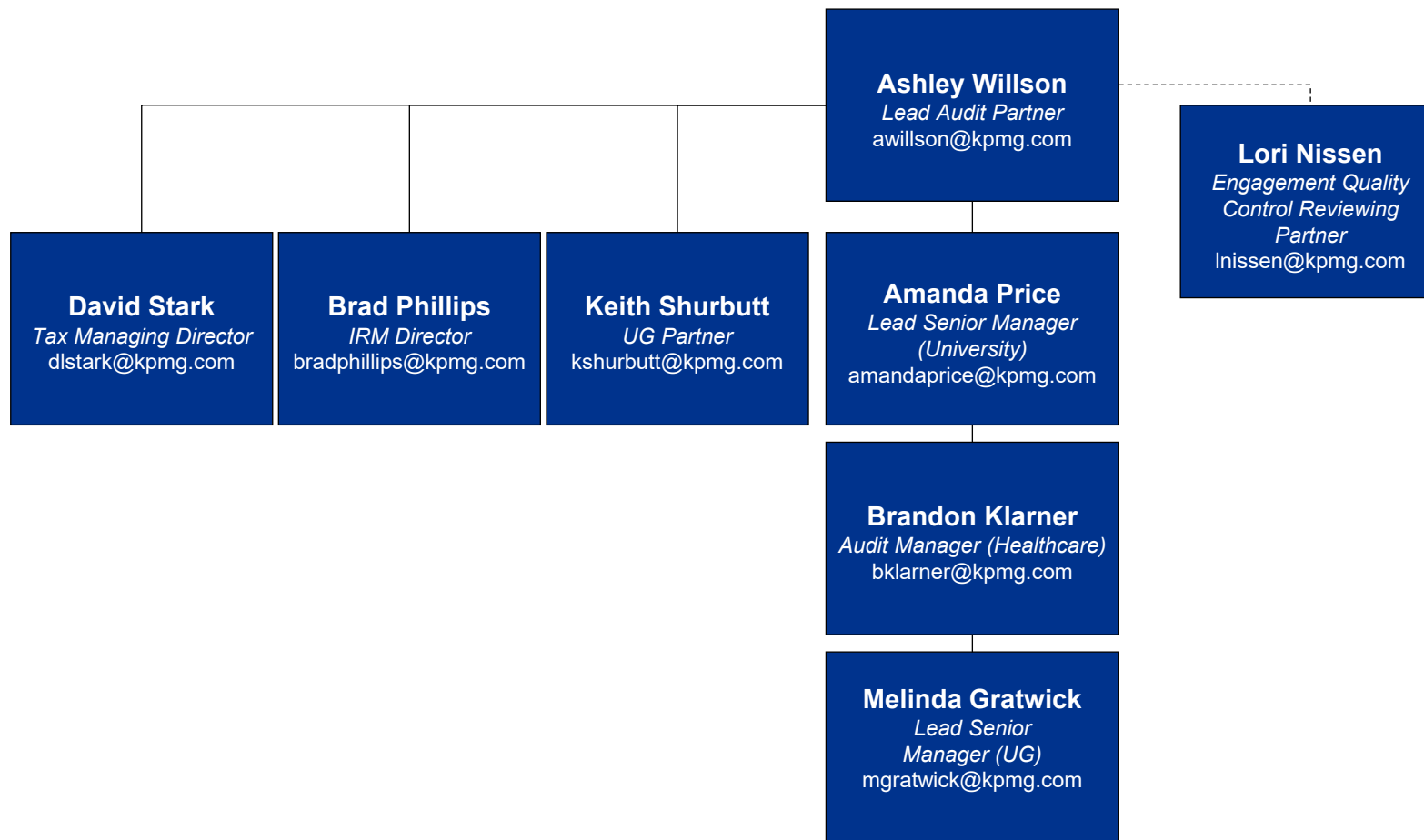
- U.S. Generally Accepted Auditing Standards
- Government Auditing Standards

Other terms of engagement

- Debt covenant compliance report and debt agreed-upon procedures report
- NCAA agreed-upon procedures report

Client service team

Team members with continuity are designated in blue.



Digitizing our audit platform



Accelerating our innovation

Over the past year, we have deployed multiple new audit technologies within the KPMG Clara ecosystem to enhance your audit experience.

Following are key recent and upcoming innovations you can expect to see on your engagement:

- Continued efforts to enhance our risk assessment process
- Implementation of technology tools, such as PowerBI or Alteryx

Built on an agile, integrated, and secure platform, KPMG Clara combines a client-facing portal, data extraction, a comprehensive suite of tools to evaluate and respond to risk, and a workflow to guide our teams through it all. These capabilities help us deliver with quality, efficiency, and insight, leading to an exceptional experience.

Collaboration platform

A next-generation audit facilitated by a digitized, efficient and transparent audit process.

Our risk assessment approach:

Same high standards.
More precision.
Powerful technology.
Tailored testing.

The result:

More targeted and effective audit response.



Data extraction & Transformation

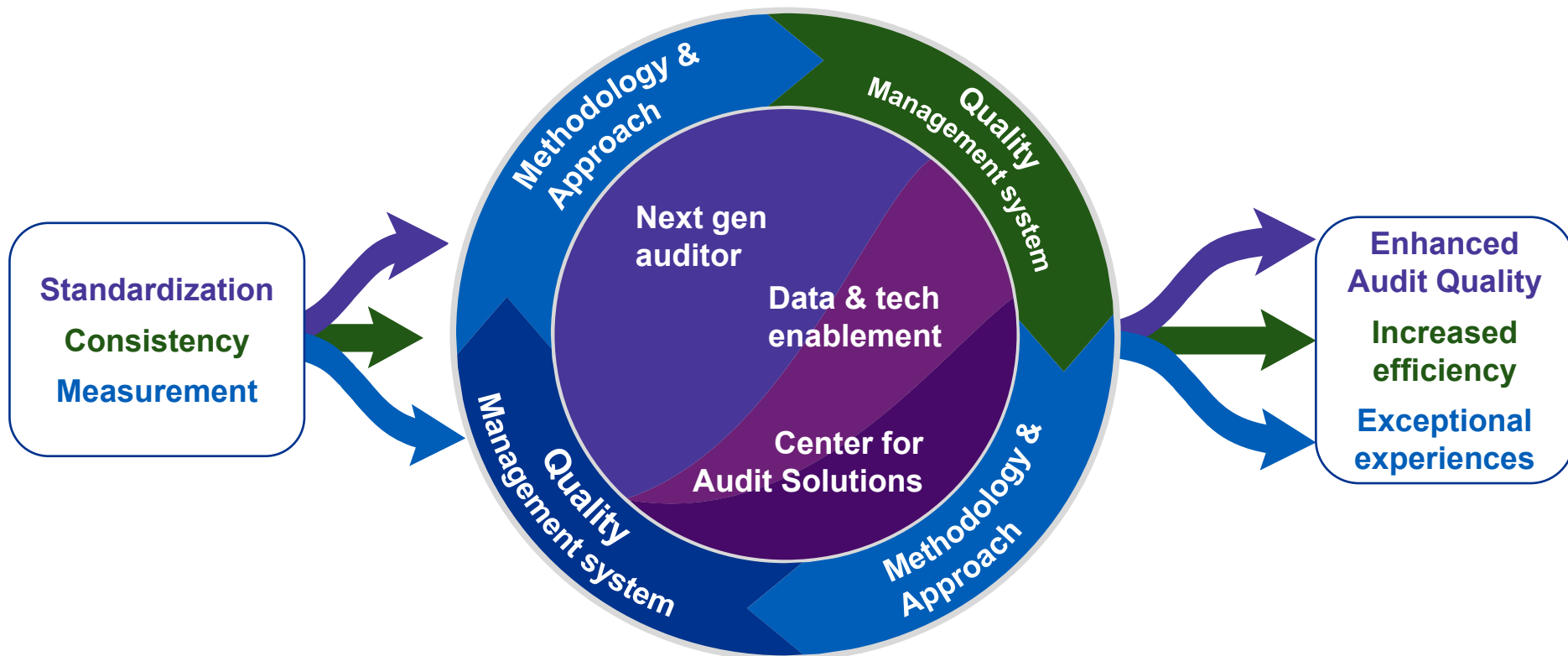
No matter your technology environment, we streamline data extraction and transformation to power the audit.

Automation throughout our response

End-to-end automation enabling a consistent and efficient response.

Modernization: Driving quality, efficiency, and experience

We are modernizing the audit experience. Our continuous transformation effort will enhance quality and efficiency, while delivering an exceptional experience marked by a responsive team and enriched with audit insights.



KPMG virtual audit room: Driving collaboration remotely



KPMG collaboration in remote environment

- We've launched the KPMG Virtual Audit Room to adapt to working remotely.
- The Virtual Audit Room brings the full suite of collaboration technologies into one-stop shop, including KPMG Clara workflow and Clara for clients.
- Organized by work stream, our teams can collaborate on documents in real-time, chat, video call, and partners and managers have complete visibility.

The benefits to the audit were clear to our pilot teams & clients

In this remote working environment, I'm concerned about...

Experienced benefit from KPMG Virtual Audit Room

Associate: "...getting clear direction and asking clarifying questions."

- Addressing **review notes**
- Completing workpapers
- **Learning** as much as possible from each piece of work

Manager: "...how I can be there for my team."

- Being **available** and doing **live reviews**
- **Coaching** and helping others
- **Creating review notes** for team

Partner: "...our team's ability to focus on delivering an audit."

- Providing **guidance** for overall conduct of the audit and key risk decisions
- Mentoring of managers and seniors for **professional development**



Required communications to those charged with governance

Prepared on: 08/06/2021

Presented on: 09/02/2021



Summary: Audit approach required communications and other matters

Planning & Risk assessment	Response
Role and identity of engagement partner	The lead audit engagement partner for the financial statement audits is Ashley Willson. The lead audit engagement partner for the Uniform Guidance audit is Keith Shurbutt.
Significant findings or issues discussed with management	No matters to report.
Scope of audit	See slide 3
Audit participants and strategy	See slide 10
Materiality in the context of an audit	See slide 11
Our timeline	See slide 12
Risk assessment: Significant risks	See slides 13 to 14
Risk assessment: Additional risks identified	No matters to report
Involvement of others	See slide 15
New effective and upcoming accounting standards	See slide 16
Independence	See slide 18
Responsibilities	See slide 19
Inquiries	See slide 20

Audit participants and strategy

Full-scope audit			
Component(s)	Name of component auditor	Total assets as of 9/30/20	Revenues, gains and other support as of 9/30/20
University of South Alabama Foundation	Deloitte & Touche LLP	24.83%	2.26%
Gulf Coast Totalcare	Warren Averett	0.05	0.53
South Alabama Medical Science Foundation	Warren Averett	0.66	0.11
Total full-scope audits		25.54%	2.90%



Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:



Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 materiality involve both qualitative and quantitative considerations.

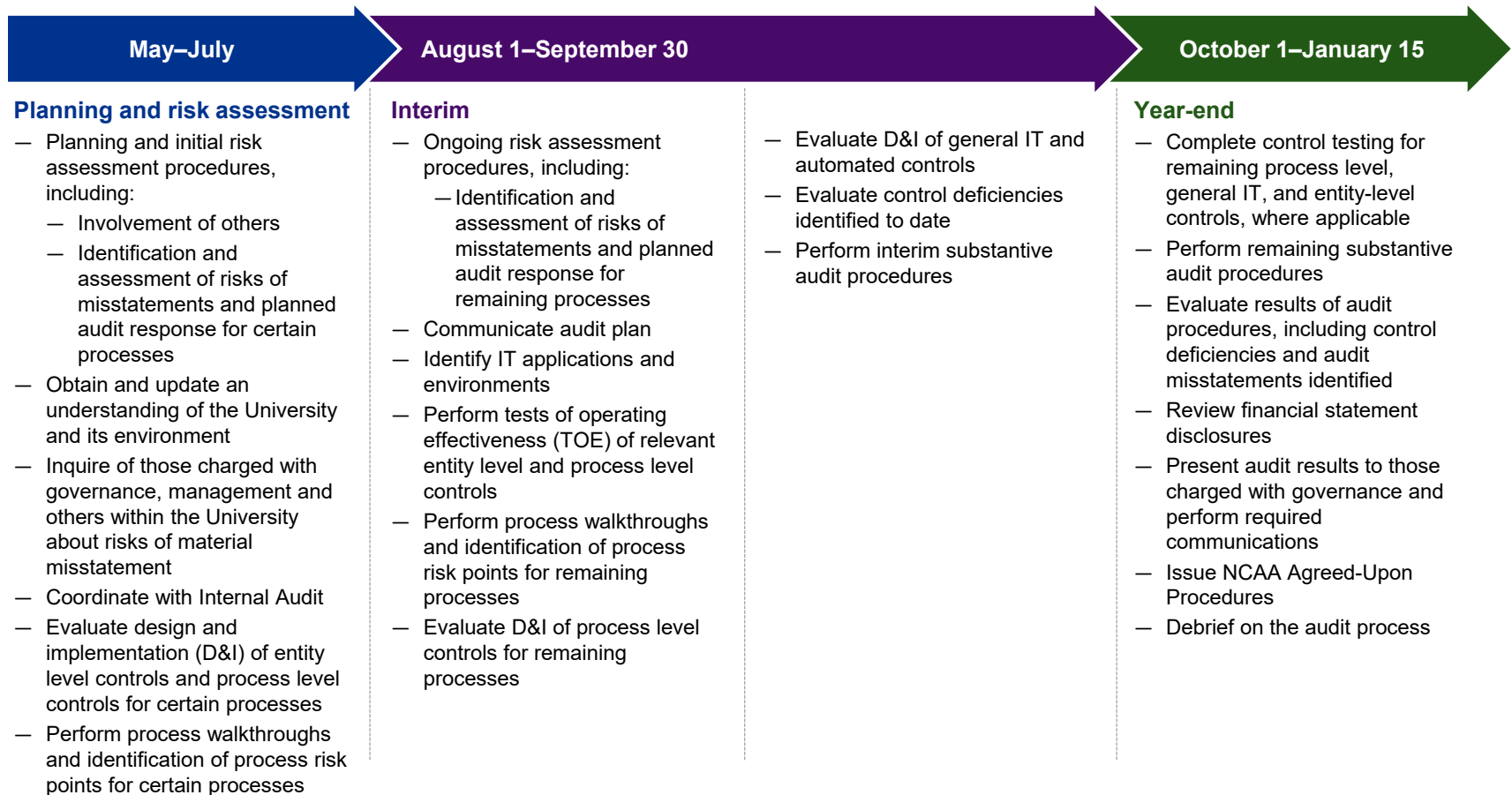
Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

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

Our timeline



Filing date: Issue audit reports on financial statements and uniform guidance on November 15.

Risk assessment: Significant risks

Significant risks

Management override of controls

Management is in a unique position to perpetrate fraud because of its 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.

Susceptibility to:

Error

Fraud

Yes



Our approach to fraud risk

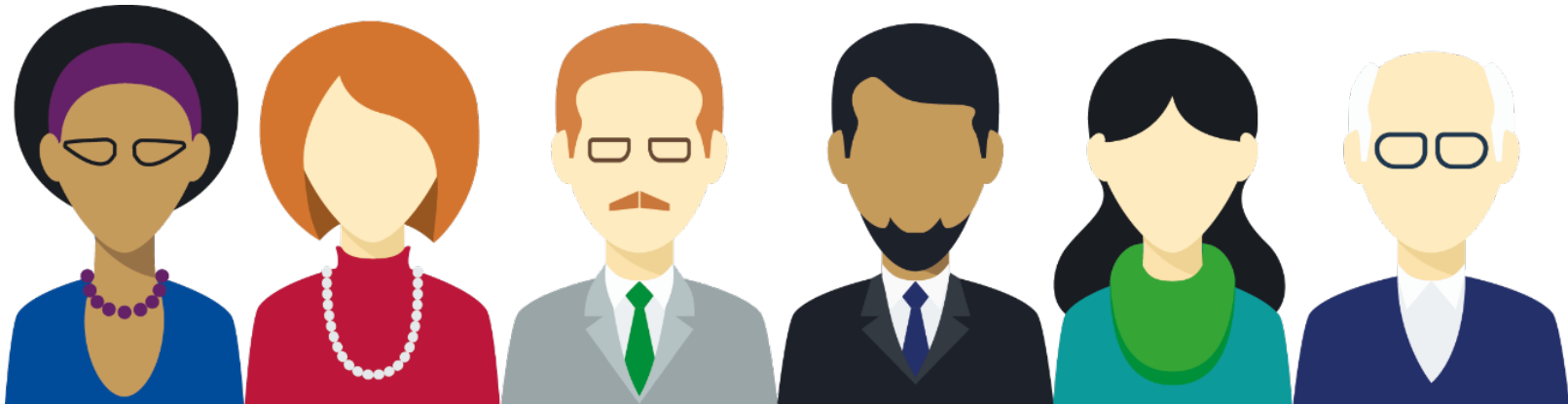


Quality in all that we do

- **Audit quality remains our highest priority and is critical to fulfilling our role in the capital markets.**
- **To deliver on our audit quality commitment, we are focused on consistently planning and executing our audits, in line with the requirements of applicable professional standards within a strong system of quality control.**
- **Core to actions to drive quality are a culture of integrity, innovation, including our smart audit platform KPMG Clara, and nurturing and supporting our talented professionals.**
- Financial fraud can be complex and sophisticated and it is essential that businesses, those charged with governance, and their auditors assess the risk of financial fraud and respond accordingly.
- The auditors' responsibility is to plan and perform an audit to provide reasonable assurance that material misstatements are detected, whether caused by error or fraud.
- At KPMG, we are focused on exercising professional skepticism, and executing fundamental audit procedures and collating evidence, aligned with the professional standards, to seek to detect material misstatement as a result of fraud.
 - We share our planned audit approach and responses with those charged with governance every year.
 - We perform risk assessments, including conducting interviews within the University, assessing management's fraud risk, and running analytical procedures, as appropriate under the standards.
 - And when fraud risk is identified, we perform incremental procedures at the highest level of risk.
- As part of our commitment to sustaining audit quality, we recognize nothing remains static. We are committed to continually improving the quality, consistency, and efficiency of our audits, enabled by our technology, including our approach to fraud risk.

Involvement of others

Audit of financial statements	Extent of planned involvement
Internal audit	Direct assistance with expense testing, employee payroll testing, certain inventory observations and price testing.
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures	<p>IT Audit team – will evaluate general information technology controls and certain application level controls</p> <p>Pension actuary – evaluation of the pension and other postretirement benefit obligations</p> <p>Tax team – 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 (also includes University related entities).</p>



Newly effective accounting standards

Effective immediately

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 90, *Majority Equity Interests*

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Effective for fiscal year 2022

GASB Statement No. 87, *Leases*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB Statement No. 92, *Omnibus 2020*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

Effective for fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*

Audit quality and transparency

2020 Audit quality report

- Highlights the steps we have taken in 2020 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



2020 Transparency report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards



Reports and supplements available at:
read.kpmg.us/auditquality

Shared responsibilities: Independence



Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.



System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules).
- New directors, officers, owners of 10% or more of the University's equity securities or ownership interests, and persons in key positions with respect to the preparation or oversight of the financial statements.



Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The University or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities

Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation
 - Communicate the circumstances to those charged with governance
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

The following inquiries are in accordance with AU-C 260.

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the University?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are those charged with governance's views about fraud risks in the University?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the University'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?
- What are those charged with governance's attitudes, awareness, and actions concerning (a.) the University's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b.) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the University entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

This presentation to those charged with governance is intended solely for the information and use of those charged with governance and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.



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UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the
Years Ended June 30, 2021 and 2020, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

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Deloitte & Touche LLP

420 North 20th Street
Suite 2400
Birmingham, AL 35205
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, 2021 and 2020, 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, 2021 and 2020, 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 12, 2021

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020
(Dollars in thousands)

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,490	\$ 2,633
INVESTMENTS AT FAIR VALUE:		
Equity securities	238,006	157,457
Timber and mineral properties	171,385	168,063
Real estate	19,904	53,455
Other	5,809	5,811
OTHER ASSETS	<u>448</u>	<u>453</u>
TOTAL	<u>\$ 437,042</u>	<u>\$ 387,872</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 205	\$ 155
Other liabilities	<u>894</u>	<u>594</u>
Total liabilities	<u>1,099</u>	<u>749</u>
NET ASSETS:		
Without donor restrictions	62,043	79,835
With donor restrictions	<u>373,900</u>	<u>307,288</u>
Total net assets	<u>435,943</u>	<u>387,123</u>
TOTAL	<u>\$ 437,042</u>	<u>\$ 387,872</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 5,204	\$ 56,052	\$ 61,256
Rents, royalties, and timber sales	3,342	133	3,475
Interest and dividends	1,126	1,332	2,458
Gifts	1	511	512
Required match of donor contributions	(11)	11	-
Interfund interest	(165)	165	-
Other income	83		83
Allocation of Brookley	(16,773)	16,773	-
Net assets released from program restrictions (Note 9)	<u>8,365</u>	<u>(8,365)</u>	<u>-</u>
Total revenues, gains, losses, and other support	<u>1,172</u>	<u>66,612</u>	<u>67,784</u>
EXPENDITURES:			
Program services:			
Faculty support	2,694		2,694
Scholarships	1,130		1,130
Other academic programs	<u>7,039</u>		<u>7,039</u>
Total program services	10,863	-	10,863
Management and general	2,276		2,276
Other investment expense	1,625		1,625
Depletion expense	4,157		4,157
Depreciation expense	<u>43</u>		<u>43</u>
Total expenditures	<u>18,964</u>	<u>-</u>	<u>18,964</u>
(DECREASE) INCREASE IN NET ASSETS	(17,792)	66,612	48,820
NET ASSETS—Beginning of year	<u>79,835</u>	<u>307,288</u>	<u>387,123</u>
NET ASSETS—End of year	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>\$ 435,943</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Dollars in thousands)**

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

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

(Dollars in thousands)

	2021	2020
OPERATING ACTIVITIES:		
Increase in net assets	\$ 48,820	\$ 3,611
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(61,256)	(10,747)
Gift of equity securities		(3,625)
Depletion	4,157	4,485
Depreciation	43	40
Changes in operating assets and liabilities:		
Other assets	4	2
Accounts payable	50	20
Other liabilities	300	(143)
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(7,882)</u>	<u>(6,357)</u>
INVESTING ACTIVITIES:		
Purchase of equity securities	(32,913)	(499)
Sale of equity securities	9,000	8,162
Purchase of timberland		(20)
Reforestation of timber property	(295)	(351)
Proceeds from sale of real estate	30,959	
Proceeds from sale of timberland		160
Proceeds from sale of equipment	9	35
Other	(21)	(17)
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>6,739</u>	<u>7,470</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,143)	1,113
CASH AND CASH EQUIVALENTS—Beginning of year	<u>2,633</u>	<u>1,520</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,490</u>	<u>\$ 2,633</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Dollars in thousands)

1. ORGANIZATION

The University of South Alabama Foundation (the “Foundation”) was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the “University”) in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements include the accounts of the Foundation’s wholly owned subsidiaries Knollwood Development, Inc.; Shubuta Timber Services, Inc.; and Brookley Bay Front Properties, LLC (hereinafter BBFP), an Alabama Limited Liability Company, having as its sole member the Foundation. All significant intercompany transactions have been eliminated in consolidation.

Net Assets—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained on the accrual basis in accordance with the principles of “fund accounting.” Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation presents its net assets and its revenues, expenses, gains, and losses, based on the existence or absence of donor-imposed restrictions in accordance with Accounting Standards Update (“ASU”) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, as described in this note and summarized as follows.

- Net assets with donor restrictions contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Foundation the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes. Net assets with donor restrictions also contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified or by the actions of the Foundation.
- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired.

The Foundation considers all of its assets to be endowment assets for the support of the University. It, therefore, classifies all of its assets as “endowment funds” for purpose of required disclosures for such funds. In the absence of directions imposed by donors to utilize such funds for specific programs or purposes at the University, the Foundation classifies the net assets of such funds as “without donor restrictions.”

Support and Expenses—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. The Foundation reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that

limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires; i.e., when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from program restrictions.

The Foundation sometimes receives restricted contributions that are conditional on the Foundation matching the contribution. Upon approval of the Board of Directors, such matches are reported as a reclassification of net assets without donor restrictions to net assets with donor restrictions.

Cash and Cash Equivalents—The Foundation considers temporary cash investments with an original maturity date of three months or less when purchased to be cash equivalents. The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximate their fair value.

Investments in Securities—Investments in marketable equity securities with readily determinable fair market values are maintained and administered in a common pool and are recorded at fair value based on quoted market prices of each security in the accompanying consolidated statements of financial position. Separate accounts are maintained for each fund, as applicable.

Investments in Commonfund—The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility.

The Foundation’s units in the Multi-Strategy Equity Fund are valued at their net asset value (“NAV”) as a practical expedient as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month, with the request or notification required by the 20th day of the month. Further information about Commonfund’s valuation procedures is as follows:

In the Multi-Strategy Equity Fund, as managed by the Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as “crossfund investments”) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest NAV made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements, and the differences could be material.

Timber—Timber and timberlands, including logging roads, are stated at fair value, based on an independent appraisal, derived from the application of the cost approach, the sales comparison approach, and the income capitalization approach, less the accumulated depletion for timber when harvested. The Foundation capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, seedling purchases, planting, herbicide application, and thinning of tree stands to improve growth. Timber costs, such as real estate taxes, forest management personnel salaries and fringe benefits, and other costs related to the timberlands are expensed as incurred.

Timber sale revenues for clear-cut or lump-sum sales are recognized when legal ownership of the timber transfers to the purchaser. Timber deeds set forth the legal rights and responsibilities of the buyer, and at closing, the full amount of the sale is due and payable and recognized at that time. Revenues from thinning of tree stands to improve growth are recognized as revenue as the buyer harvests the timber that is to be thinned. Timberland depletion is calculated on a unit cost basis and recognized when the related revenue is recognized.

Mineral Properties—Mineral properties are stated at estimated fair market value as determined by independent appraisals. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production.

Real Estate—Real estate held for investment is stated at its estimated fair value based on independent appraisals.

Common Investment Pool—On June 5, 2006, the Board of Directors of the Foundation approved the establishment of a new investment pool, which consists of (1) all marketable equity securities held by the Foundation and (2) the Foundation’s interest in land and timber, consisting of approximately 55,600 acres of timberland, known as the Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the Disproportionate Share Hospital Funds (the “DSH Funds”) to the Foundation’s Equitable Timber Fund.

Investment Income—Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law, in which case, it is classified as donor restricted. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund’s net assets.

Income Tax Status—The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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.

Impact of COVID-19—The 2019 novel coronavirus (or “COVID-19”) was declared a pandemic by the World Health Organization in March 2020 and has since caused disruption and volatility in the global economy and capital markets. The impact of the COVID-19 outbreak on the Foundation’s financial condition will depend on future developments, including, but not limited to the rate of occurrence or mutation, extent and effectiveness of responsive actions taken, including increased restrictions, and effectiveness of treatment options. Given the ongoing and dynamic nature of the circumstances, it is not possible to predict how long the impact of the COVID-19 outbreak will last or how significant it will ultimately impact economic and market conditions.

Recent Accounting Pronouncements—In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* and has subsequently issued supplemental and/or clarifying ASUs (collectively “ASC 606”). ASC 606 outlines a five-step framework that intends to clarify the principles for recognizing revenue and eliminate industry-specific guidance. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASC 606 is effective for annual reporting periods beginning after December 15, 2019. ASC 606 may be applied retrospectively to each period presented or on a modified retrospective basis with the cumulative effect recognized as of the date of adoption. The Foundation adopted ASC 606 on July 1, 2020. The adoption of ASC 606 did not have a material effect on the Foundation’s consolidated financial statements.

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 \$134,997 and \$105,487 at June 30, 2021 and 2020, respectively.

Investments in Commonfund: Fair values are based on NAV, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets. The Foundation’s investment in Commonfund portfolios was \$103,009 and \$51,970 at June 30, 2021 and 2020, respectively.

- **Timber, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- **Other:** Other consists primarily of the Foundation’s interest in the Stallworth Land Company (the “Management Company”), a timberland management company (see Note 4).

4. INVESTMENTS

Investment income 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, 2021 and 2020, consisted of the following:

	2021	2020
Unrealized gains	\$ 54,502	\$ 7,651
Realized gains	<u>6,754</u>	<u>3,096</u>
Net realized and unrealized gains on investments	<u>61,256</u>	<u>10,747</u>
Timber sales	2,660	3,190
Rents	753	705
Royalties	<u>62</u>	<u>63</u>
Rents, royalties, and timber sales	<u>3,475</u>	<u>3,958</u>
Interest and dividends	<u>2,458</u>	<u>2,182</u>
Total investment income	<u>\$ 67,189</u>	<u>\$ 16,887</u>

Investments consisted of participation in the Foundation's pooled investment funds. Investment-related expenses of \$437 and \$368 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, 2021 and 2020, respectively.

On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consisted of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the Equitable tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable in principal and interest owed by the Equitable Timber Fund to the DSH Funds at June 30, 2006. All pooled investment activity subsequent to June 30, 2006 is allocated between DSH Funds and other Foundation funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

On September 28, 2010, the Foundation entered into an agreement with the University providing for the purchase from the University by the Foundation, acting through its wholly owned subsidiary BBFP, the Brookley Complex, for a purchase price of \$20,000. The Foundation funded the purchase with proceeds realized by it upon the sale of equity investments from the Commonfund Multi-Equity Strategy Fund, within the New Investment Pool.

On June 4, 2015, the Board of the Foundation determined that the current value of the investment in the Brookley Complex would be recorded as an asset of the Foundation held as a part of the New Investment Pool. Further, the Board determined that proceeds from a future sale would be used to restore to the holdings of the Foundation in the Commonfund Multi-Strategy Equity Fund the aggregate value of the investments in such fund that were sold by the Foundation to provide the funds paid to the University to acquire the Brookley Complex, and the aggregate cumulative investment return produced by the investment in the Commonfund Multi-Strategy Equity Fund over the period from the date of the sale transactions until the date on which the proceeds are returned to the fund, all as reflected in the resolution adopted on June 4, 2015.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

Real estate as of June 30, 2021 and 2020 consisted of the following property held:

	2021	2020
Land and land improvements—held for investment	\$ 18,826	\$ 52,423
Building and building improvements—held for investment	<u>1,078</u>	<u>1,032</u>
Total	<u>\$ 19,904</u>	<u>\$ 53,455</u>

Other—Investments at June 30, 2021 and 2020 include an equity interest in a timberland management company. The Management Company’s primary asset consists of timberland. The Foundation’s proportionate share of the fair value of the Management Company is based upon the valuation of the trustee responsible for the management of the Company and the timber valuation. The equity interest resulted from a bequest known as the Stallworth Gift, which was received through bequest and devise under the Will of N. Jack Stallworth.

The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as either observable or unobservable inputs. Observable inputs are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The Foundation’s observable inputs consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable inputs are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The Foundation’s unobservable inputs consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

In accordance with U.S. GAAP, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the NAV per share (or its equivalent) as a practical expedient. For purposes of the reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position, the fair value amounts of the investment in Commonfund are presented as a reconciling item in the tables as “Investment in Commonfund.”

The Foundation's investment assets as of June 30, 2021 and 2020 are summarized as follows:

Fair Value Measurements at June 30, 2021				
Description	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
Marketable equity securities	\$ 134,997	\$ -	\$ -	\$ 134,997
Timber and mineral properties			171,385	171,385
Real estate			19,904	19,904
Other investments			5,809	5,809
Total	<u>\$ 134,997</u>	<u>\$ -</u>	<u>\$ 197,098</u>	332,095
Investment in Commonfund, measured at NAV				<u>103,009</u>
Total investment assets at fair value				<u>\$ 435,104</u>

Fair Value Measurements at June 30, 2020				
Description	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
Marketable equity securities	\$ 105,487	\$ -	\$ -	\$ 105,487
Timber and mineral properties			168,063	168,063
Real estate			53,455	53,455
Other investments			5,811	5,811
Total	<u>\$ 105,487</u>	<u>\$ -</u>	<u>\$ 227,329</u>	332,816
Investment in Commonfund, measured at NAV				<u>51,970</u>
Total investment assets at fair value				<u>\$ 384,786</u>

For the year ended June 30, 2021, 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	\$ 168,063	\$ 53,455	\$ 5,811	\$ 227,329
Net realized and unrealized gains (losses)	7,184	(2,571)	(2)	4,611
Reforestation	295			295
Purchase of building improvements		14		14
Sale of real estate		(30,959)		(30,959)
Depreciation/depletion	<u>(4,157)</u>	<u>(35)</u>		<u>(4,192)</u>
Ending balance	<u>\$ 171,385</u>	<u>\$ 19,904</u>	<u>\$ 5,809</u>	<u>\$ 197,098</u>

For the year ended June 30, 2020, 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	\$ 164,307	\$ 61,508	\$ 5,809	\$ 231,624
Net realized and unrealized gains (losses)	8,030	(8,019)	2	13
Reforestation	351			351
Purchase of timberland	20			20
Sale of timberland	(160)			(160)
Depreciation/depletion	<u>(4,485)</u>	<u>(34)</u>		<u>(4,519)</u>
Ending balance	<u>\$ 168,063</u>	<u>\$ 53,455</u>	<u>\$ 5,811</u>	<u>\$ 227,329</u>

Endowment—The Foundation’s endowment funds consist of individual funds established for a variety of purposes. Endowment funds include both donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Law—The Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter, unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds. The Foundation, accordingly, classifies (for legal purposes) each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

Endowment net asset composition as of June 30, 2021, by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ 43,990	\$ 373,900	\$ 417,890
Board-Designated Endowment Funds	<u>18,053</u>	<u> </u>	<u>18,053</u>
Total	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>\$ 435,943</u>

Endowment net asset composition as of June 30, 2020, by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ 62,877	\$ 307,288	\$ 370,165
Board-Designated Endowment Funds	<u>16,958</u>	<u> </u>	<u>16,958</u>
Total	<u>\$ 79,835</u>	<u>\$ 307,288</u>	<u>\$ 387,123</u>

Changes in endowment net assets during the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	<u>\$ 79,835</u>	<u>\$ 307,288</u>	<u>\$ 387,123</u>
Investment return:			
Investment income	4,468	1,465	5,933
Net realized and unrealized gains	5,204	56,052	61,256
Other income	83		83
Interfund interest	(165)	165	-
Allocation of Brookley	<u>(16,773)</u>	<u>16,773</u>	<u>-</u>
Total investment return	<u>(7,183)</u>	<u>74,455</u>	<u>67,272</u>
Gifts	1	511	512
Required match	(11)	11	-
Net assets released from restrictions	8,365	(8,365)	-
Expenditures	<u>(18,964)</u>	<u> </u>	<u>(18,964)</u>
Net change	<u>(17,792)</u>	<u>66,612</u>	<u>48,820</u>
Ending balance	<u>\$ 62,043</u>	<u>\$ 373,900</u>	<u>\$ 435,943</u>

Changes in endowment net assets during the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	<u>\$ 89,245</u>	<u>\$ 294,267</u>	<u>\$ 383,512</u>
Investment return:			
Investment income	4,891	1,249	6,140
Net realized and unrealized (losses) gains	(3,741)	14,488	10,747
Other income	390		390
Interfund interest	<u>(350)</u>	<u>350</u>	<u>-</u>
Total investment return	1,190	16,087	17,277
Gifts	1	5,294	5,295
Required match	(5)	5	-
Net assets released from restrictions	8,365	(8,365)	-
Expenditures	<u>(18,961)</u>	<u>-</u>	<u>(18,961)</u>
Net change	<u>(9,410)</u>	<u>13,021</u>	<u>3,611</u>
Ending balance	<u>\$ 79,835</u>	<u>\$ 307,288</u>	<u>\$ 387,123</u>

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021 were as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,490
Other assets	1
Equity securities appropriated for spending in the following year	<u>10,000</u>
Total financial assets available within one year	<u>\$ 11,491</u>

As part of the Foundation's liquidity management, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash withdrawals from the Foundation's managed investments coincide with the Foundation's spending obligations, but may be adjusted higher or lower based on the timing of when investment income is received and expenditures become due. In addition to financial assets available within one year, the Foundation receives investment income from timber sales, rents and royalties, and interest and dividends that are used to meet the Foundation's general expenditures within one year as set forth in Note 4. The Foundation believes it has sufficient assets to meet its obligations.

6. FUNCTIONAL EXPENSES

The tables below present expenses of the Foundation by both their nature and function for fiscal years ended June 30, 2021 and 2020.

	June 30, 2021			
	Program Services	Management and General	Fundraising	Total
Grants to supporting organization	\$ 10,863	\$ -	\$ -	\$ 10,863
Depletion	4,157			4,157
Salaries and benefits	1,340	293	20	1,653
Professional services	512	85		597
Other expenses	290	53		343
Investment management expense	437			437
Property taxes	257	7		264
Insurance	212	44		256
Forestry	351			351
Depreciation	36	7		43
	<u>\$ 18,455</u>	<u>\$ 489</u>	<u>\$ 20</u>	<u>\$ 18,964</u>

	June 30, 2020			
	Program Services	Management and General	Fundraising	Total
Grants to supporting organization	\$ 10,597	\$ -	\$ -	\$ 10,597
Depletion	4,485			4,485
Salaries and benefits	1,310	287	21	1,618
Professional services	586	99		685
Other expenses	350	76		426
Investment management expense	368			368
Property taxes	260	7		267
Insurance	211	44		255
Forestry	220			220
Depreciation	34	6		40
	<u>\$ 18,421</u>	<u>\$ 519</u>	<u>\$ 21</u>	<u>\$ 18,961</u>

The majority of expenses are directly attributable to the various program services of the Foundation. Certain expenses are attributable to several activities including program services, management and general, and fundraising. Costs not directly attributable to a function are salaries and benefits, professional services, other expenses, and insurance. Such expenses are allocated on a reasonable basis that is consistently applied and based on the Foundation's historical understanding of time and effort associated with each function.

7. BROOKLEY COMPLEX

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010 resolution revoked

the May 22, 2008 resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP purchased the Brookley Complex from the University for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest-bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was fully paid on November 10, 2014.

The intention and expectation of the Board of the Foundation, as reflected in the resolutions adopted on May 27, 2010 and September 9, 2010, was that upon BBFP's payment to the University of the purchase price, the Foundation would begin funding, consistent with the resolutions, a target distribution of not less than three percent (3%) of the average net assets of the DSH Funds. In making such distributions, the Foundation, acting in response to requests, proposals or recommendations submitted to it by the University, would seek to distribute to the University that benefit such hospitals and clinics, funding for programs, activities or such other expenditures as shall be designated by the Foundation, in its sole discretion, subject to certain financial and other conditions as defined in the resolutions. During the fiscal year ended June 30, 2021, 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 \$5,600 that included \$3,796 for equipment for the new Free Standing Emergency Department, \$1,140 for the Clinical Support Fund, and \$664 for the Hospital Equipment Fund.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund. The net proceeds from the sale were allocated to pool participants. This allocation resulted in a change in designation from Net Assets "Without Donor Restrictions" to Net Assets "With Donor Restrictions" in the amount of \$16,773 based on the designation of the funds participating in the Pool.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

Under the November 10, 2010 agreement for the sale of the Brookley Complex to BBFP, the University retained ownership of all buildings and improvements on the Brookley Complex property and an exclusive easement of the land. Ownership of such buildings and improvements would transfer to BBFP at the conclusion of the five-year period, upon payment of the note, unless the parties agreed to extend use by the University. BBFP and the University have extended the use period to November 10, 2021. Upon the sale of the 196.6 acres, the University agreed to partially terminate the Surface Easement, but only for the land sold to the City of Mobile and the Industrial Development Board of the City of Mobile. The Surface Easement held by the University was partially terminated with respect to the 196.6 acres sold but remains in effect for the remaining 95 acres owned by BBFP.

8. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions were for the following purposes:

	2021	2020
Hospital, clinics, and related programs	\$ 231,370	\$ 192,115
Instruction	77,359	63,246
College of medicine—other than instruction	28,410	21,362
Student aid	25,644	21,889
Other	<u>11,117</u>	<u>8,676</u>
Total	<u>\$ 373,900</u>	<u>\$ 307,288</u>

Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. The amount of temporarily and permanently restricted net assets were \$192,966 and \$180,934 at June 30, 2021, and \$126,877 and \$180,411 at June 30, 2020, respectively.

At June 30, 2021 and 2020, net assets with board designated restrictions were for the following purposes:

	2021	2020
College of medicine—other than instruction	\$ 11,428	\$ 11,353
Instruction	4,803	3,994
Student aid	1,023	963
Other	<u>799</u>	<u>648</u>
Total	<u>\$ 18,053</u>	<u>\$ 16,958</u>

9. NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS

Expenses were incurred that met temporary purpose-related restrictions on the use of certain net assets, resulting in a reclassification of net assets with donor restrictions to net assets without donor restrictions during the years ended June 30, 2021 and 2020, as follows:

	2021	2020
Instruction	\$ 8,067	\$ 7,585
Student aid	289	643
Other	<u>9</u>	<u>137</u>
Total	<u>\$ 8,365</u>	<u>\$ 8,365</u>

10. OTHER RELATED-PARTY TRANSACTIONS

At June 30, 2021 and 2020, 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 \$231,370 and \$192,115, respectively.

11. RETIREMENT PLANS

The Foundation sponsors a contributory defined-contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately \$176 and \$171 for the years ended June 30, 2021 and 2020, respectively.

12. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through August 12, 2021, 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, 2021 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, 2021 and 2020, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
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Deloitte & Touche LLP
420 North 20th Street
Suite 2400
Birmingham, AL 35205
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, 2021 and 2020, 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, 2021 and 2020, 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 12, 2021

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2021 AND 2020
 (Dollars in thousands)**

	2021	2020
ASSETS		
INVESTMENTS:		
New Investment Pool—interest in	\$ 227,199	\$ 187,949
Real estate	3,700	3,700
RECEIVABLE FROM AFFILIATES	<u>471</u>	<u>466</u>
TOTAL	<u>\$ 231,370</u>	<u>\$ 192,115</u>
NET ASSETS		
NET ASSETS:		
Without donor restrictions	\$ -	\$ -
With donor restrictions	<u>231,370</u>	<u>192,115</u>
Total net assets	<u>231,370</u>	<u>192,115</u>
TOTAL	<u>\$ 231,370</u>	<u>\$ 192,115</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 18	\$ 33,803	\$ 33,821
Interest and dividends		799	799
Interfund interest		102	102
Allocation of Brookley		10,151	10,151
Net assets released from program restrictions	<u>5,600</u>	<u>(5,600)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,618</u>	<u>39,255</u>	<u>44,873</u>
EXPENDITURES:			
Program Services—other academic programs	5,600		5,600
Other investment expense	<u>18</u>		<u>18</u>
Total expenditures	<u>5,618</u>	<u>-</u>	<u>5,618</u>
INCREASE IN NET ASSETS	-	39,255	39,255
NET ASSETS AT BEGINNING OF YEAR		<u>192,115</u>	<u>192,115</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 231,370</u>	<u>\$ 231,370</u>

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Dollars in thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Net realized and unrealized gains on investments	\$ 13	\$ 8,842	\$ 8,855
Interest and dividends		636	636
Interfund interest		219	219
Net assets released from program restrictions	<u>5,424</u>	<u>(5,424)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,437</u>	<u>4,273</u>	<u>9,710</u>
EXPENDITURES:			
Program Services—other academic programs	5,424		5,424
Other investment expense	<u>13</u>		<u>13</u>
Total expenditures	<u>5,437</u>	<u>-</u>	<u>5,437</u>
INCREASE IN NET ASSETS	-	4,273	4,273
NET ASSETS AT BEGINNING OF YEAR		<u>187,842</u>	<u>187,842</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 192,115</u>	<u>\$ 192,115</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
 (Dollars in thousands)**

	2021	2020
OPERATING ACTIVITIES:		
Increase in net assets	\$ 39,255	\$ 4,273
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(33,821)	(8,855)
Changes in operating assets and liabilities:		
Receivable from affiliate	<u>(5)</u>	<u>53</u>
Net cash used in operating activities	<u>5,429</u>	<u>(4,529)</u>
INVESTING ACTIVITIES:		
Purchases of securities	(11,090)	(956)
Sale of securities	<u>5,661</u>	<u>5,485</u>
Net cash provided by investing activities	<u>(5,429)</u>	<u>4,529</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
NOTES TO COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in thousands)**

1. ORGANIZATION

The University of South Alabama Foundation (the “Foundation”) was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the “University”) in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income and contributions.

The Disproportionate Share Hospital Funds (the “DSH Funds”) were matching funds disbursed by the Health Care Financing Administration of the U.S. Department of Health and Human Services to the states through their Medicaid agencies for the purpose of compensating hospitals, such as those operated by the University, that provided medical care and treatment to a disproportionate share of indigent patients in their respective areas.

Access to the DSH Funds for Alabama was made possible by the University of South Alabama Foundation Board, beginning in October 1989, when the Board of the Foundation approved the entry into the matching program. Over a one-year period, the Foundation made a monthly revolving contribution of \$2 million, which yielded approximately \$24 million in federal grant monies. The Board of Trustees of the University adopted a resolution in March 1990 authorizing the transfer of the DSH Funds to the Foundation to be held by it to preserve and ensure the continued viability of the University of South Alabama Hospitals (“University Hospitals”) and their overall mission.

Litigation relating to the transfer of the DSH Funds was settled in November 1993, when an agreement was reached among the Department of Examiners of Public Accounts of the State of Alabama, the Board of Trustees of the University, and the Board of Directors of the Foundation, which required that all Medicaid DSH Funds received through September 30, 1994 be transferred to the Foundation and held irrevocably for the benefit, as determined by the Foundation, of the University Hospitals and clinics and the other programs of the University that benefit such hospitals and clinics which amount was \$131,586. Further, the agreement recognized the Foundation as the lawful holder and owner of the DSH Funds and that the investment and management of the DSH Funds were solely within the authority of the Foundation’s Board.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying combined financial statements include the DSH Funds and Knollwood Development, Inc., a wholly owned subsidiary of the Foundation and an affiliate originally funded by DSH Funds. All significant interfund transactions have been eliminated in combination.

Net Assets—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the DSH Funds, the accounts of the DSH Funds are maintained on the accrual basis in accordance with the principles of “fund accounting”. Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation

presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions in accordance with Accounting Standards Update (“ASU”) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, as described in this note and summarized as follows.

- Net assets with donor restrictions contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes. Net assets with donor restrictions also contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified or by the actions of the Foundation.
- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired.

Support—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. Gifts of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from program restrictions.

Investments in Securities—Investments in equity securities are maintained and administered in a common pool by the Foundation. Amounts presented in these combined financial statements represent the DSH Funds’ proportionate share of the Foundation’s investments.

Investments in Commonfund—The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates investment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility.

The Foundation’s units in the Multi-Strategy Equity Fund are valued at their net asset value (“NAV”) as a practical expedient as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month with the request or notification required by the 20th day of the month. Further information about Commonfund’s valuation procedures is as follows:

In the Multi-Strategy Equity Fund, as managed by Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as “crossfund investments”) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest NAV made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the financial statements, and the differences could be material.

Investment Income—Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying combined statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law, in which case it is classified as donor restricted. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund’s net assets.

Income Allocation—The DSH Funds participate in the New Investment Pool (the “Pool”) as described in Note 4. Funds that participate in the Pool, including DSH Funds, receive a monthly allocation of income and loss experienced by the Pool. Allocations made by the Pool to its participants are based on the relative participation levels of investment in the Pool by each participating fund.

Income Tax Status—The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

Estimates—The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The DSH Funds participate in the Foundation’s New Investment Pool (see Note 4). The New Investment Pool consists of the Foundation’s investment in marketable equity securities, valued by reference to quoted market prices; investments in Commonfund portfolios valued at unit values based on the fair values of the underlying investments; and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the DSH Funds’ combined financial statements.

Impact of COVID-19— The 2019 novel coronavirus (or “COVID-19”) was declared a pandemic by the World Health Organization in March 2020 and has since caused disruption and volatility in the global economy and capital markets. The impact of the COVID-19 outbreak on the DSH Funds’ financial condition will depend on future developments, including, but not limited to the rate of occurrence or mutation, extent and effectiveness of responsive actions taken, including increased restrictions, and effectiveness of treatment options. Given the ongoing and dynamic nature of the circumstances, it is not possible to predict how long the impact of the COVID-19 outbreak will last or how significant it will ultimately impact economic and market conditions.

Recent Accounting Pronouncements— In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* and has subsequently issued supplemental and/or clarifying ASUs (collectively “ASC 606”). ASC 606 outlines a five-step framework that intends to clarify the principles for recognizing revenue and eliminate industry-specific guidance. In addition,

ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASC 606 is effective for annual reporting periods beginning after December 15, 2019. ASC 606 may be applied retrospectively to each period presented or on a modified retrospective basis with the cumulative effect recognized as of the date of adoption. The Foundation, on behalf of the DSH Funds, adopted ASC 606 on July 1, 2020. The adoption of ASC 606 did not have a material effect on the DSH Funds' combined financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying combined statements of financial position for cash and cash equivalents approximates their fair value.
- **Equity Securities:** Includes investments in marketable equity securities and investments in Commonfund:

Marketable Equity Securities: Fair values are based on quoted market prices of each security with readily determinable fair values.

Investments in Commonfund: Fair values are based on NAV, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets.

- **Timberland, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.

4. INVESTMENTS

Investment income for the years ended June 30, 2021 and 2020, consisted of the following:

	2021	2020
Unrealized gains	\$ 31,944	\$ 8,967
Realized gains (losses)	1,877	(112)
Interest and dividends	799	636
Interfund interest	102	219
Allocation of Brookley	<u>10,151</u>	<u> </u>
	<u>\$ 44,873</u>	<u>\$ 9,710</u>

Investments consisted of participation in the Foundation's pooled investment funds.

On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consisted of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the Equitable tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund. Effective June 30, 2006, upon establishment

of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable in principal and interest owed by the Equitable Timber Fund to the DSH Funds at June 30, 2006. All pooled investment activity subsequent to June 30, 2006 is allocated between DSH Funds and other Foundation funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

On September 28, 2010, the Foundation entered into an agreement with the University providing for the purchase from the University by the Foundation, acting through its wholly owned subsidiary Brookley Bay Front Properties, LLC ("BBFP"), of the Brookley Complex, for a purchase price of \$20,000. The Foundation funded the purchase with proceeds realized by it upon the sale of equity investments from the Commonfund Multi-Strategy Equity Fund, within the New Investment Pool.

On June 4, 2015, the Board of the Foundation determined that the current value of the investment in the Brookley Complex would be recorded as an asset of the Foundation held as a part of the New Investment Pool. Further, the Board determined that proceeds from a future sale would be used to restore to the holdings of the Foundation in the Commonfund Multi-Strategy Equity Fund the aggregate value of the investments in such fund that were sold by the Foundation to provide the funds paid to the University to acquire the Brookley Complex, and the aggregate cumulative investment return produced by the investment in the Commonfund Multi-Strategy Equity Fund over the period from the date of the sale transactions until the date on which the proceeds are returned to the fund, all as reflected in the resolution adopted on June 4, 2015.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as either observable or unobservable inputs. Observable inputs are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The New Investment Pool's observable inputs consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable inputs are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The DSH Funds' unobservable inputs consist of its interest in the New Investment Pool's timberland and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The New Investment Pool also includes an investment in Commonfund which is found in the fair value table as "Investment in Commonfund."

In accordance with U.S. GAAP, the investment in Commonfund is not classified in the fair value hierarchy because such investment is measured at fair value using the NAV per share (or its equivalent) as a practical expedient. For purposes of the reconciliation of the fair value hierarchy to the amounts

presented in the combined statements of financial position, the fair value amounts of the investment in Commonfund are presented as a reconciling item in the tables as “Investment in Commonfund.”

The Foundation’s Investment Pool assets as of June 30, 2021 and 2020 are summarized as follows:

Description	Fair Value Measurements at June 30, 2021			
	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
New Investment Pool interest in marketable equity securities	\$ 134,997	\$ -	\$ -	\$ 134,997
New Investment Pool interest in timber			123,300	123,300
New Investment Pool interest in real estate			11,000	11,000
Real estate			3,700	3,700
Total	<u>\$ 134,997</u>	<u>\$ -</u>	<u>\$ 138,000</u>	272,997
Investment in Commonfund, measured at NAV				<u>103,009</u>
Total assets at fair value				<u>\$ 376,006</u>

Description	Fair Value Measurements at June 30, 2020			
	Observable Inputs Based on Quoted Prices	Other Observable Inputs	Unobservable Inputs	Total
New Investment Pool interest in marketable equity securities	\$ 105,487	\$ -	\$ -	\$ 105,487
New Investment Pool interest in timber			120,400	120,400
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
Total	<u>\$ 105,487</u>	<u>\$ -</u>	<u>\$ 147,100</u>	252,587
Investment in Commonfund, measured at NAV				<u>51,970</u>
Total assets at fair value				<u>\$ 304,557</u>

For the year ended June 30, 2021, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable inputs is as follows:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
Beginning balance	\$ 120,400	\$ 23,000	\$ 3,700	147,100
Net realized and unrealized gains	5,164			5,164
Reforestation	214			214
Adjustment for Brookley transaction		(12,000)		(12,000)
Depletion	<u>(2,478)</u>	<u> </u>	<u> </u>	<u>(2,478)</u>
Ending balance	<u>\$ 123,300</u>	<u>\$ 11,000</u>	<u>\$ 3,700</u>	<u>\$ 138,000</u>

For the year ended June 30, 2020, 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	\$ 116,200	\$ 23,000	\$ 3,700	142,900
Net realized and unrealized gains	7,626			7,626
Reforestation	283			283
Sale of timberland	(160)			(160)
Depletion	<u>(3,549)</u>	<u> </u>	<u> </u>	<u>(3,549)</u>
Ending balance	<u>\$ 120,400</u>	<u>\$ 23,000</u>	<u>\$ 3,700</u>	<u>\$ 147,100</u>

The DSH Funds hold a proportionate interest in the value of the Foundation's Investment Pool. On June 30, 2021, the value of DSH Funds units in the Pool was \$227,199 and at June 30, 2020, the value of DSH Funds units in the Pool was \$187,949.

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The DSH Funds are restricted for support of hospitals, clinics, and health related programs of the University as stated in Note 8. The DSH Funds provide the University a target distribution of no less than three percent of the average net assets over the previous three year period.

6. FUNCTIONAL EXPENSES

All expenses are program services for the benefit of University hospitals, clinics, and health related programs.

7. RELATED-PARTY TRANSACTIONS

At June 30, 2021 and 2020, receivables from affiliated entities totaled \$471 and \$466, 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 \$102 and \$219 for the years ended June 30, 2021 and 2020, respectively. As described in Note 4, effective June 30, 2006, the DSH Funds participate in the Pool of the Foundation and the DSH Funds earn a proportionate share of investment income of the Pool.

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010 resolution revoked the May 22, 2008 resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP, an Alabama limited liability company, having as its sole member the Foundation, purchased the Brookley Complex from the University for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest-bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was fully paid on November 10, 2014.

The intention and expectation of the Board of the Foundation, as reflected in the resolutions adopted on May 27, 2010 and September 9, 2010, was that upon BBFP's payment to the University of the purchase price, the Foundation would begin funding, consistent with the resolutions, a target distribution of no less than three percent (3%) of the average net assets of the DSH Funds. In making such distributions, the Foundation, acting in response to requests, proposals or recommendations submitted to it by the University, would seek to distribute to the University that benefit such hospitals and clinics, funding for programs, activities or such other expenditures as shall be designated by the Foundation, in its sole discretion, subject to certain financial and other conditions as defined in the resolutions. During the fiscal year ended June 30, 2021, 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 \$5,600 that included \$3,796 for equipment for the new Free Standing Emergency Department, \$1,140 for the Clinical Support Fund, and \$664 for the Hospital Equipment Fund.

On December 18, 2020, BBFP sold 196.6 acres of the Brookley Complex to the City of Mobile and the Industrial Development Board of the City of Mobile for \$30,959. Thereafter, BBFP made a distribution of \$30,959 to the Foundation. The Foundation, in accordance with the June 4, 2015 resolution, invested the proceeds in the Commonfund Multi-Strategy Equity Fund. The net proceeds from the sale were allocated to pool participants, resulting in an allocation of \$10,151 to the DSH Funds based on its respective participation interest in the Pool.

Under the Purchase and Sale Agreement, the City of Mobile agreed to purchase 45 acres of wetlands for \$2,000 and the City of Mobile has an option, until December 1, 2025, to purchase the remaining 50 acres for \$9,000. At June 30, 2021, the fair market value appraisal of the remaining 95 acres of the Brookley Complex was \$11,000.

Under the November 10, 2010 agreement for the sale of the Brookey Complex to BBFP, the University retained ownership of all buildings and improvements on the Brookley Complex property and an exclusive easement of the land. Ownership of such buildings and improvements would transfer to BBFP at the conclusion of the five-year period, upon payment of the note, unless the parties agreed to extend use by the University. BBFP and the University have extended the use period to November 10, 2021.

Upon the sale of the 196.6 acres, the University agreed to partially terminate the Surface Easement, but only for the land sold to the City of Mobile and the Industrial Development Board of the City of Mobile. The Surface Easement held by the University was partially terminated with respect to the 196.6 acres sold but remains in effect for the remaining 95 acres owned by BBFP.

8. NATURE AND AMOUNT NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions were \$231,370 and \$192,115, from which may be used for the support of hospitals, clinics, and related programs of the University in accordance with board action as described in Note 7, herein.

9. ENDOWMENT

Interpretation of the Law—The University of South Alabama Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds.

The Foundation, accordingly, classifies (for legal purposes) each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

10. SUBSEQUENT EVENTS

The DSH Funds evaluated subsequent events through August 12, 2021, 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, 2021 that would require disclosure in or would be required to be recognized in the combined financial statements.

* * * * *



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of Internal Audit

DATE: August 24, 2021

TO: Audit Committee of the USA Board of Trustees

CC: Jimmy Shumock, Chair pro tempore, Board of Trustees
Dr. John Smith, Acting President

A handwritten signature in blue ink, appearing to be 'J. Shumock', written over the name of Jimmy Shumock in the CC list.

FROM: Laura Anne Schratt, Executive Director of Internal Audit & CFCO

A handwritten signature in blue ink, appearing to be 'L. Schratt', written over the name of Laura Anne Schratt in the FROM line.

SUBJECT: Fiscal Year 2022 Internal Audit Plan

The Institute of Internal Auditors' (IIA) Professional Practices Framework provides standards by which the Office of Internal Audit (OIA) is to conform. As it relates to audit planning, the IIA standards require the Internal Audit Director to develop a risk-based audit plan, communicate that plan to the governing board and obtain approval for it.

The audit plan is based on a risk assessment, which, in turn, is based on the identified audit universe (a list of all auditable entities or functions that could be subject to audit), for both USA Health and the academic side of the University of South Alabama (University).

A risk assessment for both USA Health and the University was completed during the summer of 2021 in order to establish an audit plan for Fiscal Year 2022. This assessment was completed via interviews with senior leadership, a survey sent to operational management, email input solicited from Board of Trustees members, qualitative data obtained from operational systems as well as observations by the OIA staff.

As in the past, OIA continues to assist the external auditors in the year-end audit as well as NCAA required procedures. Exclusive of non-work time (vacation, holiday, sick) and time devoted to annual responsibilities (9% of time), investigations & consultations (6% of time) and administration (5% of time), approximately 7200 hours are budgeted for assurance audits for USA Health and the University.

Please let me know if you have any comments or questions.



2021

Office of Internal Audit Quarterly Report
Key Performance Indicators as of FY21 Q3
4/1/2021 to 6/30/2021

Prepared for the:

University of South Alabama Board of
Trustees Audit Committee

Issued: 8/2021

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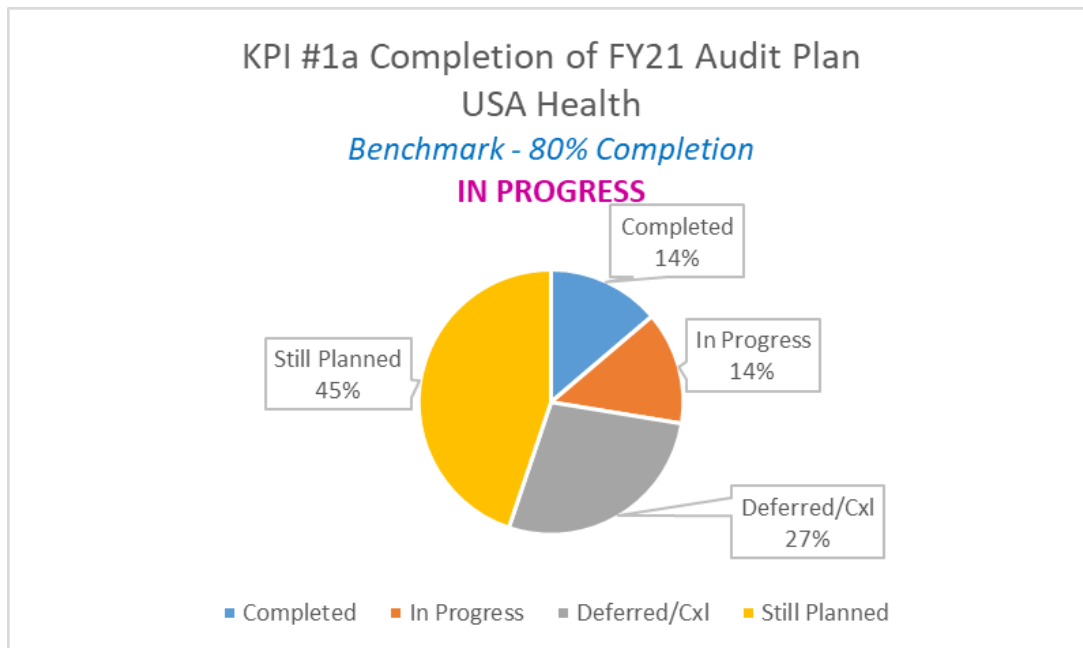
EXECUTIVE SUMMARY

The Fiscal 2021, Quarter 3 (FY21Q3) Office of Internal Audit (OIA) Quarterly KPI Report provides quantitative and qualitative data for benchmarking key departmental operational factors in addition to an update on outstanding OIA issued recommendations. All data is as of 6/30/2021.

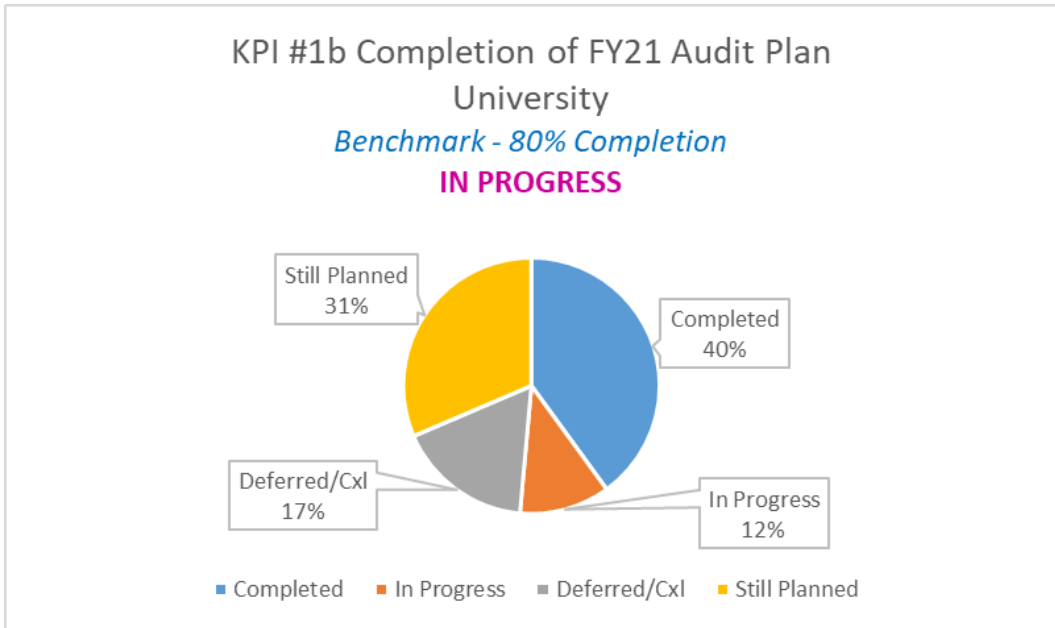
KEY PERFORMANCE INDICATORS

In accordance with the Institute of Internal Auditors (IIA) Standards included as part of the *International Professional Practices Framework (IPPF)*, OIA developed performance measurements designed to evaluate the effectiveness and efficiency of the internal audit function. Four initial Key Performance Indicator (KPI) areas were identified (some with numerous components); Completion of the Audit Plan, Client Satisfaction, Staff Qualifications and Stakeholder Communication. A fifth KPI, Implementation of 2019 Warren Averett QAR recommendations was added in FY21Q1. A chart or table indicating performance to the established benchmark is included for each of these KPI as well as an indication of **ACHIEVED** or **IN PROGRESS**.

KPI #1 – Completion of the Audit Plan

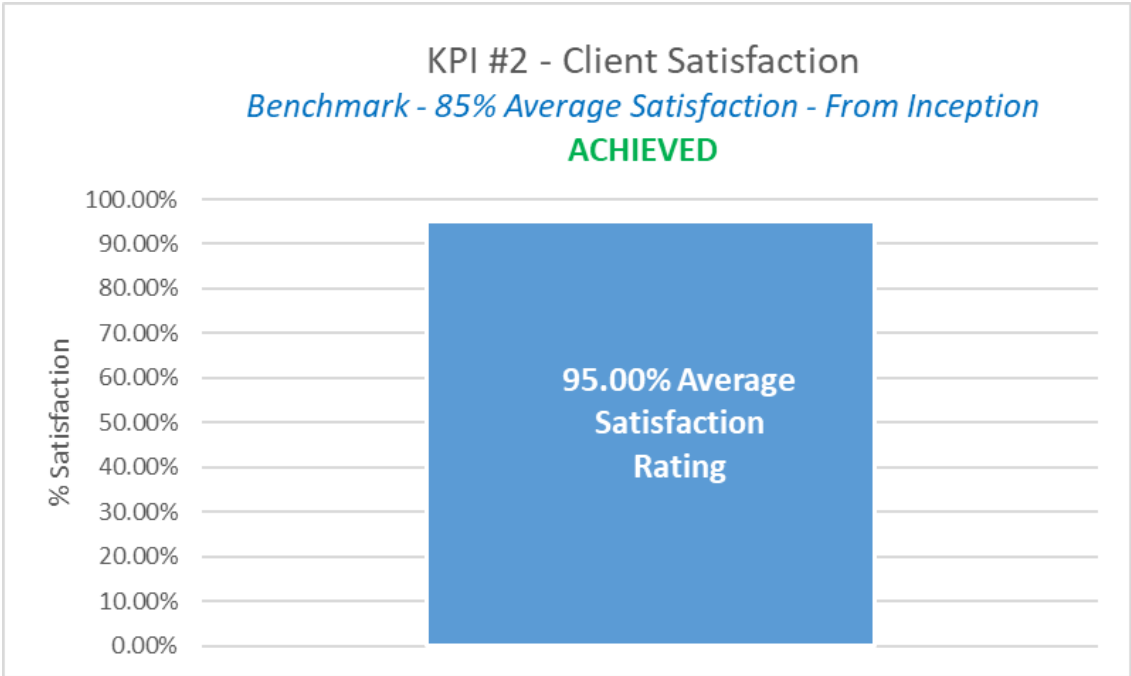


**Note: Four USA Health audits, included on the FY21 audit plan, have been deferred due to internal audit resource availability. This represents the 27% Deferred/Cxl on the chart above.*

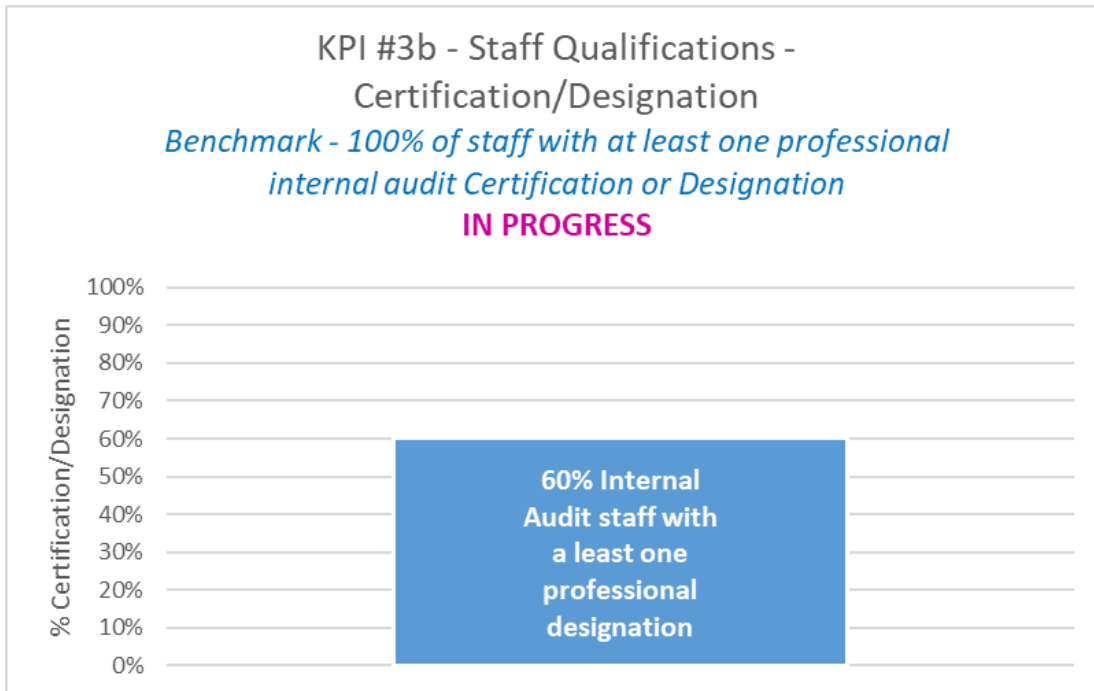
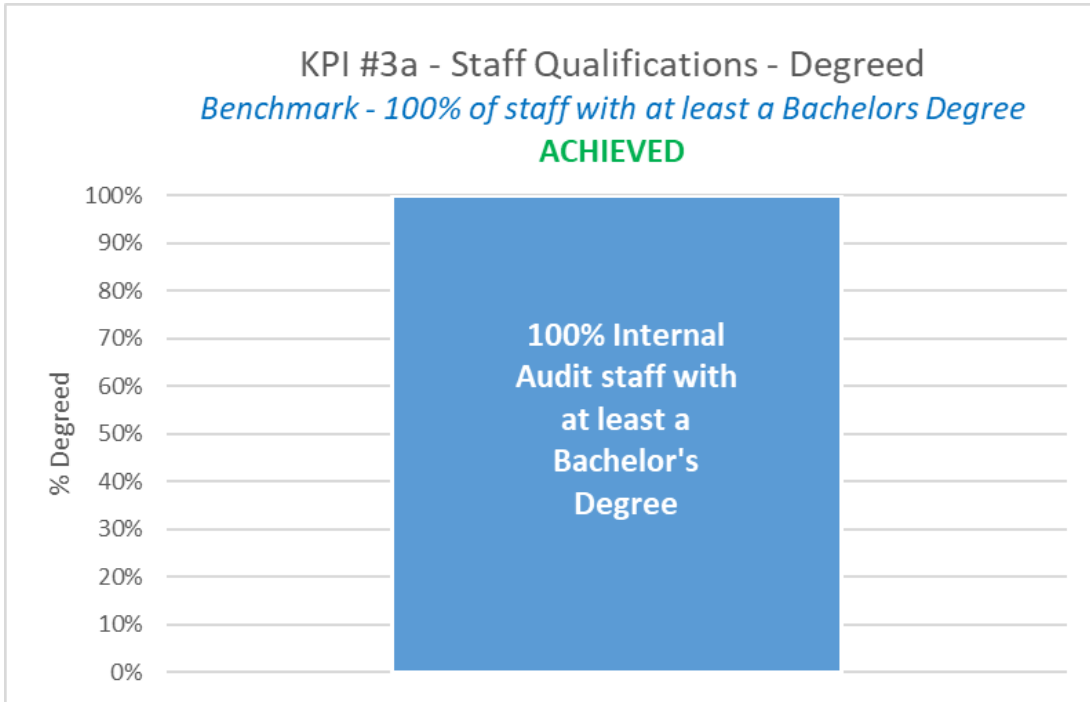


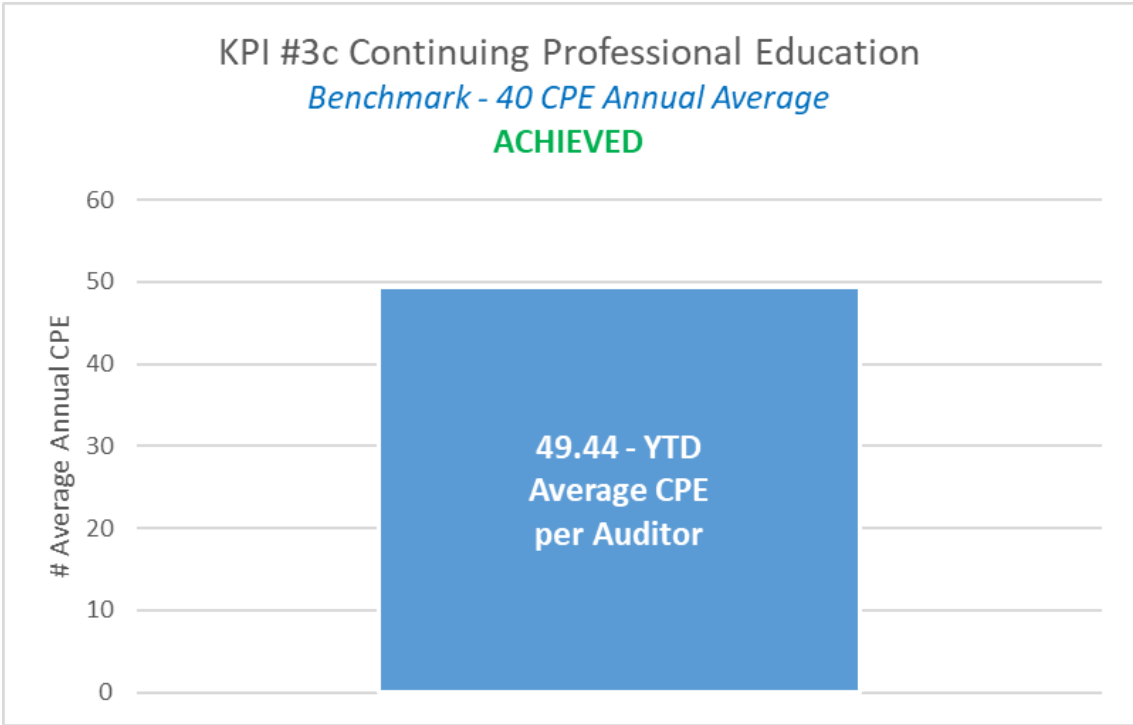
**Note: Three NCAA related audits, included on the FY21 audit plan, have been cancelled (Cxl) due to COVID-19 related waivers, temporary regulation changes, or lack of associated activity. This represents the 19% Deferred/Cxl on the chart above.*

KPI # 2 – Client Satisfaction

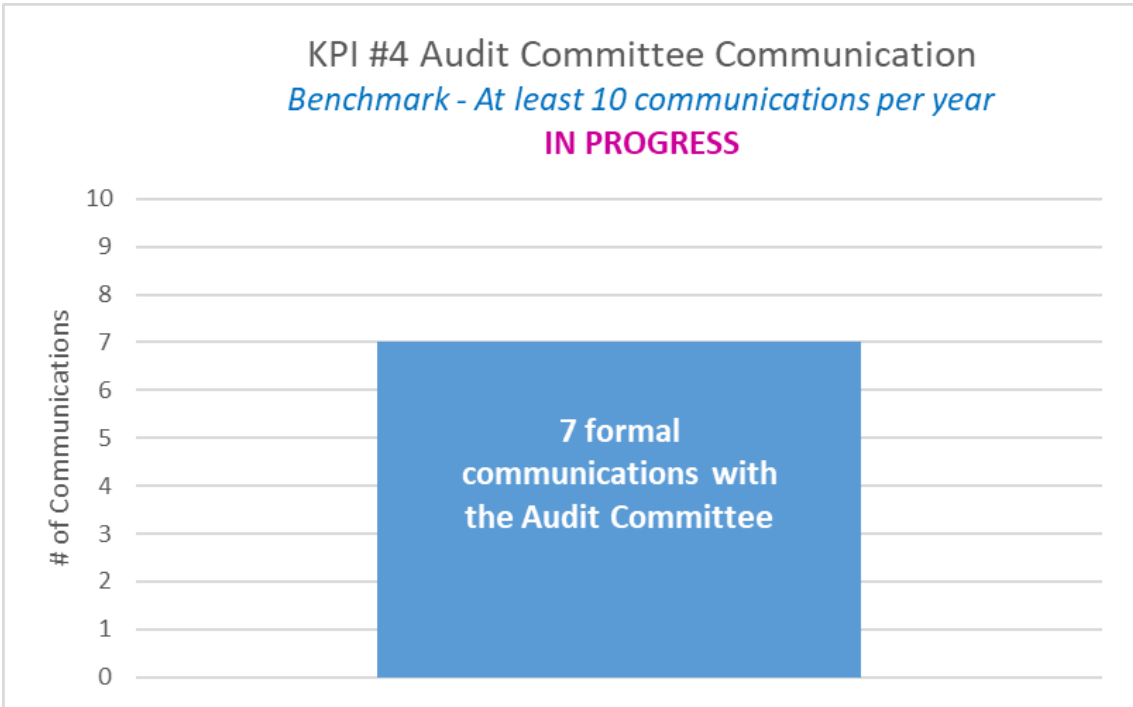


KPI #3 – Staff Qualifications



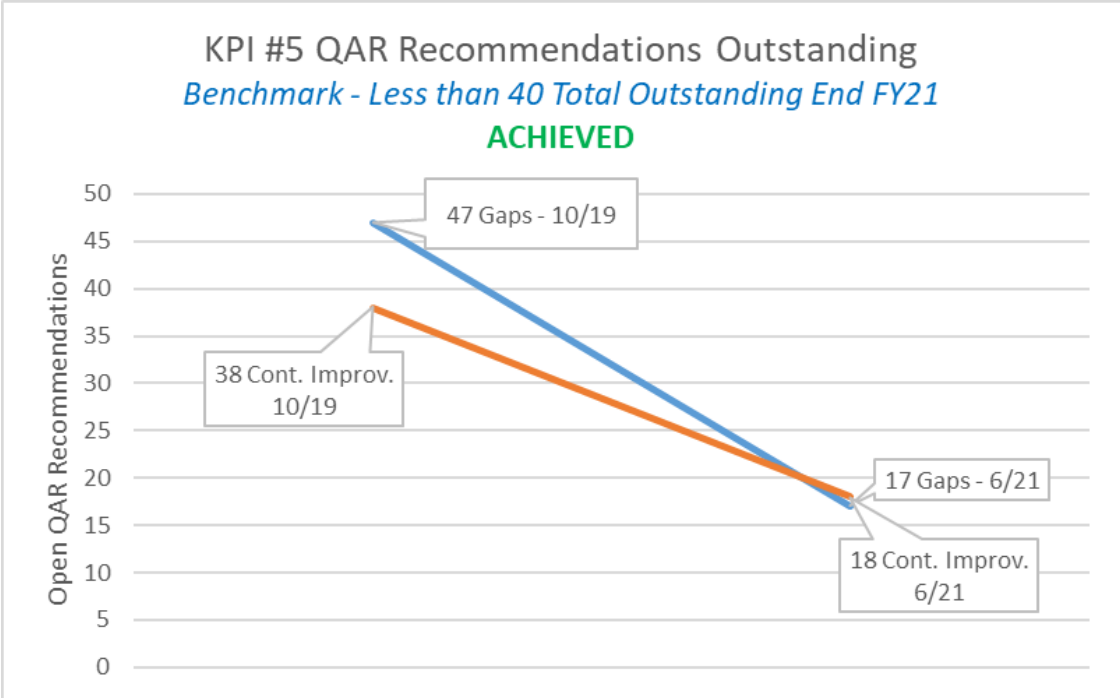


KPI #4 – Stakeholder Communication



**Note: Benchmark increased in FY21Q2 to 10 communications to include informal updates throughout the year.*

KPI #5 – Implementation of 2019 Warren Averett Quality Assessment Review Recommendations



OUTSTANDING ISSUED RECOMMENDATIONS

OIA is required to determine if management has taken appropriate action regarding observations noted in audit reports. OIA created a recommendation tracking process, beginning with FY21Q1 data, which includes FY2018 through current audits. This process requests quarterly updates from management as to the implementation status of stated management action plans. The below table provides detail on recommendation actions during FY21Q3.

Description	Period	# of Recommendations
Outstanding Recommendations	Beginning FY21Q3	10
LESS: Management Noted as Implemented	During FY21Q3	0
LESS: IA Closed (due to follow-up/other)	During FY21Q3	(2)
LESS: Management Accepted Risk	During FY21Q3	0
ADD: Newly Issued OIA Recommendations	During FY21Q3	3
Outstanding Recommendations	End FY21Q3	11

For further information regarding this report, please contact:
Laura Anne Schratt, MBA, CIA - Executive Director of Internal Audit & CFCO
307 University Blvd. North, AD260, Mobile, AL 36688
251-460-6147
lauraschratt@southalabama.edu

Office of Internal Audit

FY21 Internal Quality Assessment Review

(part of the Quality Assurance and Improvement Program)



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EXECUTIVE SUMMARY

The University of South Alabama(USA), Office of Internal Audit (OIA), is required to adhere to a set of professional standards. There are 19 attribute and 32 performance standards established by the Institute of Internal Auditors (IIA). These standards make up the International Professional Practices Framework (IPPF).

The IPPF Standard I 300 states that “The chief audit executive must develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity”, and the IPPF Standard I 300 Series notes the QAIP should be designed to enable an evaluation of the internal audit activity’s conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and whether the internal auditors apply the IIA’s Code of Ethics.

The USA OIA QAIP was approved by the Board of Trustees Audit Committee on June 3, 2021.

Major components of the QAIP framework are noted below:

- **Ongoing Monitoring** – at the engagement level, stakeholder feedback (post engagement surveys), quarterly reporting of key performance indicators (KPIs) to senior management and the Audit Committee.
- **Internal Assessment** – regular (approximately annual) comprehensive review of compliance with the *Standards* and Code of Ethics as well as alignment with the Definition of Internal Auditing and the Core Principles.
- **External Assessment** – every 5 years an external assessment of an entity’s Internal Audit Activity must be completed either via full external assessment or a self-assessment with independent external validation.

An external quality assessment review (QAR) was completed for the USA OIA in 2019 by Warren Averett. The 10/10/2019 external QAR noted that USA OIA “partially conforms” with the *Standards* and the Code of Ethics as well as alignment with the Definition of Internal Auditing and the Core principles.

The 2019 external QAR noted 81 Generally Conforms, 91 Partially Conforms and 51 Does Not Conform, a total of 223

Since that time, OIA has been actively working to address the external QAR items via process improvements, standardization and ongoing monitoring.

The next step, and the focus of this report, is an internal assessment. This is a comprehensive review to assess conformance with the *Standards* and the Code of Ethics as well as alignment with the Definition of Internal Auditing and the Core Principles. OIA completed this process in July 2021 and utilized the programs provided in the IIA Quality Assessment Manual.

The 2021 internal QAR noted 159 Generally Conforms, 64 Partially Conforms and 10 Does Not Conform, a total of 233

Ratings definitions and 2019 vs. 2021 details begin on the next page. The difference in total ratings from 2019 to 2021 (10) is due to missing ratings in 2019. The internal QAR notes USA OIA “generally conforms”. OIA will continue the process of ongoing improvement, monitoring and periodic internal assessments. The goal for the next external assessment, required in 2024, is to receive an external rating of “generally conforms”.

Laura Anne Schratt, CIA – Executive Director of Internal Audit & Chief Financial Compliance Officer
University of South Alabama
307 University Blvd North - AD260 - Mobile, AL - 36688
251-460-6147
lauraschratt@southalabama.edu

RATINGS DEFINITIONS

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics, and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

STANDARDS – 2019 EXTERNAL QAR VS. 2021 INTERNAL QAR

Standard	2019 Generally Conforms	2019 Partially Conforms	2019 Does Not Conform	2021 Generally Conforms	2021 Partially Conforms	2021 Does Not Conform
1000 – Purpose, Authority & Responsibility	2	4	5	11	1	0
1100 – Independence & Objectivity	20	2	5	25	3	0
1200 – Proficiency and Due Professional Care	18	2	0	13	7	0
1300 – Quality Assurance and Improvement Program (QAIP)	1	5	17	16	10	0
2000 – Managing the Internal Audit Activity	2	19	12	20	17	0
2100 – Nature of Work	5	22	7	12	14	7
2200 – Engagement Planning	13	9	1	18	6	0
2300 – Performing the Engagement	8	4	1	10	1	2
2400 – Communicating Results	8	23	1	27	5	1
2500 – Monitoring Progress	0	1	2	3	0	0
2600 – Communicating the Acceptance of Risk	1	0	0	1	0	0
Code of Ethics	3	0	0	3	0	0
TOTALS	81	91	51	159	64	10

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**DEVELOPMENT, ENDOWMENT
AND INVESTMENTS COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Development, Endowment and Investments Committee

June 3, 2021

1:38 p.m.

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair, on Thursday, June 3, 2021, at 1:38 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Chandra Brown Stewart, Arlene Mitchell, Steve Stokes, Mike Windom and Jim Yance were present, and Scott Charlton and Margie Tuckson participated remotely.

Other Trustees: Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock and Ken Simon.

Administration & Guests: Terry Albano, Owen Bailey, Hails Burnette, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, Chris Lawrey, John Marymont, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan, and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 5**. Mr. Yance called on Mr. Albano to present **Item 7**, a report on the performance of the University's endowment and investments. Mr. Albano shared the endowment performance results for the period October 1, 2020, through March 31, 2021, and since inception in March 2000.

Mr. Albano introduced Assistant Professor of Finance Dr. Chris Lawrey, Director of the student-managed Jaguar Investment Fund (JIF), for a report on investment performance. Representing the JIF team of student managers was Ms. Hails Burnette, who shared information about the fund.

Mr. Yance called on Ms. Sullivan, who presented **Item 8**, a resolution authorizing the University to contract with Aramark Educational Services, LLC, to obtain the necessary and specific licenses to serve and/or sell alcoholic beverages on campus at the locations set forth. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 4, 2021.) On motion by Dr. Stokes, seconded by Mr. Windom, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called on Ms. Sullivan for an update on the activities of the Division of Development and Alumni Relations, **Item 9**. Ms. Sullivan discussed fundraising results for the 2021 fiscal year through May 27, 2021, and shared details on recent and upcoming development and National Alumni Association events.

Mr. Windom offered a motion to approve the minutes of the meeting held on March 4, 2021, **Item 6**. Mr. Yance seconded and the Committee voted unanimously to adopt the minutes.

There being no further business, the meeting was adjourned at 2:04 p.m.

Respectfully submitted:

James A. Yance, Chair

University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2021

USA Endowment Fund Performance

October 1, 2020 to June 30, 2021

- Endowment Fund is up 19.65% versus its blended benchmark return of 19.00%, fiscal year to date. The Endowment Fund outperforms by 0.65%.

USA Endowment Manager Performance

October 1, 2020 to June 30, 2021

Individual Manager versus Index performance:

- Commonfund returned 17.09% versus its benchmark return of 13.94%.
- Charles Schwab returned 26.93% versus its benchmark return of 27.04%.
- Douglas Lane returned 32.78% versus its benchmark return of 29.25%.
- Gerber Taylor returned 15.12% versus its benchmark return of 16.89%.
- Forester Diversified returned 17.27% versus its benchmark return of 16.89%.
- Gerber Taylor International returned 31.29% versus its benchmark return of 26.28%.
- Hancock Whitney returned 15.81% versus its benchmark return of 16.93%.
- JP Morgan returned 32.27% versus its benchmark return of 30.43%.
- USAFund (Student Investment Fund) returned 4.26% versus its benchmark return of 2.33%.

USA Endowment Annualized Fund Performance

As of June 30, 2021

- Endowment Fund 5-year annualized return of 11.00% versus its blended benchmark return of 10.41%.
- Endowment Fund 10-year annualized return of 8.46% versus its blended benchmark return of 7.61%.
- Endowment Fund Inception annualized return of 6.14% versus its blended benchmark return of 5.11%.

USA Endowment Investment Earnings and Appreciation Since Inception

March 31, 2000 to June 30, 2021

- Endowment Fund Market Value as of June 30, 2021: \$208,986,048
- Endowment Fund Net Invested Capital as if June 30, 2021: \$73,907,993
- Total Investment Earnings and Appreciation (since inception): \$135,078,055



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Development and Alumni Relations

DATE: August 5, 2021

TO: John Smith 
Interim President

FROM: Margaret M. Sullivan 
Vice for Development and Alumni Relations

SUBJECT: Dr. John Steadman and Dr. Sally Steadman Resolution

It gives me great pleasure to recommend presentation of the attached resolution commending Drs. John and Sally Steadman to the Board of Trustees.

This resolution commends the long history of philanthropy and engagement of the Steadman's and their transformative legacy gift to support students and faculty within the College of Engineering.

With your support, this commendation by the Board of Trustees will be an appropriate way to honor the Steadman's extraordinary support of the University of South Alabama.

Attachment: Proposed Resolution Commending Dr. John Steadman
and Dr. Sally Steadman

Cc: Monica Ezell

RESOLUTION

COMMENDATION OF DRs. JOHN AND SALLY STEADMAN

WHEREAS, Dr. John Steadman and Dr. Sally Steadman have distinguished themselves as exemplary models of philanthropy and service, demonstrating extraordinary commitment of their mutual desire to further the mission of the University of South Alabama, and

WHEREAS, Dr. John Steadman is a distinguished engineer, scholar and faculty member of the USA College of Engineering, who has served as both professor and dean, as well as been designated as dean emeritus, and

WHEREAS, during Dr. Steadman's tenure as dean from 2003 until 2019, the College of Engineering awarded more than 3,000 degrees, achieved a 60 percent increase in undergraduate enrollment, and increased sponsored research awards by 28 percent, and

WHEREAS, Dr. Sally Steadman is a devoted engineer, instructor and revered advisor at the University of South Alabama, most notably advising the nationally recognized Alabama Epsilon Chapter of Tau Beta Pi and the Sally Steadman Azalea Chapter of Mortar Board, and

WHEREAS, Drs. John and Sally Steadman have been generous and steadfast supporters of the College of Engineering and have recently extended their philanthropic relationship through an estate commitment, a transformative gift that will benefit the college's students and faculty for many years to come,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby recognizes the extraordinary generosity and commitment of Dr. John Steadman and Dr. Sally Steadman and extends its deepest gratitude for their enduring leadership and loyalty.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**HEALTH AFFAIRS
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Health Affairs Committee

**June 3, 2021
2:04 p.m.**

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Scott Charlton, Chair, on Thursday, June 3, 2021, at 2:04 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Chandra Brown Stewart, Steve Furr, Arlene Mitchell, Steve Stokes and Jim Yance were present, and Scott Charlton and Margie Tuckson participated remotely.

Other Trustees: Alexis Atkins, Tom Corcoran, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Ken Simon and Mike Windom.

Administration & Guests: Owen Bailey, Mike Chang, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Blake Hadley, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 10**. Dr. Charlton called for consideration of the minutes of the meeting held on March 4, 2021, **Item 11**. On motion by Dr. Furr, seconded by Mr. Yance, the Committee voted unanimously to adopt the minutes.

Dr. Charlton called on Mr. Bailey to discuss **Item 12**, a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for February, March and April 2021. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 4, 2021.) On motion by Dr. Stokes, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Charlton asked Mr. Bailey to address **Item 13**, a resolution authorizing the USA Health Hospitals medical staff bylaws and associated documents revisions. On motion by Dr. Charlton, seconded by Dr. Furr, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Charlton called on Dr. Marymont for an update on the activities of USA Health and the College of Medicine, **ITEM 14**. Dr. Marymont shared an overview on USA Health's COVID-19 response initiative. Dr. Marymont, Dr. Chang, Ms. Dukes and Ms. Estis responded to questions.

Dr. Marymont introduced Mr. Bailey, who discussed USA Health's efforts to prevent cybersecurity threats and protect patient records. USA Health Manager of Information Security Mr. Blake Hadley was introduced for brief remarks.

There being no further business, the meeting was adjourned at 2:28 p.m.

Respectfully submitted:

Scott A. Charlton, M.D., Chair



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

DATE: August 4, 2021

TO: John W. Smith, Ed.D.
Acting President

A handwritten signature in black ink, appearing to be 'JWS', written over a light blue rectangular background.

FROM: Owen Bailey, Chief Executive Officer

A handwritten signature in blue ink, appearing to be 'Owen Bailey', written over a light blue rectangular background.

SUBJECT: Board Meeting Documents

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

Resolution – USA Health Hospitals Medical Staff Appointments and Reappointments for May, June and July 2021

- Medical Staff Appointments/Reappointments Board of Trustees Report

OB/kh

Attachments

RESOLUTION

**USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND
REAPPOINTMENTS FOR MAY, JUNE AND JULY 2021**

WHEREAS, the Medical Staff appointments and reappointments for May, June and July 2021 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

**USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEES REPORT
May, June, and July 2021**

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

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Adams, Mason G., MD	NA	NA	NA	New Appt.	Active HCA/JAG	Internal Medicine	NA	NA	NA
Ahmed, Shawn I., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Alexander, Heather L., PA	NA	NA	NA	Reappt.	APP HCA/JAG	Internal Medicine	Reappt.	APP HCA/JAG	Internal Medicine
Allen, Scott T., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Amritphale, Amod, MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court./Act. USA	Internal Medicine
Anaya, II, John A., MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Ang, Romsel, MD	Reappt.	Courtesy HCA	Internal Medicine	Reappt.	Courtesy HCA	Internal Medicine	Reappt.	Courtesy HCA	Internal Medicine
Arrowsmith, Olivia, RN	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Avotri, Kosi J., MD	Reappt.	Courtesy	Pediatrics	NA	NA	NA	NA	NA	NA
Babston, Michael W., MD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Baker, Thomas A., MD	NA	NA	NA	New Appt.	Active HCA/JAG	Internal Medicine	New Appt.	Active HCA/JAG	Internal Medicine
Barros, Mary L., CRNP	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Baxter, Katelyn A., CRNA	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	NA	NA	NA
Beck, Maria C., CRNP	Reappt.	Non-Priv. APP	Family Medicine	Reappt.	Non-Priv. APP	Family Medicine	NA	NA	NA
Beckett, William W., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Bessette, Sabrina G., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Cons./Act. USA	Internal Medicine
Bolton, Allison M., MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court./Act. USA	Internal Medicine
Bourg, DeVonn L., CRNP	Reappt.	APP USA	OBGYN	NA	NA	NA	Reappt.	APP USA	OBGYN
Brewer, Jeffrey L., MD	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics
Brown, Rodney A., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Buckley, Alyson N., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Butts, Charles C., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
Catrett, Kinsley, RN	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Cawley, Kevin M., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Chapman, Zack R., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Chennalt, Leland A., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Chilukuri, Madhu B., PhD	NA	NA	NA	Reappt.	APP USA	Radiology	NA	NA	NA
Clay, Terry B., MD	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics
Clayton, Brandi R., CRNP	Reappt.	APP	Pediatrics	NA	NA	NA	NA	NA	NA
Collins, Holley L., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Conaty, Kelly R., MD	New Appt.	Active USA	Anesthesiology	New Appt.	Active USA	Anesthesiology	NA	NA	NA
Dolma, Kalsang, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Dosunmu-Ogunbi, Sesi O., MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Duhon, Catera, RN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN
Dutton, Kelsey, CRNP	New Appt.	APP Non-Priv.	Family Medicine	New Appt.	APP Non-Priv.	Family Medicine	NA	NA	NA
Eberly, Gary A., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA

**USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEES REPORT
May, June, and July 2021**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Ehlers, Scott D., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Ellerman, Justin L., MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Eyal, Fabien G., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Figarola, Maria S., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Ford-Johnson, Nina S., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Forehand, Marilyn C., CRNP	NA	NA	NA	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Friedman, Scott D., MD	New Appt.	Active USA	Anesthesiology	New Appt.	Active USA	Anesthesiology	NA	NA	NA
Garri, Richard F., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Gelpi, Brian J., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Gibbs, Leticia M., CRNP	Reappt.	Non-Priv. APP	Family Medicine	Reappt.	Non-Priv. APP	Family Medicine	NA	NA	NA
Gibson, Aprile B., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Gilbert, Robert A., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Godoy, Guillermo, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Gonzalez, Jr., Juan C., DO	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Gonzalez, Jr., Juan C., DO	New Appt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Graves, Mary F., PA	New Appt.	Non-Priv. APP	Internal Medicine	New Appt.	Non-Priv. APP	Internal Medicine	NA	NA	NA
Gujjula, Rajesh, MD	NA	NA	NA	New Appt.	Community Staff	Family Medicine	NA	NA	NA
Gupta, Shikha, MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Gupta, Sunil, MD	Reappt.	Courtesy	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Harris, Edna L., CRNP	Reappt.	Non-Priv. APP	Family Medicine	Reappt.	Non-Priv. APP	Family Medicine	NA	NA	NA
Henbest, Victoria S., CCC-SLP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Hirsch, James R., MD	Reappt.	Courtesy	Neurosurgery	Reappt.	Consulting	Neurosurgery	NA	NA	NA
Holleyman, Daniel M., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Holmes, Jonathan M., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Howard, Donnelly N., MD	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine
Jacob, Mina A., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Jacobs, Amy A., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Jamison, Glendora B., CRNP	NA	NA	NA	Reappt.	APP Non-Priv.	Internal Medicine	NA	NA	NA
Johnson, Donald E., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Jones, Nathaniel L., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Kaulfers, Anne-Marie D., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Kelly, Amanda M., CRNP	NA	NA	NA	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Kennedy, Timothy L., MD	Reappt.	Active HCA	Internal Medicine	Reappt.	Active HCA	Internal Medicine	Reappt.	Active HCA	Internal Medicine
Kies, David B., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
King, Lauren S., CRNP	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Kinnard, Christopher M., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
Kittrell, William A., MD	Reappt.	Courtesy HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Court/Act. HCA/JAG	Internal Medicine
Kominek, Billie J., RN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN

**USA HEALTH HOSPITALS
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BOARD OF TRUSTEES REPORT
May, June, and July 2021**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Lambert, Dominique M., PCT	New Appt.	APP	Internal Medicine	New	APP	Internal Medicine	NA	NA	NA
Lammers, John E., MD	NA	NA	NA	Reappt.	Active	Internal Medicine	NA	NA	NA
Lee, Yann-Leei L., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
Lim, Lerma C., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Longmire, Romarius L., MD	New Appt.	Community Staff	Family Medicine	New Appt.	Community Staff	Family Medicine	NA	NA	NA
Lyons, Michael B., MD	New Appt.	Courtesy	Surgery	New Appt.	Courtesy	Surgery	NA	NA	NA
Madison, Randall D., MD	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics	Reappt.	Active USA	Orthopaedics
Maher, Amy L., DMD	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Mattei, Mary Lucy, CRNP	Reappt.	APP USA	OBGYN	Reappt.	APP USA	OBGYN	Reappt.	APP USA	OBGYN
Maynard, Scott E., MD	New Appt.	Contract/Locums	Anesthesiology	New	Contract/Locums	Anesthesiology	NA	NA	NA
Martinez Martinez, Carmen J., MD	New Appt.	Active USA	Ped. Emer. Med.	New Appt.	Active USA	Emergency Med.	NA	NA	NA
McAnulty, Kathleen L, CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
McDade, Carey L., MD	Reappt.	Community Staff	Pediatrics	Reappt.	Community Staff	Pediatrics	NA	NA	NA
McDonald, Jessica B., RN	New Appt.	APP	Internal Medicine	New Appt.	APP	Internal Medicine	NA	NA	NA
McGraw, Brandy J., CRNP	NA	NA	NA	Reappt.	APP HCA	Internal Medicine	Reappt.	APP HCA	Internal Medicine
Menefee, Judson K., MD	Reappt.	Consulting HCA	Internal Medicine	Reappt.	Consulting HCA	Internal Medicine	Reappt.	Consulting HCA	Internal Medicine
Menger, Richard P., MD	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery
Merritt, Brandy E., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Messer, Cynthia F., CNM	Reappt.	APP USA	OBGYN Eval. Ctr	NA	NA	NA	NA	NA	NA
Minga, Amanda T., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Minto, Laura E., MD	Reappt.	Courtesy USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Court./Active USA	Neurology
Morgan, Jr., Robert V., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Morris, Michael W., MD	Reappt.	Contract/Locums	Surgery	NA	NA	NA	Reappt.	Contract/Locums	Surgery
Morrison, Esther E., MD	New Appt.	Contract/Locums	Internal Medicine	New Appt.	Contract/Locums	Internal Medicine	New Appt.	Contract/Locums	Internal Medicine
Mosley, Cornetta L., CCCA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Mowry, Margaret H., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Mulyala, Rajasekhar R., MD	NA	NA	NA	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Murphy, Darrell A., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Muscat, Sr., David C., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Musselwhite, Charles E., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Myc, Lukasz A., MD	NA	NA	NA	New Appt.	Consulting	Internal Medicine	NA	NA	NA
Najam, Aishah, DO	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Najam, Aishah, DO	New Appt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Narahari, Praveen, MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Naylor, Rick J., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Normand, Robin S., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
O'Connor, Ramona S., CRNP	Reappt.	APP HCA/JAG	Internal Medicine	Reappt.	APP HCA/JAG	Internal Medicine	Reappt.	APP HCA/JAG	Internal Medicine
Oglesby, Teresa J., MD	Reappt.	Courtesy HCA	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Court/Act. HCA	Internal Medicine
Olson, Elis Y., MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA

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May, June, and July 2021**

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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Overstreet, Leigh A., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Padden, Maureen O., MD	New Appt.	Com. Staff HCA	Family Medicine	New Appt.	Com. Staff HCA	Family Medicine	New Appt.	Com. Staff HCA	Family Medicine
Paragone, Christine M., PA	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Parmley, Richard T., MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Patronas, Carl B., RN	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Patten, Patrick P., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Peevy, Keith J., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Pfeil, Jeremy D., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Platt, Terrie L., CRNP	Reappt.	APP USA	OBGYN	NA	NA	NA	Reappt.	APP USA	OBGYN
Portier, James W., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Rider, Jr., Paul F., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
Roca Garcia, Maria R., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Ross, Lacey J., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Ross, III, Robert L., MD	New Appt.	Active HCA	Family Medicine	New Appt.	Active HCA	Family Medicine	New Appt.	Active HCA	Family Medicine
Rudd, Alison B., CRNP	Reappt.	APP USA	Ped. Emer. Med.	Reappt.	APP USA	Emergency Med.	NA	NA	NA
Russell, Renee, RN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN
Saitz, Marianne, DO	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Sanchez Villanueva, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Active/Cons. USA	Pediatrics
Scott, Shanda F., CRNP	NA	NA	NA	Reappt.	APP USA	Emergency Med.	NA	NA	NA
Sehgal, Mukul, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act/Consult USA	Pediatrics
Sevilla Saez-Benito, Miriam, MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Shah, Saroj M., MD	Reappt.	Contract/Locums	Anesthesiology	Reappt.	Contract/Locums	Anesthesiology	NA	NA	NA
Sherman, John A., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
Shi, Mingxia M., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	NA	NA	NA
Shultz, Kelly A., CNIM	New Appt.	APP	Neurosurgery	New Appt.	APP	Neurosurgery	NA	NA	NA
Simmons, Jon D., MD	Reappt.	Courtesy USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Court./Act. USA	Surgery
Stubbs, II, Eugene, CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Stuck, Nathanael C., PA	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery
Sykora, Laura A., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Thompson, Kimberly A., CRNP	Reappt.	APP USA	Surgery	NA	NA	NA	Reappt.	APP USA	Surgery
Travers, Ara B., MD	NA	NA	NA	New Appt.	Active HCA/JAG	Family Medicine	New Appt.	Active HCA/JAG	Family Medicine
Tullis, Jennifer T., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Vamesu, Bianca M., MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Vial, Sheila F., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Ward, Michael J., CRNA	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	NA	NA	NA
Watts, Victoria B., DA	Reappt.	APP	Surgery	Reappt.	APP	Surgery	NA	NA	NA
Wentworth, Mary E., DA	New Appt.	APP	Surgery	NA	NA	NA	NA	NA	NA
Whitehurst, Jr., Richard M., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Williams, India S., PCT	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA

**USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEES REPORT
May, June, and July 2021**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Williamson, Amelia J., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Wilson, Richard C., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Woodall, Cassie B., PA	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Wright, Jade J., PCT	New Appt.	APP	Internal Medicine	New Appt.	APP	Internal Medicine	NA	NA	NA
Yontz, Dustin L., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Change Requests									
Benfield, Mary, CRNP	NA	NA	NA	Add. Priv.	APP USA	Emergency Med.	NA	NA	NA
Added Emergency Medicine CRNP privileges at UH.									
Gates, Jill., CRNP	Chg. Coll. Phy.	APP USA	Surgery	Chg. Coll.	APP USA	Surgery	Chg. Coll.	APP USA	Surgery
Changed Collaborative Physician.									
Hanlon, Melissa L., CRNP	Chg. Coll. Phy.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Changed Collaborative Physician.									
Lintner, Alicia C., CRNP	Added Priv.	APP USA	Surgery	Added. Priv.	APP USA	Surgery	Added. Priv.	APP USA	Surgery
Added Privileges: Laser Treatment for Burn Scars and Endotracheal Intubation.									
Lutz, Peter O., MD	NA	NA	NA	Added. Priv.	Consulting	Internal Medicine	NA	NA	NA
Added privilege Robotic Assisted Bronchoscopy privilege with supervision of general anesthesia provided by the CRNA.									
Rich, Jamie L., CRNP	Chg. Coll. Phy.	APP USA	Internal Medicine	Chg. Coll.	APP USA	Internal Medicine	Chg. Coll.	APP USA	Internal Medicine
Changed Collaborative Physician.									
Radcliff, Virginia S., MD	NA	NA	NA	Added. Priv.	Consulting	Internal Medicine	NA	NA	NA
Added privilege Robotic Assisted Bronchoscopy privilege with supervision of general anesthesia provided by the CRNA.									
Rudd, Alison B., CRNP	Add. Priv.	APP USA	Ped. Emer. Med.	Add. Priv.	APP USA	Emergency Med.	NA	NA	NA
Added Emergency Medicine CRNP privileges at UH.									
Rudd, Alison, CRNP	Added Priv.	APP	OBGYN	Added. Priv.	APP	OBGYN	NA	NA	NA
Added privileges for SANE Nurse at both hospitals.									
Thompson, Kimberly A., CRNP	Add. Priv.	APP USA	Surgery	NA	NA	NA	Add. Priv.	APP USA	Surgery
Added Surgical First Assist Privilege at CW.									
Weaver, Katrina, MD	Added Priv.	Active USA	Surgery	Added. Priv.	Active USA	Surgery	Added. Priv.	Active USA	Surgery
Added Privileges: Robotic Assisted Surgery.									

**USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEES REPORT
May, June, and July 2021**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Reason	Date	Dept.	Reason	Date	Dept.	Reason	Date	Dept.
Abdul-Rahim, Osama, MD	Resigned	5/21/2021	Radiology	Resigned	5/21/2021	Radiology	Resigned	5/21/2021	Radiology
Amanze, Adanna C., MD	Resigned	5/28/2021	OBGYN	Resigned	5/28/2021	OBGYN	Resigned	5/28/2021	OBGYN
Bath, Amanpreet K., MD	NA	NA	NA	Resigned	6/15/2021	Internal Medicine	Resigned	6/15/2021	Internal Medicine
Bhat, Ramachandra, MD	Resigned	4/30/2021	Pediatrics	Resigned	4/30/2021	Pediatrics	Resigned	4/30/2021	Pediatrics
Byrd, Jr., James N., MD	NA	NA	NA	Resigned	6/14/2021	Internal Medicine	Resigned	6/14/2021	Internal Medicine
Davis, Lorie R., CRNP	Resigned	6/4/2021	OBGYN	NA	NA	NA	Resigned	6/4/2021	OBGYN
Desverreaux, III, John N., MD	Deceased	4/22/2021	Anesthesiology	Deceased	4/22/2021	Anesthesiology	NA	NA	NA
Dunn, Holly A., MD	Resigned	5/20/2021	Ped. Emerg. Med.	Resigned	5/20/2021	Emerg. Medicine	NA	NA	NA
Fassbender, Christy E., CRNP	NA	NA	NA	Resigned	6/10/2021	Emergency Med.	NA	NA	NA
Jurasek, Meleah A., CRNP	Resigned	5/1/2021	Pediatrics	NA	NA	NA	Resigned	5/1/2021	Pediatrics
Khushman, Moh'd, MD	Resigned	4/8/2021	Internal Medicine	Resigned	4/8/2021	Internal Medicine	Resigned	4/8/2021	Internal Medicine
McMurray, William A., CRNP	NA	NA	NA	Resigned	6/10/2021	Surgery	Resigned	6/10/2021	Surgery
Miller, Pamela L., CNIM	Resigned	4/19/2021	Neurosurgery	Resigned	4/19/2021	Neurosurgery	NA	NA	NA
Norris, Florence E., RN	NA	NA	NA	Retired	5/2/2021	Internal Medicine	NA	NA	NA
Pai, Sachin G., MD	Resigned	6/10/2021	Internal Medicine	Resigned	6/10/2021	Internal Medicine	Resigned	6/10/2021	Internal Medicine
Perry, Mark, MD	Resigned	4/30/2021	Orthopaedics	Resigned	4/30/2021	Orthopaedics	Resigned	4/30/2021	Orthopaedics
Powell, Stacy M., CRNP	Resigned	5/14/2021	Surgery	Resigned	5/14/2021	Surgery	Resigned	5/14/2021	Surgery
Ray, Kristina E., MD	NA	NA	NA	Resigned	5/24/2021	Internal Medicine	Resigned	5/24/2021	Internal Medicine
Sexton, Tyler, MD	Resigned	4/20/2021	Pediatrics	NA	NA	NA	Resigned	4/20/2021	Pediatrics
Sparks, Anthony L., MD	Resigned	6/1/2021	Radiology	Resigned	6/1/2021	Radiology	NA	NA	NA
Sullivan, Brian P., MD	Resigned	4/9/2021	Surgery	NA	NA	NA	NA	NA	NA
Symons, Nadine, MD	Resigned	6/10/2021	Ped. Emer. Med.	NA	NA	NA	NA	NA	NA
Weekley, Robert G., CRNA	Retired	5/31/2021	Anesthesiology	Retired	5/21/2021	Anesthesiology	NA	NA	NA

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**ACADEMIC AND STUDENT AFFAIRS
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Academic and Student Affairs Committee

**June 3, 2021
2:28 p.m.**

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Mike Windom, Chair, on Thursday, June 3, 2021, at 2:28 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

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

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

Administration & Guests: Owen Bailey, Lynne Chronister, Chris Cleveland, James Contratto, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Krista Harrell, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Sean Powers, Laura Schrott, Beth Shepard (Faculty Senate), John Smith, Troy Stevens, Margaret Sullivan, Scott Weldon and Andrzej Wierzbicki.

The meeting came to order and the attendance roll was called, **Item 15**. Mr. Windom called for consideration of the minutes of the meeting held on March 4, 2021, **Item 16**. On motion by Mr. Perkins, seconded by Dr. Furr, the Committee voted unanimously to adopt the minutes.

Mr. Windom called on Drs. Kent and Marymont to discuss **Item 17**, a resolution awarding tenure and promotion to faculty of the Division of Academic Affairs and College of Medicine effective August 15, 2021, as set forth. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 4, 2021.) On motion by Mr. Perkins, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom called upon Drs. Kent and Marymont to address **Item 18**, a resolution authorizing tuition, fees, and housing and dining rates for the 2021-2022 academic year as set forth. Drs. Kent and Marymont discussed the recommendation for adjustments in tuition, and Associate Vice President for Auxiliary Services Dr. Chris Cleveland discussed the recommendation for adjustments in the room and board rates. On motion by Mr. Graham, seconded by Capt. Jenkins, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom called upon Dr. Kent for an update on the activities of the Division of Academic Affairs, **Item 19**. Dr. Kent introduced College of Arts and Sciences Dean Dr. Andrzej Wierzbicki for brief remarks. Dr. Wierzbicki introduced Chair of Marine Sciences/Angelia and Steven Stokes Endowed Professor of Environmental Resiliency Dr. Sean Powers. Dr. Powers shared background on the process underway to develop a school of marine and environmental sciences at USA.

Dr. Estis was introduced for an update on COVID-19 cases reported among students and staff and on the University's continuing COVID-19 response effort.

Mr. Windom called on Dr. Mitchell for a report on the activities of the Division of Student Affairs, **Item 20**. Dr. Mitchell introduced Associate Dean of Students and Title IX Coordinator Dr. Krista Harrell, who shared details on financial literacy workshops being offered to students each semester, which she noted were facilitated by Associate Director of Student Activities Mr. James Contratto and Assistant Director of Student Academic Success Ms. Kristi Clayton. Mr. Contratto made brief comments.

Mr. Windom asked Ms. Chronister for an update on the activities of the Division of Research and Economic Development, **Item 21**. Ms. Chronister introduced Lenoir Louise Locke Chair of Physiology and Cell Biology/Director of USA's Center for Lung Biology Dr. Troy Stevens. Dr. Stevens gave an overview on the Center for Lung Biology and extramural research grant awards received.

There being no further business, the meeting was adjourned at 3:41 p.m.

Respectfully submitted:

Michael P. Windom, Chair



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM
Vice President for Student Affairs

DATE: August 6, 2021
TO: Alabama Commission of Higher Education
FROM: Michael A. Mitchell, Ph.D. [Signature]
SUBJECT: Speech, Expressive Activities, and Use of University Space, Facilities, and Grounds Policy and Report, 2020-2021

Alabama Code § 16-68-1, et seq., pertaining to free speech on the campuses of higher education institutions requires the University of South Alabama Board of Trustees to prepare an annual report detailing the course of action implemented by the University to ensure compliance with the law. The Board of Trustees of the University of South Alabama has authorized me to prepare this annual report on its behalf and submit the same to the Alabama Commission of Higher Education so that it can notify the Governor and the Legislature of the University's compliance with the law.

The following chart details the date and description of any policy violations during the period of August 1, 2020 through July 31, 2021. The chart also details the administrative action/discipline related to each violation:

Table with 3 columns: Date of Policy Violation, Description of Policy Violation, Administrative Action/Disciplinary Action Taken. Row 1: February 11, 2021; University Police received a student complaint via dispatch that an individual not affiliated with the University was outside of the Student Center using abusive language towards students as they passed by. Based on the complaint, University Police determined that the speech was not protected.; Individual was issued a criminal no-trespass for Campus.

The University of South Alabama had no substantial difficulties, controversies, or successes in maintaining a posture of administrative and institutional neutrality during the time period addressed by this report.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**BUDGET AND FINANCE
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Budget and Finance Committee

**June 3, 2021
3:41 p.m.**

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Thursday, June 3, 2021, at 3:41 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Ron Graham, Lenus Perkins, Ken Simon and Steve Stokes.

Other Trustees: Scott Charlton, Steve Furr, Ron Jenkins, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance.

Administration & Guests: Terry Albano, Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Rod Kanter (Bradley Arant), Andi Kent, Nick Lawkis, John Marymont, Josh McCoy (PFM), Mike Mitchell, Laura Schrott, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 22**. Mr. Corcoran called for consideration of the minutes of the meeting held on March 4, 2021, **Item 23**. On motion by Judge Simon, seconded by Dr. Stokes, the Committee voted unanimously to adopt the minutes.

Mr. Corcoran called on Mr. Weldon to discuss the quarterly financial statements for the six months ended March 31, 2021, **Item 24**. Mr. Weldon advised of an increase in net position of approximately \$42.4 million through the second quarter of fiscal year 2021 compared to that of approximately \$15.3 million reported for the same period of fiscal year 2020.

Mr. Corcoran asked Ms. Chronister to address **Item 25**, a resolution to elect Mr. Douglas Whitmore as a director of the USA Research and Technology Corporation to serve the remainder of an existing term of four years effective May 2021 through September 2024. (For copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 4, 2021.) On motion by Judge Simon, seconded by Mr. Graham, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Corcoran called on Mr. Weldon to explain **Item 26**, a resolution authorizing the University to proceed with the refunding of its Series 2012A bonds with a Series 2021B private placement bond. Mr. Weldon stated this transaction would not result in an increase in debt service. Mr. Albano made brief remarks and Mr. Weldon recognized that Mr. Josh McCoy of PFM, South's financial advisor, and Mr. Rod Kanter of Bradley Arant, the University's bond attorney, were available to answer any questions. On motion by Judge Simon, 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 3:46 p.m.

Respectfully submitted:

E. Thomas Corcoran, Chair

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

Basic Financial Statements

Nine Months Ended June 30, 2021 and 2020

Unaudited

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

Quarterly Financial Statements

Nine Months Ended June 30, 2021 and 2020

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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.

During the fiscal year ended September 30, 2020 and into fiscal year 2021, the University realized the impact of the pandemic COVID-19 health crisis. For a complete discussion of the potential impact, see the Economic Outlook section of Management's Discussion and Analysis.

Financial Highlights

At June 30, 2021 and 2020, the University had total assets and deferred outflows of \$1,785,054,000 and \$1,513,269,000, respectively; total liabilities and deferred inflows of \$1,469,690,000 and \$1,347,811,000, respectively; and net position of \$315,364,000 and \$165,458,000, respectively. Net position increased \$101,731,000 for the nine months ended June 30, 2021 compared to an increase of \$74,995,000 for the nine months ended June 30, 2020. 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, 2021 and 2020 follow (in thousands):

Condensed Schedules of Net Position

	2021	2020
Assets:		
Current	\$ 360,836	\$ 309,417
Capital and other noncurrent assets	1,248,717	1,116,395
Deferred outflows	175,501	87,457
	1,785,054	1,513,269
Liabilities:		
Current	257,052	231,026
Noncurrent	1,075,096	903,095
Deferred inflows	137,542	213,690
	1,469,690	1,347,811
Net position:		
Net investment in capital assets	391,403	364,147
Restricted, nonexpendable	69,063	57,797
Restricted, expendable	105,247	74,773
Unrestricted	(250,349)	(331,259)
	\$ 315,364	\$ 165,458

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

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Tuition and fees, net	\$ 108,412	\$ 106,096
Patient service revenues, net	457,553	405,249
Federal, state and private grants and contracts	27,743	35,824
Other	44,817	43,749
	<u>638,525</u>	<u>590,918</u>
Operating expenses:		
Salaries and benefits	426,571	363,917
Supplies and other services	235,703	218,935
Other	56,710	56,473
	<u>718,984</u>	<u>639,325</u>
Operating loss	<u>(80,459)</u>	<u>(48,407)</u>
Nonoperating revenues (expenses):		
State appropriations	96,091	93,018
Net investment income (loss)	39,718	5,178
Other, net	33,991	17,790
Net nonoperating revenues	<u>169,800</u>	<u>115,986</u>
Income (loss) before capital contributions and grants and additions to endowment	89,341	67,579
Capital contributions and grants and additions to endowment	<u>12,390</u>	<u>7,416</u>
Increase in net position	101,731	74,995
Beginning net position	<u>213,633</u>	<u>90,463</u>
Ending net position	<u>\$ 315,364</u>	<u>\$ 165,458</u>

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

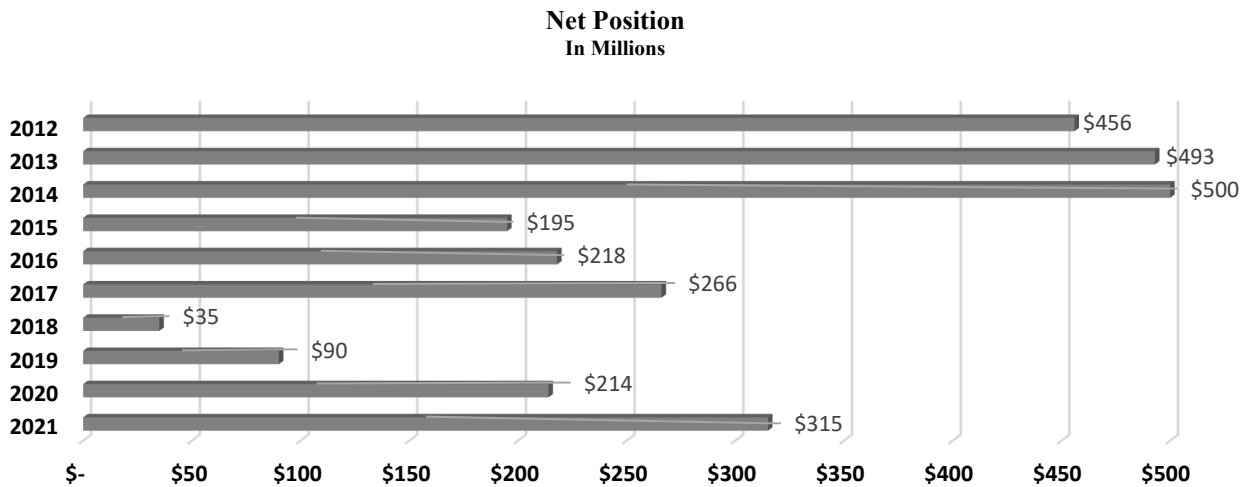
Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University 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, net patient receivables and accounts receivable. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and net 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.

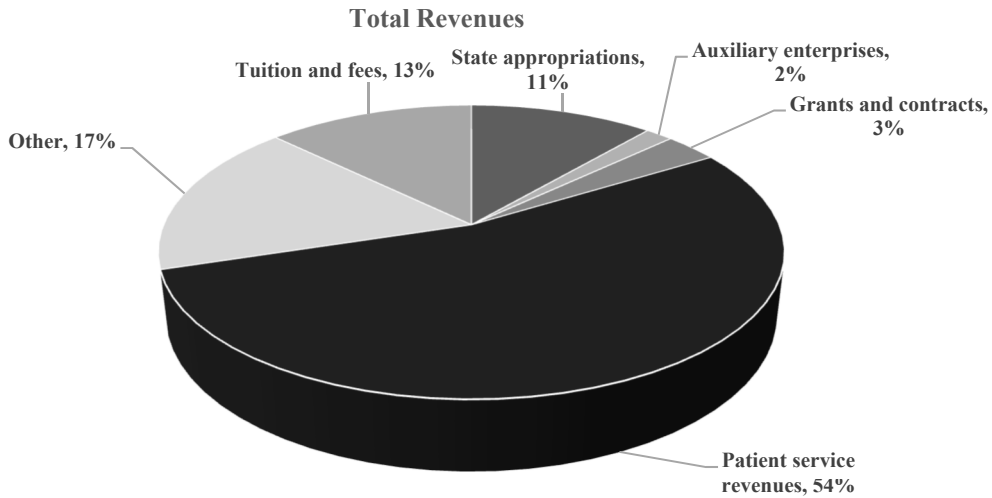
UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis

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.

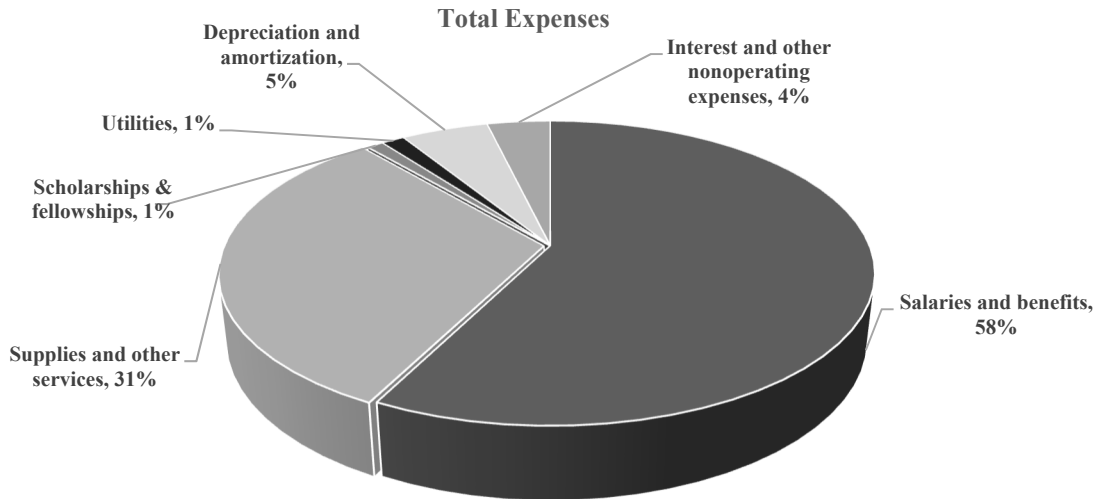
Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid or incurred to acquire or produce the goods and services 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 54% of total revenues of the University are patient service revenues. The remainder consists primarily of tuition and fees, state appropriations, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of total University revenues (operating, nonoperating and other) for the current period:



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

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



Capital Assets and Debt Administration

During the current period, significant construction projects that remain in progress at June 30, 2021 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, Hancock Whitney Stadium, the Fanny Meisler Trauma Center, the Transportation building, and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal year 2020 include the Medical Simulation Lab Building, Mitchell Center renovations and MacQueen Alumni Center.

In February 2020, the University issued University Facilities Revenue Bonds, Series 2020, with a face value of \$37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities. In March 2021, the University issued University Facilities Revenue Bonds, Series 2021, with a face value of \$45,555,000. The proceeds will be used for USA Health facilities construction.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Both ratings were upgraded from Negative to Stable outlook during the quarter ended June 30, 2021. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2020 and 2021 Bond issuances.

Economic Outlook

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 3% from Fall 2018

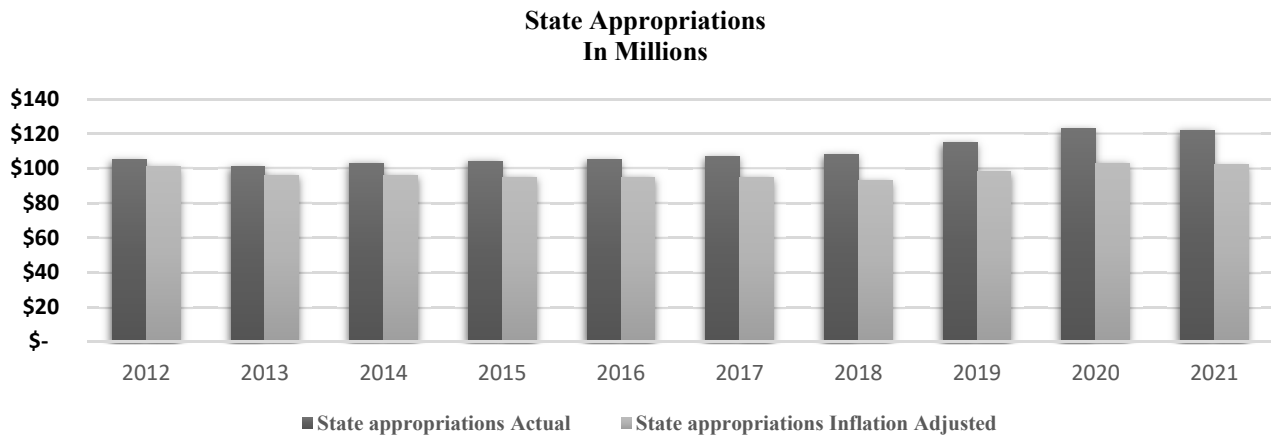
UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis

to Fall 2019 and an additional decline of 1% between Fall 2019 and Fall 2020, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of incoming freshmen. Tuition rate increases of approximately 5% were approved and became effective for academic year 2018-2019. There was no tuition rate increase for academic year 2019-2020 or 2020-2021.

A state appropriation in the amount of approximately \$118,299,000 and \$115,209,000 was authorized and received for the years ended September 30, 2020 and 2019, respectively. An additional appropriation of approximately \$4,764,000 was received during fiscal year 2020 for advancement and technology, and certain healthcare initiatives.

A state appropriation in the amount of \$121,564,000, representing an increase of approximately 2.76% over the 2020 fiscal year, has been authorized for the year ending September 30, 2021. While reductions in the current year appropriation are possible, management does not anticipate such reduction in fiscal year 2021.

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 on financial matters, as well as changes in federal and state funding policies, could potentially have a negative impact on the University's enrollment, external funding, endowment performance and health care operations.

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

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

UNIVERSITY OF SOUTH ALABAMA
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Management's Discussion and Analysis

fall enrollment remained relatively constant. The University continues to monitor the impact of the crisis but is anticipating a return to normal operations in the fall of 2021.

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

Management has taken a number of actions to mitigate the anticipated declines in operations, including a reduction of operational expenses throughout the University, including USA Health. Additionally, the University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of June 30, 2021, the University has been awarded \$92,116,000 in grants from federal and state sources. Of those grants, revenues in the amount of \$27,578,000 were recognized in the June 30, 2021 quarterly financial statements.

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 the remainder of fiscal year 2021 or beyond.

University of South Alabama

Statements of Net Position

June 30, 2021 and 2020

(In thousands)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 174,681	\$ 157,009
Investments	38,479	20,438
Net patient receivables	51,161	42,741
Accounts receivable	75,880	76,426
Notes receivable, net	7,286	2,342
Prepaid expenses, inventories and other	13,349	10,461
Total current assets	<u>360,836</u>	<u>309,417</u>
Noncurrent assets		
Restricted cash and cash equivalents	85,178	93,589
Restricted investments	237,404	175,609
Investments	66,093	22,661
Accounts receivable	8,877	6,631
Notes receivable, net	421	6,245
Other noncurrent assets	21,084	12,048
Capital assets, net	829,660	799,612
Total noncurrent assets	<u>1,248,717</u>	<u>1,116,395</u>
Deferred outflows	<u>175,501</u>	<u>87,457</u>
Total assets and deferred outflows	<u>1,785,054</u>	<u>1,513,269</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	65,778	65,444
Unrecognized revenues	134,791	131,557
Deposits	3,851	3,339
Current portion of other long-term liabilities	3,310	3,310
Current portion of long-term debt	49,322	27,376
Total current liabilities	<u>257,052</u>	<u>231,026</u>
Noncurrent liabilities		
Long-term debt, less current portion	452,825	449,667
Net pension liability	315,591	294,615
Net OPEB liability	260,647	103,288
Other long-term liabilities, less current portion	46,033	55,525
Total noncurrent liabilities	<u>1,075,096</u>	<u>903,095</u>
Deferred inflows	<u>137,542</u>	<u>213,690</u>
Total liabilities and deferred inflows	<u>1,469,690</u>	<u>1,347,811</u>
Net position		
Net investment in capital assets	391,403	364,147
Restricted, nonexpendable		
Scholarships	37,270	28,337
Other	31,793	29,460
Restricted, expendable		
Scholarships	38,839	22,963
Other	66,408	51,810
Unrestricted	(250,349)	(331,259)
Total net position	<u>\$ 315,364</u>	<u>\$ 165,458</u>

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Nine Months Ended June 30, 2021 and 2020

(In thousands)

	2021	2020
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 108,412	\$ 106,096
Patient service revenues (net of provision for bad debts)	457,553	405,249
Federal grants and contracts	15,865	22,968
State grants and contracts	4,942	6,748
Private grants and contracts	6,936	6,108
Auxiliary enterprises (net of scholarship allowances)	14,346	15,624
Other operating revenues	30,471	28,125
Total operating revenues	638,525	590,918
Expenses		
Operating expenses		
Salaries and benefits	426,571	363,917
Supplies and other services	235,703	218,935
Scholarships and fellowships	7,408	8,215
Utilities	10,309	10,830
Depreciation and amortization	38,993	37,428
Total operating expenses	718,984	639,325
Operating loss	(80,459)	(48,407)
Nonoperating revenues (expenses)		
State appropriations	96,091	93,018
Net investment income	39,718	5,178
Interest on indebtedness	(8,600)	(6,702)
Other nonoperating revenues	62,233	33,316
Other nonoperating expenses	(19,642)	(8,824)
Net nonoperating revenues	169,800	115,986
Income (loss) before capital contributions and additions to endowment	89,341	67,579
Capital contributions and grants	5,157	2,292
Additions to endowment	7,233	5,124
Increase in net position	101,731	74,995
Net position		
Beginning of period	213,633	90,463
End of period	\$ 315,364	\$ 165,458

University of South Alabama

Statements of Cash Flows

Nine Months Ended June 30, 2021 and 2020

(in thousands)

	2021	2020
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 81,041	\$ 76,401
Receipts from and on behalf of patients and third-party payers	468,229	466,003
Receipts from grants and contracts	26,702	40,034
Receipts related to auxiliary enterprises	13,792	10,740
Payments to suppliers and vendors	(260,514)	(241,153)
Payments to employees and related benefits	(366,839)	(373,516)
Payments for scholarships and fellowships	(13,150)	(7,538)
Other operating receipts	32,194	32,217
	<u>(18,545)</u>	<u>3,188</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
State appropriations	96,091	83,159
Endowment gifts	7,233	5,124
Agency funds received	821	1,967
Agency funds disbursed	(341)	(1,361)
Student loan program receipts	76,298	81,154
Student loan program disbursements	(76,249)	(81,322)
Other nonoperating revenues	60,888	46,195
Other nonoperating expenses	(94,165)	(9,637)
	<u>70,576</u>	<u>125,279</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital gifts and grants	5,157	2,292
Purchases of capital assets	(50,500)	(73,978)
Proceeds from sale of capital assets	30	8
Proceeds from issuance of capital debt	50,535	64,528
Principal payments on capital debt	(20,958)	(35,279)
Interest payments on capital debt	(17,914)	(9,137)
	<u>(33,650)</u>	<u>(51,566)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest and dividends and realized gains (losses) on investments	7,630	1,258
Proceeds from sales of investments	50,549	79,618
Purchases of investments	(91,067)	(58,058)
	<u>(32,888)</u>	<u>22,818</u>
Net cash provided by (used in) investing activities	(14,507)	99,719
Cash and cash equivalents (unrestricted and restricted):		
Beginning of period	<u>274,366</u>	<u>150,879</u>
End of period	<u>\$ 259,859</u>	<u>\$ 250,598</u>

University of South Alabama

Statements of Cash Flows

Nine Months Ended June 30, 2021 and 2020

(in thousands)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (80,458)	\$ (48,407)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	38,992	37,428
Changes in operating assets and liabilities, net:		
Student receivables	(53,068)	(49,003)
Net patient service receivables	(5,365)	10,363
Grants and contracts receivables	(3,112)	(2,212)
Other receivables	(5,127)	(4,108)
Prepaid expenses, inventories and other	(5,754)	15,869
Accounts payable and accrued liabilities	62,288	(32,157)
Unrecognized revenue	33,059	75,415
Net cash provided by operating activities	<u>\$ (18,545)</u>	<u>\$ 3,188</u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

June 30, 2021

(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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable 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), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) 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), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39, 61 and 80, but 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 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), USA HealthCare Management, LLC (HCM), USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC and USA Health Anesthesia Billing Services, LLC 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 unit have been eliminated in consolidation.

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Notes to Basic Financial Statements

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Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University, as defined by GASB Statement No. 14, 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.

USA Health Billing Limited Liability Companies

In fiscal year 2019, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as non-profit limited liability companies, whereby the University is the sole member. These companies were created to assist with the complex patient and insurance billing of USA Health, a division of the University that includes two hospitals and a cancer treatment center. All of the activity for these entities are included in the University of South Alabama financial statements.

University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority. The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016 and employs physicians and staff of certain 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 the University. Total support amounted to \$10,480,000 during the year ended September 30, 2020 and \$9,394,000 during the year ended September 30, 2019. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University.

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

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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 at the time of purchase 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

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provided by the general partners or fund managers of the underlying partnerships or companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income (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. At June 30, 2021, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows of resources and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows of resources on the statements of net position since the interest rate swaps were deemed effective.

Deferred Outflows and Inflows of Resources

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

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

Bond Premiums, Discounts and Debt Extinguishment Costs

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

Accounts Receivable

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

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Inventories

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

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, 2021 and 2020 was \$2,758,000 and \$3,743,000, respectively.

Unrecognized Revenues

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

Cost Sharing Multiple-Employer Pension Plan

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

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Postemployment Benefits Other Than Pensions (OPEB)

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

Classification of Net Position

The University's net position is classified as follows:

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

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

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

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

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

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

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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

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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 and Electronic Health Records Incentive Program

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

Compensated Absences

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

Recently Adopted Accounting Pronouncements

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

(2) Income Taxes

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

(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, 2020 and 2019, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$14.2 billion and \$11.7 billion, respectively. The University's cash and cash equivalents, including restricted cash and cash equivalents, totaled \$259,859,000 and \$250,598,000 at June 30, 2021 and 2020, respectively.

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June 30, 2021

At June 30, 2021, restricted cash and cash equivalents consist of \$64,853,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$7,987,000 related to collateral requirements of the interest rate swaps, \$3,222,000 related to investment accounts, and \$9,116,000 related to contributions restricted for the construction of the football stadium.

At June 30, 2020, restricted cash and cash equivalents consist of \$41,403,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$44,454,000 related to collateral requirements of the interest rate swaps, \$889,000 related to investment accounts and \$6,843,000 related to contributions restricted for the construction of Hancock Whitney Stadium.

(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, 2021 and 2020 (in thousands):

	<u>2021</u>	<u>2020</u>
U.S. Treasury securities	\$ 5,261	\$ 5,878
U.S. federal agency notes	99,278	24,996
Commingled equity funds	77,372	57,514
Commingled fixed income funds	44,994	42,849
Marketable equity securities	48,759	35,921
Marketable debt securities	5,148	4,793
Real estate	—	125
Private equity	19,916	13,154
Managed income alternative investments (low-volatility multi-strategy funds of funds)	41,248	33,478
	<u>\$ 341,976</u>	<u>\$ 218,708</u>

At June 30, 2021, restricted investments consist of \$34,927,000 related to collateral requirements of the interest rate swaps and \$202,477,000 related to endowment funds.

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At June 30, 2020, restricted investments consist of \$10,007,000 related to collateral requirements of the interest rate swaps and \$165,602,000 related to endowment funds.

At June 30, 2021 and 2020, \$40,085,000 and \$25,560,000, 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.

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(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.

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(5) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the period ended June 30, 2021 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 452,651	\$ 50,535	\$ (16,416)	\$ 486,770	\$ 22,300	\$ 464,470
Notes payable	5,431	—	(763)	4,668	938	3,730
Capital lease obligations	13,272	2,544	(5,107)	10,709	6,084	4,625
Total long-term debt	<u>471,354</u>	<u>53,079</u>	<u>(22,286)</u>	<u>502,147</u>	<u>29,322</u>	<u>472,825</u>
Other noncurrent liabilities:						
Net pension liability	294,615	20,976	—	315,591	—	315,591
Net OPEB liability	103,288	157,359	—	260,647	—	260,647
Other long-term liabilities	56,275	2,075	(9,007)	49,343	3,310	46,033
Total other noncurrent liabilities	<u>454,178</u>	<u>180,410</u>	<u>(9,007)</u>	<u>625,581</u>	<u>3,310</u>	<u>622,271</u>
Total noncurrent liabilities	<u>\$ 925,532</u>	<u>\$ 233,489</u>	<u>\$ (31,293)</u>	<u>\$ 1,127,728</u>	<u>\$ 32,632</u>	<u>\$ 1,095,096</u>

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A summary of the University's noncurrent liability activity for the period ended June 30, 2020 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 423,629	\$ 64,528	\$ (31,132)	\$ 457,025	\$ 20,249	\$ 436,776
Notes payable	4,295	2,147	(750)	5,692	911	4,781
Capital lease obligations	15,502	3,177	(4,353)	14,326	6,216	8,110
Total long-term debt	<u>443,426</u>	<u>69,852</u>	<u>(36,235)</u>	<u>477,043</u>	<u>27,376</u>	<u>449,667</u>
Other noncurrent liabilities:						
Net pension liability	282,739	11,876	—	294,615	—	294,615
Net OPEB liability	259,418	8,565	(164,695)	103,288	—	103,288
Other long-term liabilities	61,571	32	(2,768)	58,835	3,310	55,525
Total other noncurrent liabilities	<u>603,728</u>	<u>20,473</u>	<u>(167,463)</u>	<u>456,738</u>	<u>3,310</u>	<u>453,428</u>
Total noncurrent liabilities	<u>\$ 1,047,154</u>	<u>\$ 90,325</u>	<u>\$ (203,698)</u>	<u>\$ 933,781</u>	<u>\$ 30,686</u>	<u>\$ 903,095</u>

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

During 2017, the University entered into a note payable for a period of ten years payable monthly at \$19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. An amendment to this note agreement was entered into in November 2019 adding additional financed equipment. The monthly payment was increased to \$30,950 for ten years. The amount outstanding on the note at June 30, 2021 and 2020 is \$3,157,000 and \$3,497,000, respectively.

During 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. The total amount available under the line of credit was \$5,000,000 and interest on the outstanding amounts accrued at the rate of the LIBOR plus 1.00%. In July 2018, the University converted the line of credit into a term loan for a period of five years, with monthly payments of \$63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at June 30, 2021 and 2020 is \$1,511,000 and \$2,195,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

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

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under the line of credit was \$50,000,000. Interest accrued on any outstanding principal balances at a rate of LIBOR plus 1.5%. There was also an unused fee of .15% that was billed to the University quarterly. There were no draws on the line of credit.

In April 2021, the University entered into an additional variable rate revolving line of credit with Hancock Whitney Bank. The line of credit expires in April 2022. The total amount available under the line of credit was \$10,000,000. Interest accrued on any outstanding principal balances at a rate of LIBOR plus 1.2%. There were no draws on the line of credit.

(6) Bonds Payable

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

	2021	2020
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92%, payable through August 2032	\$ 16,523	\$ 17,700
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83%, payable through August 2033	22,764	24,196
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83%, payable through August 2033	5,691	6,049
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78%, payable through August 2028	5,841	6,485
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of one-month LIBOR plus 0.73%, 2.36% at June 30, 2018, payable through March 2024	24,160	31,440
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47%, payable through August 2030	3,750	4,125
University Facilities Revenue Refunding Bonds, Series 2016, 3.00% to 5.00%, payable through November 2037	77,455	80,310
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 2.35% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021	20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 2.40% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023	35,000	35,000

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	2021	2020
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 2.46% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	\$ 45,000	\$ 45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	33,690	34,990
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 1, 2049	47,750	47,750
Taxable University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 1, 2033	17,205	18,440
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	16,112	17,630
University Facilities Revenue Bonds, Series 2020, 4% to 5%, payable through April 1, 2040	36,105	37,005
University Facilities Revenue Bonds, Series 2021, 4% to 5%, payable through April 1, 2041	40,555	—
	447,601	426,120
Plus unamortized premium	40,712	32,556
Less unamortized debt extinguishment costs	(1,543)	(1,651)
	\$ 486,770	\$ 457,025

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

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In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of \$85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the assets of the escrow trust account nor the defeased indebtedness were included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of \$7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C and D, with a face value totaling \$100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of \$4,539,000 was recorded as a deferred inflow of resources and is being amortized over the remaining life of the Series 2016-B, C & D Bonds. In June 2021, the put provision was exercised by Truist Bank on the 2016B bonds for \$20,000,000.

In February 2019, the University issued its University Facilities Revenue Bonds, Series 2019-A and Taxable University Facilities Revenue Bonds, Series 2019-B with a face value of \$47,750,000 and \$18,440,000, respectively. The proceeds from the Series 2019-A and B Bonds are financing the football stadium and intramural fields.

In December 2019, the University issued its University Facilities Revenue Refunding Bonds, Series 2019-C, with a face value of \$19,086,000. The proceeds refunded the remaining Series 2010 Bonds.

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

In March 2021, the University issued a new University Facilities Revenue Bond, Series 2021, with a face value of \$50,000,000. The proceeds are financing USA Health facilities and transportation infrastructure.

Approximately \$500,000 and \$3,942,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at June 30, 2021 and 2020, respectively, and is included in restricted cash and cash equivalents on the statements of net position. Approximately \$3,152,000 of proceeds from the issuance of the Series 2019-A and B Bonds remained unspent at June 30, 2020 and was included in restricted cash and cash equivalents on the statement of net position. All of the remaining cash from the issuance of Series 2019-A and B Bonds has been spent as of June 30, 2021. Approximately \$14,865,000 and \$34,309,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at June 30, 2021 and 2020, respectively, and is included in restricted cash and cash equivalents on the statements of net position. Approximately \$49,487,000 of proceeds from the issuance of the Series 2021 Bonds remained unspent at June 30, 2021 and is included in restricted cash and cash equivalents on the statement of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At June 30, 2021 and 2020, no amounts were due or recorded in the financial statements.

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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 period June 30, 2021 is as follows (in thousands):

Debt service on notes and bonds			
	Principal	Interest	Total
2021	\$ 22,104	\$ 10,186	\$ 32,290
2022	23,315	15,438	38,753
2023	23,604	14,506	38,110
2024	15,937	13,548	29,485
2025	22,147	12,941	35,088
2026-2030	120,380	54,008	174,388
2031-2035	121,972	33,865	155,837
2036-2040	75,015	13,936	88,951
2041-2045	15,285	5,495	20,780
2046-2050	12,510	1,543	14,053
Subtotal	452,269	\$ 175,466	\$ 627,735
Plus (less):			
Unamortized bond premium	40,712		
Unamortized debt extinguishment costs	(1,543)		
Total	\$ 491,438		

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(7) Capital Lease Obligations

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, transportation vehicles and other office equipment.

Future minimum capital lease payments at June 30, 2021, are as follows (in thousands):

Period ending June 30:			
2021	\$	6,319	
2022		2,390	
2023		1,350	
2024		471	
2025		368	
2026-2039		244	
		11,142	
Less amounts representing interest		(433)	
Net minimum lease payments	\$	10,709	

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 Series 2014-A Bonds.

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

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

The 2016 swap will terminate in December 2036, when the Series 2016-B, C 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 inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

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

Risks Associated with these Transactions

Interest rate risk. As the LIBOR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payments on the Series 2014-A and Series 2016-B, C 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 Series 2014-A and Series 2016-B, C and D Bonds.

Credit risk. As of June 30, 2021, and 2020, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2020 and 2019.

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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, a division of the University, which includes two hospitals, a cancer treatment center and a physicians group, has agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the USA Health's billings at established rates for services and amounts reimbursed by third-party payers.

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

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

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

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

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

Revenues from the Blue Cross program accounted for approximately 28% and 30% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively

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

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

Revenues from the Medicaid program accounted for approximately 36% and 29% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

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

(10) Defined Benefit Cost Sharing Pension Plan

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

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 from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered Tier 1

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

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

Participating employers' contractually required contribution rates were 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$21,413,000 and \$22,481,000 for the years ended September 30, 2020 and 2019, respectively.

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

At June 30, 2021 and 2020, the University reported a liability of \$315,591,000 and \$294,615,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2020, the collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2019, the University's proportion of contributions to the pension plan was 2.664536%, which was a decrease of 0.179184% from its proportion measured as of September 30, 2018 of 2.843720%. For the fiscal years ended September 30, 2020 and 2019, the University recognized pension expense of approximately \$17,629,000 and \$9,902,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

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, 2019 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, 2019. The auditors' report dated March 9, 2020 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, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa.al.gov.

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(11) Other Employee Benefits

Other Pension Plans

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed \$462,000 and \$506,000 in 2020 and 2019, respectively, representing 197 and 215 employees for 2020 and 2019, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed \$5,544,000 and \$4,916,000 in 2020 and 2019, respectively, representing 1,436 and 1,403 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

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 \$12,794,000 and \$11,168,000 at March 31, 2021 and 2020, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(12) Other Post-Employment Benefit Plans

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

Plan Description

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare

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benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. Effective for the year ended September 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statement note disclosures.

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

Contributions

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were \$7,947,000 and \$7,772,000 for the years ended September 30, 2020 and 2019, respectively.

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

At June 30, 2021 and 2020, the University reported a liability of \$260,647,000 and \$103,288,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2020, the net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2019, the University's proportion of contributions to the OPEB plan was 2.737717%, which was a decrease of 0.418703% from its proportion measured as of September 30, 2018 of 3.156420%.

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For the years ended September 30, 2020 and 2019, the University recognized OPEB expense of approximately \$(11,830,000) and \$18,634,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2019 and 2018, respectively. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019 and 2018. Additional financial and actuarial information is available at www.rsa.al.gov.

(13) Risk Management

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. 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 and HCA. Any risk related to the payment claims is the responsibility of the PLTF and GLTF. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

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.

(14) Other Related Parties and Related-Party Transactions

SAMSF is a not for profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2020, SAMSF had total assets of \$10,244,000, net assets of \$9,097,000, and total revenues of \$1,148,000. At September 30, 2019, SAMSF had total assets of \$10,632,000, net assets of \$9,403,000, and total revenues of \$1,806,000. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$0 and \$412,000 in 2020 and 2019, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net position.

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(15) Commitments and Contingencies

Grants and Contracts

At September 30, 2020 and 2019, the University had been awarded approximately \$53,257,000 and \$36,381,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.

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, 2021, and 2020, no amounts were payable pursuant to these agreements.

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(16) Recently Issued Accounting Pronouncements

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, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In June 2017, the GASB issued Statement No. 87, Leases, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position. In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 90, Majority Equity Interests, was issued in August 2018. Effective for the University beginning with the fiscal year ending September 30, 2022, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment. In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93 Replacement of Interbank Offered Rates and Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. It is not anticipated that these statements will impact the University.

In May 2020, the GASB issued statement No. 96 Subscription Based Information Technology Arrangements and statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASG Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The effect of the implementation of GASB Statement Nos. 84, 87, 89, 90, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93 and 94 will not impact the University.



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: August 24, 2021

TO: Interim President John Smith

A handwritten signature in black ink, appearing to be 'JA', written over a light gray rectangular background.

FROM: G. Scott Weldon

A handwritten signature in black ink, appearing to be 'Scott', written over a light gray rectangular background.

SUBJECT: USA HealthCare Management, LLC 457(b) Plan

Attached is a resolution for consideration by the Board of Trustees concerning the adoption of the USA HealthCare Management, LLC 457(b) Plan.

We request authorization of yourself or myself to execute the Action by Written Consent and to carry out adoption of the USA HealthCare Management, LLC 457(b) Plan.

With your consent, this item will be presented to the Board of Trustees for discussion and approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

RESOLUTION

ADOPTION OF THE USA HEALTHCARE MANAGEMENT, LLC 457(B) PLAN

WHEREAS, the University of South Alabama (“the University”), as the sole member of USA HealthCare Management, LLC (“HCM”), desires to approve of the adoption of the USA HealthCare Management, LLC 457(b) Plan (the “Plan”) and related trust agreement by HCM for the benefit of its employees, effective by or before April 1, 2022, and

WHEREAS, the University wishes to provide additional pre-tax deferral and after-tax contribution opportunities for the HCM employees to tax-favored retirement plans beyond those available under the USA HealthCare Management, LLC 403(b) Defined Contribution Retirement Plan, and

WHEREAS, the approval and implementation of a 457(b) employer-sponsored, deferred-compensation retirement plan will provide the HCM employees with the option to make either pre-tax deferrals or after-tax contributions to the Plan, and

WHEREAS, the approval and implementation of such 457(b) plan will not cause the University or the HCM to incur any additional compensation expense, and

WHEREAS, the Board of Trustees of the University of South Alabama (the “Board”) has received a copy of an Action by Written Consent in the form attached hereto for the foregoing purpose and wishes to approve of same,

THEREFORE, BE IT RESOLVED, the Action by Written Consent be, and hereby is, adopted, ratified, and approved, and

FURTHER RESOLVED that the Board of Trustees of the University of South Alabama hereby authorizes and directs John Smith or Scott Weldon to, in the name and on behalf of the University, execute the Action by Written Consent and do any and all things that may be necessary or advisable to carry out the intent of the foregoing resolutions.

**ACTION BY WRITTEN CONSENT
OF
THE SOLE MEMBER OF
USA HEALTHCARE MANAGEMENT, LLC**

The undersigned, being the sole member (the "Member") of USA Healthcare Management, LLC, an Alabama limited liability company (the "Company"), does hereby consent to the following resolutions:

WHEREAS, the Company desires to establish the USA HealthCare Management, LLC 457(b) Plan (the "Plan") for the benefit of its employees, effective by or before April 1, 2022; and

WHEREAS, the Company further desires to enter into a trust agreement establishing a rabbi trust to hold assets set aside as a source of funds for the Company to pay for benefits under the Plan, subject to the claims of the Company's creditors (the "Trust Agreement"); and

WHEREAS, the Member has received a copy of the plan document for the Plan (the "Plan Document") and the Trust Agreement and wishes to approve of same.

NOW, THEREFORE, BE IT RESOLVED, that the Plan Document and Trust Agreement be, and hereby are, adopted, ratified, and approved.

FURTHER RESOLVED, that any officer of the Company is hereby authorized and directed, in the name and on behalf of the Company, to execute the Plan Document and the Trust Agreement and all associated documents, and any officer is further authorized and directed to do any and all things that may be necessary or advisable to carry out the intent of the foregoing resolutions and fully to perform the obligations of the Company under the Plan Document and the Trust Agreement.

FURTHER RESOLVED, that any and all actions heretofore or hereafter taken by any officer, manager, employee, agent, or representative of the Company in accordance with the preceding resolutions is hereby approved, ratified, and confirmed in all respects as the act and deed of the Company.

FURTHER RESOLVED, that a copy of this Action by Written Consent be filed with the minutes of the Company.

Dated: August 24, 2021, 2021

UNIVERSITY OF SOUTH ALABAMA, as
sole member of USA HealthCare Management,
LLC

Signed: 

By: **John Smith**

Its: **Interim President**



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: August 28, 2021

TO: Interim President John Smith

A handwritten signature in black ink, appearing to be 'JA', written over a light gray rectangular background.

FROM: G. Scott Weldon

A handwritten signature in black ink, appearing to be 'Scott', written over a light gray rectangular background.

SUBJECT: Resolution to Authorize Amending and Restating the 2016BCD Private Placement Bonds

Attached is a resolution for consideration by the Board of Trustees concerning the University's amended and restated 2016BCD Private Placement Bonds. This resolution will provide authorization to execute any necessary documents for the issuance of the Bonds.

Some of the specifics of the original 2016BCD Bonds and the amended and restated 2016BCD Bonds are:

Original 2016BCD Bonds:

- **2016B-**: \$20,000,000, **Put Date:** 2021, **Spread:** .72%
- **2016C-**: \$35,000,000, **Put Date:** 2023, **Spread:** .77%
- **2016D-**: \$45,000,000, **Put Date:** 2026, **Spread:** .83%

Amended/Restated 2016BCD Bonds:

- **2016B-**: \$20,000,000, **Put Date:** 2026, **Spread:** .72%
- **2016C-**: \$35,000,000, **Put Date:** 2028, **Spread:** .77%
- **2016D-**: \$45,000,000, **Put Date:** 2031, **Spread:** .83%

This amendment and restatement are very beneficial to the University and can lower future risk related to the bond issue.

With your consent, this item will be presented to the Board of Trustees for discussion and approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

A RESOLUTION AUTHORIZING

**\$20,000,000 AMENDED AND RESTATED UNIVERSITY FACILITIES REVENUE
REFUNDING BOND, SERIES 2016-B,
\$35,000,000 AMENDED AND RESTATED UNIVERSITY FACILITIES REVENUE
REFUNDING BOND, SERIES 2016-C, AND
\$45,000,000 AMENDED AND RESTATED UNIVERSITY FACILITIES REVENUE
REFUNDING BOND, SERIES 2016-D**

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:

(1) The University heretofore issued its (i) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016, all of which are presently outstanding (herein called the "Series 2016-B Bond"), (ii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016, all of which is presently outstanding (herein called the "Series 2016-C Bond"), and (iii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016, all of which is presently outstanding (herein called the "Series 2016-D Bond"), each of which was issued under and pursuant to that certain University Facilities Revenue Trust Indenture dated as of February 15, 1996, as supplemented and amended (the "Indenture"), between the University and The Bank of New Mellon Trust Company, N.A, as successor Trustee (herein called the "Trustee"), as supplemented and amended, in particular by a Thirteenth Supplemental University Facilities Revenue Trust Indenture dated December 7, 2016 (herein called the "Thirteenth Supplemental Indenture"), between the University and the Trustee;

(2) Each of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond (herein collectively called the "Series 2016 Bonds") bears interest at a variable rate based upon 68% of the one month London Interbank Offered Rate (herein called the "Base Rate"), plus a fixed number of basis points equal to 72 basis points, 77 basis points, and 83 basis points; and

(3) Each of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D have principal installments maturing on December 1 from 2024 through and including 2036, but contains a feature (herein called a "Put Right") permitting the holder to cause such principal installments to become due and payable earlier than their scheduled maturities; and

(4) The Put Right for the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond may be exercised to go into effect as soon as December 1, 2021, December 1, 2023, and December 1, 2026, respectively, and the Put Right for the Series 2016-B Bond has been exercised, but by its terms provides it is to be revoked and of no force or effect if the Amended and Restated Series 2016-B Bond hereinafter described is issued in exchange thereof prior to December 1, 2021; and

(5) STI Institutional & Government, Inc. (herein called "STI") is the holder of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond (herein collectively called the "2016 Bonds"), and has offered to extend by five years the earliest effective date for the Put Right for each of the Series 2016 Bonds (*i.e.*, to December 1, 2026 for the Series 2016-B Bond, to December 1, 2028 for the Series 2016-C Bond and to December 1, 2031 for the Series 2016-D Bond); provided, the University agrees to amend and restate each such bond to, among other things (i) modify the Base Rate for each of the Series 2016 Bonds, (ii) permit changes in the interest rate on the Series 2016 Bonds upon future changes in the maximum corporate tax rate imposed by the United States of America, and (iii) provide for an alternate index to replace the one month London Interbank Offer Rate ("LIBOR") rate in calculating the Base Rate upon certain circumstances, including among others at such time as LIBOR is no longer used or available, all as more particularly described and set forth in the form of Twentieth Supplemental Indenture hereinafter provided for and the form of each of the Amended and Restated 2016 Bonds hereinafter described and authorized; and

(6) The University, acting upon the advice of PFM Financial Advisors LLC, financial advisor to the University (herein called "PFM"), has determined it to be necessary, wise, and in the public interest to modify and amend the terms of the Series 2016 Bonds through the issuance of the Amended and Restated 2016 Bonds in exchange for the Series 2016 Bonds, and enter the Twentieth Supplemental Indenture, all as more particularly described and set forth herein.

(b) Amended and Restated Series 2016 Bonds to be Issued as Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture.

The Amended and Restated Series 2016 Bond shall be issued as additional parity bonds under Article VIII of the Indenture hereinafter referred to. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture, and no such default is imminent;

(2) the Amended and Restated 2016-B Bond shall be designated "Amended and Restated Series 2016-B", the Amended and Restated 2016-C Bond shall be designated "Amended and Restated Series 2016-C", and the Amended and

Restated 2016-D Bond shall be designated "Amended and Restated Series 2016-D";

(3) the person to whom the Amended and Restated Series 2016 Bonds are to be delivered shall be STI (or such affiliate of STI that may be identified in writing by STI);

(4) the Amended and Restated Series 2016 Bonds are to be issued by exchange in accordance with, and at the sale price determined as set forth in, Section 2 and Section 9 hereof;

(5) (a) the only bonds that have previously been issued by the University under the Indenture are its (i) \$31,680,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (herein called the "Series 1996 Bonds"), which were issued under and pursuant to the Trust Indenture dated as of February 15, 1996; (ii) \$7,055,000 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (herein called the "Series 1996B Bonds"), which were issued under and pursuant to the First Supplemental Trust Indenture dated as of October 15, 1996; (iii) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (herein called the "Series 1999 Bonds"), which were issued under and pursuant to the Second Supplemental Trust Indenture dated as of October 15, 1999; (iv) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (herein called the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated March 15, 2004; (v) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (herein called the "Series 2006 Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006; (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Series 2008 Bonds"), which were issued under and pursuant to the Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008; (vii) \$29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (herein called the "Series 2010 Bond"), which was issued under and pursuant to the Seventh Supplemental University Facilities Revenue Trust Indenture dated as of June 16, 2010 and paid with proceeds of the Series 2019-C Bond hereinafter authorized; (viii) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (herein called the "Series 2012-A Bond"), which was issued under and pursuant to an Eighth Supplemental University Facilities Revenue Trust Indenture dated as of January 4, 2012 (herein called the "Eighth Supplemental Indenture"); (ix) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (herein called the "Series 2012-B Bond"), which was issued under and pursuant to the

Eighth Supplemental Indenture; (x) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (herein called the "Series 2013-A Bond"), which was issued under and pursuant to the Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (herein called the "Ninth Supplemental Indenture"); (xi) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (herein called the "Series 2013-B Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xii) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "Series 2013-C Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xiii) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (herein called the "Series 2014-A Bond"), which was issued under and pursuant to the Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014; (xiv) \$6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (herein called the "Series 2015 Bond"), which was issued under and pursuant to the Eleventh Supplemental University Facilities Revenue Trust Indenture dated June 15, 2015; (xv) \$85,605,000 University Facilities Refunding Revenue Bonds, Series 2016, dated September 14, 2016 (herein called the "Series 2016-A Bonds") which were issued under and pursuant to the Twelfth Supplemental University Facilities Revenue Trust Indenture dated as of March 14, 2014; (xvi) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (herein called the "Series 2016-B Bond") which was issued under and pursuant to the Thirteenth Supplemental University Facilities Revenue Trust Indenture dated as of December 7, 2016 (herein called the "Thirteenth Supplemental Indenture"), (xvii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (herein called the "Series 2016-C Bond") which was issued under the Thirteenth Supplemental Indenture, (xviii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (herein called the "Series 2016-D Bond") which was issued under the Thirteenth Supplemental Indenture, (xix) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (herein called the "Series 2017 Bonds") which were issued under a Fourteenth Supplemental University Facilities Revenue Trust Indenture dated June 15, 2017; (xx) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (herein called the "Series 2019-A Bonds") which were issued under a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated February 7, 2019 (herein called the "Fifteenth Supplemental Indenture"), (xxi) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (herein called the "Series 2019-B Bonds") which were issued under the Fifteenth Supplemental Indenture, (xxii) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (herein called the "Series 2019-C Bond") which was

issued under a Sixteenth Supplemental University Facilities Revenue Trust Indenture dated December 12, 2019, (xxiii) \$37,005,000 original principal amount University Facilities Revenue Bonds, Series 2020, dated March 10, 2020 (herein called the "Series 2020 Bonds") which were issued under a Seventeenth Supplemental University Facilities Revenue Trust Indenture dated March 10, 2020, (xiv) \$40,555,000 original principal amount University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, which were issued under an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated March 10, 2021 (the "Series 2021-A Bonds"), and (xv) \$15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, which were issued under a Nineteenth Supplemental University Facilities Revenue Trust Indenture dated July 8, 2021; and (b) the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016-A Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond, the Series 2020 Bonds, the Series 2021-A Bonds, and the Series 2021-B Bond are herein collectively called the "Outstanding Bonds");

(6) the Outstanding Bonds are the only bonds heretofore issued under the Indenture that are outstanding at this time, and the Outstanding Bonds are the only bonds that will be outstanding immediately prior to issuance of the Amended and Restated Series 2016 Bonds, under the Indenture; and

(7) the Amended and Restated Series 2016 Bonds are being issued for the purposes described in Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver the Amended and Restated Series 2016 Bonds to the purchaser specified in Section 6 hereof.

Section 2. Authorization of the Amended and Restated Series 2016 Bonds.

(a) For the purposes specified in Section 1 of this resolution, the Board does hereby authorize to be issued (i) its \$20,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated its date of initial issuance (herein called the "Amended and Restated Series 2016-B Bond"), (ii) \$35,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated its date of initial issuance (herein called the "Amended and Restated Series 2016-C Bond"), and (iii) \$45,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated its date of initial issuance (herein called the "Amended and Restated Series 2016-D Bond"), under such terms, conditions and provisions to be set out in the Twentieth Supplemental Indenture hereinafter defined. The Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond and the Amended and Restated Series 2016-D Bond (herein collectively called the "Amended and Restated Series 2016 Bonds") shall be issued on September 23, 2021, or such other date that is on or prior to September 30, 2021 as shall be identified by the Vice President for Finance and Administration. The Amended and Restated Series 2016 Bonds shall be dated their date of issuance.

Section 3. Source of Payment of the Amended and Restated Series 2016 Bond.

The principal of and the interest on the Amended and Restated Series 2016 Bonds shall be payable from Pledged Revenues as defined in the Indenture. The Amended and Restated Series 2016 Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama (herein called the "State") and shall not be payable out of moneys appropriated to the University by the State. The agreements, covenants and representations contained in this resolution, in the Amended and Restated Series 2016 Bonds and in the Indenture do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the Amended and Restated Series 2016 Bonds nor the pledge or any agreement contained in the Indenture or in this resolution shall be or constitute an obligation of any nature whatsoever of the State, and neither the Amended and Restated Series 2016 Bonds nor any obligations arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State. Nothing contained in this section shall, however, relieve the University from the observance and performance of the several covenants and agreements on its part herein contained and contained in the Indenture.

Section 4. Amended and Restated Series 2016 Bonds Payable at Par.

All remittances of principal of and interest on each of the Amended and Restated Series 2016 Bonds to the holder thereof shall be made at par without any deduction or exchange or other cost, fees or expenses. The bank at which the Amended and Restated Series 2016 Bonds shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the Amended and Restated Series 2016 Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

Section 5. Authorization of Twentieth Supplemental Indenture.

In connection with the issuance of the Amended and Restated Series 2016 Bonds, the Board does hereby authorize and direct the Interim President of the University and the Vice President for Finance and Administration, or either of them, to execute and deliver, for and in the name and behalf of the University, to The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), a Twentieth Supplemental University Facilities Trust Indenture, dated the date of the Amended and Restated Series 2016 Bonds, in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit I to the minutes of said meeting, which form is hereby adopted in all respects as if set out in full in this resolution (herein called the "Twentieth Supplemental Indenture"), and does hereby further authorize and direct the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to affix to the Twentieth Supplemental Indenture the corporate seal of the University and to attest the same. The Twentieth Supplemental Indenture is supplemental to that certain University Facilities Revenue Trust Indenture between the University and the Trustee dated as of February 15,

1996, as heretofore supplemented and amended (together with the Twentieth Supplemental Indenture, "Indenture").

Section 6. Sale of the Amended and Restated Series 2016 Bonds.

The Amended and Restated Series 2016 Bonds shall be sold and issued, by exchange for the Series 2016 Bonds, and delivered to, STI (or such affiliate of STI as may be identified by STI). The Amended and Restated Series 2016 Bonds shall bear such dates, shall mature at such times and in such manner, shall bear such rates of interest, shall be payable at such place, and shall be in such forms and contain such provisions as shall be set out in the Twentieth Supplemental Indenture authorized in Section 5 above and as further determined by the Interim President and the Vice President for Finance and Administration, or either of them.

Section 7. Execution and Delivery of the Amended and Restated Series 2016 Bonds.

The Board does hereby authorize the Interim President of the University and the Vice President for Finance and Administration, or either of them, to execute the Amended and Restated Series 2016 Bonds, in the name and on behalf of the University, by manually signing said bonds, and does hereby authorize the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to cause the corporate seal of the University to be imprinted or impressed on the Amended and Restated Series 2016 Bonds and to attest the same by signing the Amended and Restated Series 2016 Bonds, and for any such officer to deliver the Amended and Restated Series 2016 Bonds, subsequent to their execution as provided herein, to STI following authentication of such bonds by the Trustee.

Section 8. Call of Series 2016 Bonds for Exchange.

The Board does hereby elect to redeem, and does hereby call for redemption, by exchange, on September 23, 2021, or such other date that is prior to October 1, 2021 as shall be identified in writing by the Vice President for Finance and Administration, the Series 2016 Bonds in exchange for the Amended and Restated Series 2016 Bonds.

Section 9. No Cash Proceeds; Payment of Fees.

The Amended and Restated Series 2016 Bonds shall be issued and sold to STI (or such affiliate thereof as identified by STI) by exchange for the Series 2016 Bonds. Accordingly, there will be no cash sale proceeds of the Amended and Restated Series 2016 Bonds paid by STI in connection with the issuance of the Amended and Restated Series 2016 Bonds. The University is hereby authorized and directed to use general funds of the University for payment of all costs and expenses incident to the issuance of the Amended and Restated Series 2016 Bonds including, without limitation, the fees and expenses of the financial advisor to the University, bond counsel to the University, counsel to STI, Trustee fees, and any origination fee charged by STI.

Section 10. Resolution Constitutes Contract; Severability.

The provisions of this resolution shall constitute a contract between the University and the holders of the Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond, and the Amended and Restated Series 2016-D Bond. The various provisions of this resolution are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this resolution.

Section 11. General Authorization; Additional Authorizations.

(a) The Interim President of the University, the Vice President for Finance and Administration of the University, the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, are hereby authorized to execute such other agreements, certifications, IRS form 8038-Gs, instruments, notices, consents, acknowledgments, 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 (including, without limitation, to obtain the Loan) and to the end that the Amended and Restated Series 2016 Bonds may be executed, issued and delivered in exchange for the Series 2016 Bonds as aforesaid. The Secretary of the Board, the Vice Chair of the Board and the and the Chair Pro Tempore of the Board, or any of them, are hereby authorized and directed to affix the official seal of the Board to such agreements, certifications, instruments, notices, consents, acknowledgments, or other documents and to attest the same. The Interim President of the University, the Vice President for Finance and Administration of the University, the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, are hereby further authorized to make such changes, modifications, and adjustments to the terms of the Twentieth Supplemental Indenture and the Amended and Restated Series 2016 Bonds as shall be necessary or desirable.

(b) The Chair Pro Tempore of the Board is hereby further authorized to (i) sign and deliver the Amended and Restated Series 2016 Bonds, the Twentieth Supplemental University Facilities Revenue Trust Indenture, and such other documents as have been authorized for signature by the Interim President of the University and the Vice President for Finance and Administration (or either of them) in the event it is desirable for the Chair Pro Tempore of the Board to execute such instruments, or any of them.

EXHIBIT I
FORM OF TWENTIETH SUPPLEMENTAL INDENTURE

**TWENTIETH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST
INDENTURE**

between

UNIVERSITY OF SOUTH ALABAMA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Dated September ____, 2021

TWENTIETH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE dated September _____, 2021 (the "Effective Date") between the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (as successor Trustee to AmSouth Bank of Alabama and being herein called the "Trustee"), a national banking association in its capacity as Trustee under the Trust Indenture of the University dated as of February 15, 1996, as heretofore supplemented and amended (herein called the "Indenture").

RECITALS

The University makes the following findings as a basis for the undertakings herein contained:

(a) Pursuant to the provisions of the Indenture, the University has issued and sold its (i) \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996, which are no longer outstanding, (ii) \$7,055,000 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996, which are no longer outstanding, (iii) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, which are no longer outstanding (the "Series 1999 Bonds"), (iv) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, which are no longer outstanding, (v) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds"), which are no longer outstanding, (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (the "Series 2008 Bonds"), which are no longer outstanding, (vii) \$29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (the "Series 2010 Bond"), which is no longer outstanding, (viii) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond"), which is no longer outstanding, (ix) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (the "Series 2012-B Bond"), which is no longer outstanding, (x) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond"), (xi) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond"), (xii) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond"), (xiii) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond"),

(xiv) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond"), (xv) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016-A Bonds"), (xvi) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond"), which will no longer be outstanding upon exchange for the Amended and Restated Series 2016-B Bond herein authorized, (xvii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond"), which will no longer be outstanding upon exchange for the Amended and Restated Series 2016-C Bond herein authorized, (xviii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond"), which will no longer be outstanding upon exchange for the Amended and Restated Series 2016-D Bond herein authorized, (xix) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds"); (xx) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds"), (xxi) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds"), (xxii) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (the "Series 2019-C Bond"), (xxiii) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020 (the "Series 2020 Bonds"), (xxiv) \$40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021 (the "Series 2021-A Bonds"), and (xxv) \$15,387,000 University Facilities Revenue Bonds, Series 2021-B, dated July 8, 2021 (the "Series 2021-B Bonds");

(b) Each of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond (herein collectively called the "Series 2016 Bonds") bears interest at a variable rate based upon 68% of the one month London Interbank Offered Rate plus a fixed number of basis points equal to 72 basis points, 77 basis points, and 83 basis points, respectively;

(c) Each of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D have principal installments maturing on December 1 from 2024 through and including 2036, but contains a feature (herein called a "Put Right") permitting the holder to cause such principal installments to become due and payable earlier than their scheduled maturities;

(d) The Put Right for the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond may be exercised to go into effect as soon as December 1, 2021, December 1, 2023, and December 1, 2026, respectively;

(e) The University, acting upon the advice of PFM Financial Advisors LLC, financial advisor to the University (herein called "PFM"), has determined it to be necessary, wise, and in the public interest to modify and amend the terms of the 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond (collectively, the

"Series 2016 Bonds") through the issuance of the Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond, and the Amended and Restated Series 2016-D Bond, respectively, each as hereinafter defined and described (collectively, the "Amended and Restated Series 2016 Bonds"), in exchange for the Series 2016 Bonds, and to enter the Twentieth Supplemental Indenture, all as more particularly described and set forth herein; and

(f) In Article VIII of the Indenture, the University has reserved the right to issue Additional Bonds, secured by a pledge of the Pledged Revenues on a parity with all Additional Bonds outstanding under the Indenture, including the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016-A Bonds, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond, the Series 2020 Bonds, the Series 2021-A Bonds and the Series 2021-B Bond (collectively, the "Outstanding Bonds"), and with such Additional Bonds as shall hereafter be issued upon compliance with the applicable provisions of said Article VIII;

(g) Upon the receipt by the University of the Series 2016 Bonds from STI Institutional and Government, Inc. (in exchange for the Amended and Restated Series 2016 Bonds), the Series 2016 Bonds shall be deemed paid and no longer outstanding under the Indenture; and

(h) This Twentieth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond, and the Amended and Restated Series 2016-D Bond as Additional Bonds under the Indenture.

Additional Definitions

The following definitions are in addition to those contained in the Indenture:

"Adjusted Interest Rate" means, for each of the Amended and Restated Series 2016 Bonds, the rate of interest per annum equal to the sum obtained by adding (i) the product of (x) 79% and (y) USD LIBOR for one month (or any subsequent Benchmark) determined as of the Reference Time as quoted by Bloomberg Finance L.P., or any quoting service or commonly available source utilized by the Purchaser; provided that if said rate as would be less than 0%, then it shall be deemed to be 0%, plus (ii) the Spread for such Amended and Restated Series 2021 Bond, which shall be adjusted monthly on the first day of each Interest Period. The Adjusted Interest Rate shall apply to the entire principal balance outstanding for such Amended and Restated Series 2016 Bond for any Interest Period.

"Amended and Restated Series 2016 Bonds" means the Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond, and the Amended and Restated Series 2016-D Bond.

"Amended and Restated Series 2016-B Bond" means the \$20,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September [___], 2021.

"Amended and Restated Series 2016-C Bond" means the \$35,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September [___], 2021.

"Amended and Restated Series 2016-D Bond" means the \$45,000,000 Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September [___], 2021.

"Benchmark" means, initially, USD LIBOR; provided that if a Benchmark Replacement Date has occurred with respect to USD LIBOR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Article IV hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Determination of Taxability" shall mean, for each of the Amended and Restated Series 2016 Bonds, a determination that interest on such Amended and Restated Series 2016 Bond is includable for federal income tax purposes in the gross income (as defined in Section 61 of the Internal Revenue Code of 1986, as amended, or any successor provision thereto) of the registered owner or any former registered owner of such Amended and Restated Series 2016 Bond upon the first to occur of the following, but if and only if such occurrence is the result of an action or failure to act on the part of the University:

(a) the date on which the University is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the University, or upon any review or audit of the University, the interest on such Amended and Restated Series 2016 Bond is includable in the gross income of each registered owner or former registered owner thereof;

(b) the date on which the University receives notice from the registered owner or any former registered owner of such Amended and Restated Series 2016 Bond in writing that the registered owner or former registered owner of such Amended and Restated Series 2016 Bond has received from the Internal Revenue Service a statutory notice of deficiency or similar notice which asserts in effect that the interest on such Amended and Restated Series 2016 Bond is includable in the gross income of the registered owner or former registered owner of such Amended and Restated Series 2016 Bond;

(c) the date on which the University is advised in writing by the Commissioner or any District Director of the Internal Revenue Service or otherwise receives notice that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on such Amended and Restated Series 2016 Bond is includable for federal income tax purposes in the gross income of the registered owner or former registered owner of such Amended and Restated Series 2016 Bond; or

(d) the date on which the University is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America that the interest on such Amended and Restated Series 2016 Bond is includable in the gross income of the registered owner or former registered owner of such Amended and Restated Series 2016 Bond;

provided, however, (i) interest on such Amended and Restated Series 2016 Bond shall not be deemed includable for federal income tax purposes in the gross income of a registered owner or former registered owner of such Amended and Restated Series 2016 Bond (and, thus, no Determination of Taxability shall occur) because interest is includable in the calculation of income for purposes of an alternative minimum tax or any other type of taxation other than regular federal tax imposed on income, and (ii) no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this definition unless the University has been afforded the opportunity, at the expense of the University, to contest any such conclusion and/or assessment. The University shall be deemed to have been afforded the opportunity to contest if it shall have been permitted to commence and maintain any action in the name of the registered owner or any former registered owner of such Amended and Restated Series 2016 Bond to judgment and through any appeals therefrom or other proceedings related thereto.

"Interest Payment Date" means, for each of the Amended and Restated Series 2016 Bonds, October 1, 2021, and the first day of each month thereafter while such Amended and Restated Series 2016 Bond is outstanding.

"Purchaser" shall mean STI Institutional & Government, Inc., and its successors and permitted assigns or transferees.

"Spread" means (i) as to the Amended and Restated Series 2016-B Bond, 0.72%, or, 0.9114% upon a Determination of Taxability respecting such bond; (ii) as to the Amended and Restated Series 2016-C Bond, 0.77%, or 0.9747% upon a Determination of Taxability respecting such bond; and (iii) as to the Amended and Restated Series 2016-D Bond, 0.83%, or 1.0506% upon a Determination of Taxability respecting such bond.

"USD LIBOR" means the London Interbank Offered Rate for U.S. dollars for a term of 30 days which appears on Bloomberg Professional screen BBAM (or any generally recognized successor method or means of publication) as of 11:00 A.M., London time, one (1) London business day prior to the day on which the rate will become effective.

NOW, THEREFORE, THIS TWENTIETH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

WITNESSETH:

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holders at any time of the Amended and Restated Series 2016 Bonds and the Outstanding Bonds each with each of the others, as follows:

ARTICLE I: AMENDED AND RESTATED SERIES 2016-B BOND

Section 1.1 Description of the Amended and Restated Series 2016-B Bond.

(a) Authorization and General Description.

There is hereby authorized to be issued and delivered by the University under the Indenture one Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September [___], 2021, in the principal amount of \$20,000,000. Principal installments of the Amended and Restated Series 2016-B Bond shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$1,120,000
2025	1,177,000
2026	1,238,000
2027	1,301,000
2028	1,368,000
2029	1,438,000
2030	1,512,000
2031	1,589,000
2032	1,671,000
2033	1,757,000
2034	1,847,000
2035	1,941,000
2036	2,041,000

subject, however, to the right of the holder of the Amended and Restated Series 2016-B Bond to cause principal installments maturing after December 1, 2026 to become earlier due and payable pursuant to the timely exercise of the 2016-B Put Right as set forth in paragraph (b) immediately below.

(b) Optional Put Right.

The holder of the Amended and Restated Series 2016-B Bond shall have the right (the "2016-B Put Right") to elect, not less than 210 days prior to any December 1, commencing December 1, 2026, for all principal installments of the Amended and Restated Series 2016-B Bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-1 hereto (with a copy delivered to the Trustee) and shall be deemed delivered on the date received by the University.

(c) Computation of Interest.

The Amended and Restated Series 2016-B Bond shall bear interest from its September [____], 2021 date at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV hereof. The 2016-B Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [____], 2021 (the date of the Amended and Restated Series 2016-B Bond as shown on the face thereof). Thereafter, the rate will change weekly on each Thursday (each a "2016-B Reset Date"), as described below. The 2016-B Purchaser's determination of the interest rate applicable to the Amended and Restated Series 2016-B Bond shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of the Amended and Restated Series 2016-B Bond will be calculated using the Adjusted Interest Rate, as may be modified pursuant to Section 1.1(d) hereof (the "2016-B Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-B Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-B Purchaser on its loans or bonds purchased by the 2016-B Purchaser, and the University understands that the 2016-B Purchaser may make loans or acquire bonds based on rates different from the Adjusted Interest Rate.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and on each Interest Payment Date thereafter until the Amended and Restated Series 2016-B Bond shall have been fully paid. At least two Business Days prior to each Interest Payment Date, the 2016-B Purchaser shall notify the University and the Trustee in writing of the amount of interest computed by such purchaser to be owed on such Interest Payment Date. In no instance will the applicable interest rate on the Series 2016-B Bond exceed the maximum rate permitted by applicable law.

(d) Yield Maintenance.

The Purchaser has calculated the initial interest rate of the Amended and Restated Series 2016-B Bond assuming a marginal maximum federal corporate tax rate of 21%. In the event of a decrease or increase in the marginal maximum corporate tax rate, the said interest rate shall be adjusted upwards or downwards, respectively, so that the same after tax yield for the Purchaser is maintained. In the event of a change in the Maximum Corporate Tax Rate, the adjusted tax-exempt rate shall be derived by adding (1) the product of (i) 1 minus the Maximum Corporate Tax Rate in effect following the change in the rate times (ii) the Benchmark; plus (2) the Spread ($[1.00 - \text{Maximum Corporate Tax Rate}] \times [\text{the Benchmark}] + \text{the Spread}$). As used herein, the term "Maximum Corporate Tax Rate" means the highest marginal rate of federal income tax imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Purchaser, the maximum statutory rate of federal income taxation which could apply to the Purchaser).

(e) Interest Payment Dates.

In the event an Interest Payment Date is not a Business Day (as defined in the Indenture), the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 1.2 Optional Redemption.

The University shall have the right to redeem and retire the Amended and Restated Series 2016-B Bond, in whole or in part (but if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion) without penalty or premium at anytime and from time to time upon not less than 10 days' prior written notice to the holder of the Amended and Restated Series 2016-B Bond (with a copy to the Trustee), at and for a price equal to 100% of the principal of the Amended and Restated Series 2016-B Bond to be redeemed plus accrued interest to the date set for redemption.

Section 1.3 Method of Payment; Final Payment; Other.

Principal installments of the Amended and Restated Series 2016-B Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama, and without presentment of the Amended and Restated Series 2016-B Bond. Interest on the Amended and Restated Series 2016-B Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the 2016-B Purchaser at its address as it appears on the registry books of the Trustee pertaining to the registration of the Amended and Restated Series 2016-B Bond. All installments of principal of and interest on the Amended and Restated Series 2016-B Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Amended and Restated Series 2016-B Bond. By its acceptance of the Amended and Restated Series 2016-B Bond, the 2016-B Purchaser agrees to surrender the said bond within a reasonable period of time not exceeding thirty (30) days following the final payment thereof; provided however, that the Trustee assumes no liability to any person in the event that the Purchaser should fail to return said bond and no obligation will be imposed upon the Trustee to seek the return of such bond from the Purchaser.

Section 1.4 Form of Amended and Restated Series 2016-B Bond.

The Amended and Restated Series 2016-B Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS AMENDED AND RESTATED SERIES 2016-B BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" OR TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**Amended and Restated University Facilities Revenue Refunding Bond
Series 2016-B**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **STI INSTITUTIONAL & GOVERNMENT, INC.** (together with its successors and permitted assigns and transferees, the "2016-B Purchaser"), the principal sum of **TWENTY MILLION DOLLARS (\$20,000,000)**, in annual installments at the times, in the amounts and as set forth below.

Principal installments hereof shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$1,120,000
2025	1,177,000
2026	1,238,000
2027	1,301,000
2028	1,368,000
2029	1,438,000
2030	1,512,000
2031	1,589,000
2032	1,671,000
2033	1,757,000
2034	1,847,000
2035	1,941,000
2036	2,041,000

subject, however, to the right of the holder of the Amended and Restated Series 2016-B Bond to cause principal installments maturing after December 1, 2026 to become earlier due and payable pursuant to the timely exercise of the 2016-B Put Right as set forth immediately below.

The holder of this bond shall have the right (the "2016-B Put Right") to elect, not less than 210 days prior to any December 1, commencing December 1, 2026, to cause all principal installments of this bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-1 to the Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [___], 2021 (the "Twentieth Supplemental Indenture")

between the University and the Trustee (with a copy delivered to the said Trustee), and shall be deemed delivered on the date received by the University.

This bond shall bear interest from its September [____], 2021 date (the "Dated Date") at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV of the Twentieth Supplemental Indenture. The 2016-B Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [____], 2021 (the date of this bond). Thereafter, the rate will change weekly on each Thursday (each a "2016-B Reset Date"), as described below. As used herein, "Benchmark " shall have the meaning given to such term in the Twentieth Supplemental Indenture. The 2016-B Purchaser's determination of the interest rate applicable to this bond shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of this bond will be calculated using the Adjusted Interest Rate (as defined in the Twentieth Supplemental Indenture), as may be modified pursuant to Section 1.1(d) of the Twentieth Supplemental Indenture (the "2016-B Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-B Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. Interest on this bond shall be subject to further adjustment pursuant to the yield maintenance provisions set forth in Section 1.1(d) of the Twentieth Supplemental Indenture. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-B Purchaser on its loans or bonds purchased by the 2016-B Purchaser, and the University understands that the 2016-B Purchaser may make loans or acquire bonds based on other rates as well.

At least two Business Days prior to each Interest Payment Date, the holder hereof shall notify the University and the Trustee in writing of the amount of interest computed by such holder to be owed on such Interest Payment Date. In no instance will the applicable interest rate on this bond exceed the maximum rate permitted by applicable law.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and monthly thereafter, on the 1st day of each month while this bond is outstanding (each such date, an "Interest Payment Date") until this bond shall have been fully paid.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the 2016-B Purchaser on the applicable Interest Payment Date and at the address of the 2016-B Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the 15th day immediately preceding the date of such payment; provided, if an Interest Payment Date is not a Business Day, the interest or principal due on such date shall be payable on the next succeeding Business Day. Principal on this bond shall be paid without presentment of this instrument. By its acceptance of this bond, the holder hereof agrees to surrender this bond within a reasonable period of time not exceeding thirty (30) days following the final payment hereof; provided however, that the Trustee assumes no liability to any person in the event that the holder should fail to return said bond and no obligation will be imposed upon the Trustee to seek the return of such bond from the holder.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the 2016-B Purchaser at the address for the 2016-B Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by the Twentieth Supplemental Indenture (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee").

The principal of and the interest on this bond is payable solely out of and secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) \$35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September [___], 2021, (i) \$45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September [___], 2021, (j) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (k) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (l) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (m) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (n) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (o) \$40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, and (p) \$15,387,000

University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the 2016-B Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part without penalty or premium, at any time and from time to time (but, if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the holder hereof (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused its corporate seal to be hereunto impressed, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated the Dated Date.

UNIVERSITY OF SOUTH ALABAMA

By: _____
President
University of South Alabama

[S E A L]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee**

By: _____
Its Authorized Officer

Section 1.5 Execution and Delivery of the Amended and Restated Series 2016-B Bond.

The Amended and Restated Series 2016-B Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 1.6 Issuance by Exchange; No Proceeds.

The Amended and Restated Series 2016-B Bond shall be issued by exchange for the Series 2016-B Bond. There will be no proceeds from the sale or issuance of the Amended and Restated Series 2016-B Bond.

ARTICLE II: AMENDED AND RESTATED SERIES 2016-C BOND

Section 2.1 Description of the Amended and Restated Series 2016-C Bond.

(a) Authorization and General Description.

There is hereby authorized to be issued and delivered by the University under the Indenture one Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September [___], 2021, in the principal amount of \$35,000,000. Principal installments of the Amended and Restated Series 2016-C Bond shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$1,960,000
2025	2,059,750
2026	2,166,500
2027	2,276,750
2028	2,394,000
2029	2,516,500
2030	2,646,000
2031	2,780,750
2032	2,924,250
2033	3,074,750
2034	3,232,250
2035	3,396,750
2036	3,571,750

subject, however, to the right of the holder of the Amended and Restated Series 2016-C Bond to cause principal installments maturing after December 1, 2023 to become earlier due and payable pursuant to the timely exercise of the 2016-C Put Right as set forth in paragraph (b) immediately below.

(b) Optional Put Right.

The holder of the Amended and Restated Series 2016-C Bond shall have the right (the "2016-C Put Right") to elect, not less than 210 days prior to any December 1, commencing

December 1, 2028, for all principal installments of the Amended and Restated Series 2016-C Bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-2 hereto (with a copy delivered to the Trustee) and shall be deemed delivered on the date received by the University.

(c) Computation of Interest.

The Amended and Restated Series 2016-C Bond shall bear interest from its September [___], 2021 date at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV hereof. The 2016-C Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [___], 2021 (the date of the Amended and Restated Series 2016-C Bond as shown on the face thereof). Thereafter, the rate will change weekly on each Thursday (each a "2016-C Reset Date"), as described below. The 2016-C Purchaser's determination of the interest rate applicable to the Amended and Restated Series 2016-C Bond shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of the Amended and Restated Series 2016-C Bond will be calculated using the Adjusted Interest Rate, as may be modified pursuant to Section 2.1(d) hereof (the "2016-C Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-C Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-C Purchaser on its loans or bonds purchased by the 2016-C Purchaser, and the University understands that the 2016-C Purchaser may make loans or acquire bonds based on rates different from the Adjusted Interest Rate.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and on each Interest Payment Date thereafter until the Amended and Restated Series 2016-C Bond shall have been fully paid. At least two Business Days prior to each Interest Payment Date, the 2016-C Purchaser shall notify the University and the Trustee in writing of the amount of interest computed by such purchaser to be owed on such Interest Payment Date. In no instance will the applicable interest rate on the Series 2016-C Bond exceed the maximum rate permitted by applicable law.

(d) Yield Maintenance.

The Purchaser has calculated the initial interest rate of the Amended and Restated Series 2016-C Bond assuming a marginal maximum federal corporate tax rate of 21%. In the event of a decrease or increase in the marginal maximum corporate tax rate, the said interest rate shall be adjusted upwards or downwards, respectively, so that the same after tax yield for the Purchaser is maintained. In the event of a change in the Maximum Corporate Tax Rate, the adjusted tax-exempt rate shall be derived by adding (1) the product of (i) 1 minus the Maximum Corporate Tax Rate in effect following the change in the rate times (ii) the Benchmark; plus (2) the Spread $([1.00 - \text{Maximum Corporate Tax Rate}] \times [\text{the Benchmark}] + \text{the Spread})$. As used herein, the term

"Maximum Corporate Tax Rate" means the highest marginal rate of federal income tax imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Purchaser, the maximum statutory rate of federal income taxation which could apply to the Purchaser).

(e) Interest Payment Dates.

In the event an Interest Payment Date is not a Business Day (as defined in the Indenture), the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 2.2 Optional Redemption.

The University shall have the right to redeem and retire the Amended and Restated Series 2016-C Bond, in whole or in part (but if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion) without penalty or premium at anytime and from time to time upon not less than 10 days' prior written notice to the holder of the Amended and Restated Series 2016-C Bond (with a copy to the Trustee), at and for a price equal to 100% of the principal of the Amended and Restated Series 2016-C Bond to be redeemed plus accrued interest to the date set for redemption.

Section 2.3 Method of Payment; Final Payment; Other.

Principal installments of the Amended and Restated Series 2016-C Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama, and without presentment of the Amended and Restated Series 2016-C Bond. Interest on the Amended and Restated Series 2016-C Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the 2016-C Purchaser at its address as it appears on the registry books of the Trustee pertaining to the registration of the Amended and Restated Series 2016-C Bond. All installments of principal of and interest on the Amended and Restated Series 2016-C Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Amended and Restated Series 2016-C Bond. By its acceptance of the Amended and Restated Series 2016-C Bond, the 2016-C Purchaser agrees to surrender the said bond within a reasonable period of time not exceeding thirty (30) days following the final payment thereof; provided however, that the Trustee assumes no liability to any person in the event that the Purchaser should fail to return said bond and no obligation will be imposed upon the Trustee to seek the return of such bond from the Purchaser.

Section 2.4 Form of Amended and Restated Series 2016-C Bond.

The Amended and Restated Series 2016-C Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS AMENDED AND RESTATED SERIES 2016-C BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" OR TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**Amended and Restated University Facilities Revenue Refunding Bond
Series 2016-C**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **STI INSTITUTIONAL & GOVERNMENT, INC.** (together with its successors and permitted assigns and transferees, the "2016-C Purchaser"), the principal sum of **THIRTY FIVE MILLION DOLLARS (\$35,000,000)**, in annual installments at the times, in the amounts and as set forth below.

Principal installments hereof shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$1,960,000
2025	2,059,750
2026	2,166,500
2027	2,276,750
2028	2,394,000
2029	2,516,500
2030	2,646,000
2031	2,780,750
2032	2,924,250
2033	3,074,750
2034	3,232,250
2035	3,396,750
2036	3,571,750

subject, however, to the right of the holder of the Amended and Restated Series 2016-C Bond to cause principal installments maturing after December 1, 2028 to become earlier due and payable pursuant to the timely exercise of the 2016-C Put Right as set forth immediately below.

The holder of this bond shall have the right (the "2016-C Put Right") to elect, not less than 210 days prior to any December 1, commencing December 1, 2028, to cause all principal installments of this bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-2 to the Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [____], 2021 (the "Twentieth Supplemental Indenture") between the University and the Trustee (with a copy delivered to the said Trustee), and shall be deemed delivered on the date received by the University.

This bond shall bear interest from its September [____], 2021 date (the "Dated Date") at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV of the Twentieth Supplemental Indenture. The 2016-C Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [____], 2021 (the date of this bond). Thereafter, the rate will change weekly on each Thursday (each a "2016-C Reset Date"), as described below. As used herein, "Benchmark" shall have the meaning given to such term in the Twentieth Supplemental Indenture. The 2016-C Purchaser's determination of the interest rate applicable to this bond shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of this bond will be calculated using the Adjusted Interest Rate (as defined in the Twentieth Supplemental Indenture), as modified pursuant to Section 2.1(d) of the Twentieth Supplemental Indenture (the "2016-C Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-C Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-C Purchaser on its loans or bonds purchased by the 2016-C Purchaser, and the University understands that the 2016-C Purchaser may make loans or acquire bonds based on other rates as well. By its acceptance of this bond, the holder hereof agrees to surrender this bond within a reasonable period of time not exceeding thirty (30) days following the final payment hereof; provided however, that the Trustee assumes no liability to any person in the event that the holder should fail to return said bond and no obligation will be imposed upon the Trustee to seek the return of such bond from the holder.

At least two Business Days prior to each Interest Payment Date, the holder hereof shall notify the University and the Trustee in writing of the amount of interest computed by such holder to be owed on such Interest Payment Date. In no instance will the applicable interest rate on this bond exceed the maximum rate permitted by applicable law.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and monthly thereafter, on the 1st day of each month while this bond is outstanding (each such date, an "Interest Payment Date") until this bond shall have been fully paid.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the 2016-C Purchaser on the applicable Interest Payment Date and at the address of the 2016-C Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the 15th day immediately preceding the date of such payment; provided, if an Interest Payment Date is not a Business Day, the interest or principal due on such date shall be payable on the next succeeding Business Day. Principal on this bond shall be paid without presentment of this instrument.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the 2016-C Purchaser at the address for the 2016-C Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by the Twentieth Supplemental Indenture (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee").

The principal of and the interest on this bond is payable solely out of and secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) \$20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September [___], 2021, (i) \$45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond,

Series 2016-D, dated September [____], 2021, (j) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (k) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (l) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (m) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (n) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (o) \$40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, and (p) \$15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the 2016-C Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part without penalty or premium, at any time and from time to time (but, if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the holder hereof (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused its corporate seal to be hereunto impressed, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated the Dated Date.

UNIVERSITY OF SOUTH ALABAMA

By: _____
President
University of South Alabama

[S E A L]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee**

By: _____
Its Authorized Officer

Section 2.5 Execution and Delivery of the Amended and Restated Series 2016-C Bond.

The Amended and Restated Series 2016-C Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 2.6 Issuance by Exchange; No Proceeds.

The Amended and Restated Series 2016-C Bond shall be issued by exchange for the Series 2016-C Bond. There will be no proceeds from the sale or issuance of the Amended and Restated Series 2016-C Bond.

ARTICLE III: AMENDED AND RESTATED SERIES 2016-D BOND

Section 3.1 Description of the Amended and Restated Series 2016-D Bond.

(a) Authorization and General Description.

There is hereby authorized to be issued and delivered by the University under the Indenture one Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September [___], 2021, in the principal amount of \$45,000,000. Principal installments of the Amended and Restated Series 2016-D Bond shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$2,520,000
2025	2,648,250
2026	2,785,500
2027	2,927,250
2028	3,078,000
2029	3,235,500
2030	3,402,000
2031	3,575,250
2032	3,759,750
2033	3,953,250
2034	4,155,750
2035	4,367,250
2036	4,592,250

subject, however, to the right of the holder of the Amended and Restated Series 2016-D Bond to cause principal installments maturing after December 1, 2031 to become earlier due and payable pursuant to the timely exercise of the 2016-D Put Right as set forth in paragraph (b) immediately below.

(b) Optional Put Right.

The holder of the Amended and Restated Series 2016-D Bond shall have the right (the "2016-D Put Right") to elect, not less than 210 days prior to any December 1, commencing December 1, 2031, for all principal installments of the Amended and Restated Series 2016-D Bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-3 hereto (with a copy delivered to the Trustee) and shall be deemed delivered on the date received by the University.

(c) Computation of Interest.

The Amended and Restated Series 2016-D Bond shall bear interest from its September [___], 2021 date at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV hereof. The 2016-D Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [___], 2021 (the date of the Amended and Restated Series 2016-D Bond as shown on the face thereof). Thereafter, the rate will change weekly on each Thursday (each a "2016-D Reset Date"), as described below. The 2016-D Purchaser's determination of the interest rate applicable to the Amended and Restated Series 2016-D Bond shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of the Amended and Restated Series 2016-D Bond will be calculated using the Adjusted Interest Rate, as may be modified pursuant to Section 3.1(d) hereof (the "2016-D Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-D Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-D Purchaser on its loans or bonds purchased by the 2016-D Purchaser, and the University understands that the 2016-D Purchaser may make loans or acquire bonds based on rates different from the Adjusted Interest Rate.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and on each Interest Payment Date thereafter until the Amended and Restated Series 2016-D Bond shall have been fully paid. At least two Business Days prior to each Interest Payment Date, the 2016-D Purchaser shall notify the University and the Trustee in writing of the amount of interest computed by such purchaser to be owed on such Interest Payment Date. In no instance will the applicable interest rate on the Series 2016-D Bond exceed the maximum rate permitted by applicable law.

(d) Yield Maintenance.

The Purchaser has calculated the initial interest rate of the Amended and Restated Series 2016-D Bond assuming a marginal maximum federal corporate tax rate of 21%. In the event of a

decrease or increase in the marginal maximum corporate tax rate, the said interest rate shall be adjusted upwards or downwards, respectively, so that the same after tax yield for the Purchaser is maintained. In the event of a change in the Maximum Corporate Tax Rate, the adjusted tax-exempt rate shall be derived by adding (1) the product of (i) 1 minus the Maximum Corporate Tax Rate in effect following the change in the rate times (ii) the Benchmark; plus (2) the Spread $([1.00 - \text{Maximum Corporate Tax Rate}] \times [\text{the Benchmark}] + \text{the Spread})$. As used herein, the term "Maximum Corporate Tax Rate" means the highest marginal rate of federal income tax imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Purchaser, the maximum statutory rate of federal income taxation which could apply to the Purchaser).

(e) Interest Payment Dates.

In the event an Interest Payment Date is not a Business Day (as defined in the Indenture), the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 3.2 Optional Redemption.

The University shall have the right to redeem and retire the Amended and Restated Series 2016-D Bond, in whole or in part (but if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion) without penalty or premium at anytime and from time to time upon not less than 10 days' prior written notice to the holder of the Amended and Restated Series 2016-D Bond (with a copy to the Trustee), at and for a price equal to 100% of the principal of the Amended and Restated Series 2016-D Bond to be redeemed plus accrued interest to the date set for redemption.

Section 3.3 Method of Payment; Final Payment; Other.

Principal installments of the Amended and Restated Series 2016-D Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama, and without presentment of the Amended and Restated Series 2016-D Bond. Interest on the Amended and Restated Series 2016-D Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the 2016-D Purchaser at its address as it appears on the registry books of the Trustee pertaining to the registration of the Amended and Restated Series 2016-D Bond. All installments of principal of and interest on the Amended and Restated Series 2016-D Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Amended and Restated Series 2016-D Bond. By its acceptance of the Amended and Restated Series 2016-D Bond, the 2016-D Purchaser agrees to surrender the said bond within a reasonable period of time not exceeding thirty (30) days following the final payment thereof; provided however, that the Trustee assumes no liability to any person in the event that the Purchaser should fail to return said bond

and no obligation will be imposed upon the Trustee to seek the return of such bond from the Purchaser.

Section 3.4 Form of Amended and Restated Series 2016-D Bond.

The Amended and Restated Series 2016-D Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS AMENDED AND RESTATED SERIES 2016-D BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" OR TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**Amended and Restated University Facilities Revenue Refunding Bond
Series 2016-D**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **STI INSTITUTIONAL & GOVERNMENT, INC.** (together with its successors and permitted assigns and transferees, the "2016-D Purchaser"), the principal sum of **FORTY FIVE MILLION DOLLARS (\$45,000,000)**, in annual installments at the times, in the amounts and as set forth below.

Principal installments hereof shall mature and become payable on December 1 in the following years and amounts:

Year	Maturing Principal Installment
2024	\$2,520,000
2025	2,648,250
2026	2,785,500
2027	2,927,250
2028	3,078,000
2029	3,235,500
2030	3,402,000
2031	3,575,250
2032	3,759,750
2033	3,953,250

Year	Maturing Principal Installment
2034	4,155,750
2035	4,367,250
2036	4,592,250

subject, however, to the right of the holder of the Amended and Restated Series 2016-D Bond to cause principal installments maturing after December 1, 2031 to become earlier due and payable pursuant to the timely exercise of the 2016-D Put Right as set forth immediately below.

The holder of this bond shall have the right (the "2016-D Put Right") to elect, not less than 210 days prior to any December 1, commencing December 1, 2031, to cause all principal installments of this bond scheduled to mature after such December 1 to mature and become due and payable on such December 1. Any such election must be delivered in writing to the University pursuant to the form attached as Exhibit A-3 to the Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [___], 2021 (the "Twentieth Supplemental Indenture") between the University and the Trustee (with a copy delivered to the said Trustee), and shall be deemed delivered on the date received by the University.

This bond shall bear interest from its September [___], 2021 date (the "Dated Date") at a rate subject to change from time to time based on changes in an independent index, which is the Benchmark. The Benchmark shall be subject to change, from time to time, as provided and set forth in Article IV of the Twentieth Supplemental Indenture. The 2016-D Purchaser will promptly notify the University and the Trustee in writing of the then-current Benchmark rate upon each determination thereof. The rate will initially become effective on September [___], 2021 (the date of this bond). Thereafter, the rate will change weekly on each Thursday (each a "2016-D Reset Date"), as described below. As used herein, "Benchmark" shall have the meaning given to such term in the Twentieth Supplemental Indenture. The 2016-D Purchaser's determination of the interest rate shall be conclusive, absent manifest error.

Interest on the unpaid principal balance of this bond will be calculated using the Adjusted Interest Rate, as modified pursuant to Section 3.1(d) of the Twentieth Supplemental Indenture (the "2016-B Weekly Interest Rate"), and will be calculated using the weighted average of the 2016-D Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. The Adjusted Interest Rate is not necessarily the lowest rate charged by the 2016-D Purchaser on its loans or bonds purchased by the 2016-D Purchaser, and the University understands that the 2016-D Purchaser may make loans or acquire bonds based on other rates as well. By its acceptance of this bond, the holder hereof agrees to surrender this bond within a reasonable period of time not exceeding thirty (30) days following the final payment hereof; provided however, that the Trustee assumes no liability to any person in the event that the holder should fail to return said bond and no obligation will be imposed upon the Trustee to seek the return of such bond from the holder.

At least two Business Days prior to each Interest Payment Date, the holder hereof shall notify the University and the Trustee in writing of the amount of interest computed by such holder

to be owed on such Interest Payment Date. In no instance will the applicable interest rate on this bond exceed the maximum rate permitted by applicable law.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on October 1, 2021, and monthly thereafter, on the 1st day of each month while this bond is outstanding (each such date, an "Interest Payment Date") until this bond shall have been fully paid.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the 2016-D Purchaser on the applicable Interest Payment Date and at the address of the 2016-D Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the 15th day immediately preceding the date of such payment; provided, if an Interest Payment Date is not a Business Day, the interest or principal due on such date shall be payable on the next succeeding Business Day. Principal on this bond shall be paid without presentment of this instrument.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the 2016-D Purchaser at the address for the 2016-D Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by the Twentieth Supplemental Indenture (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee").

The principal of and the interest on this bond is payable solely out of and secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) \$10,000,000 original principal

amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) \$20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September [___], 2021, (i) \$35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September [___], 2021, (j) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (k) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (l) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (m) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (n) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (o) \$40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, and (p) \$15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the 2016-D Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part without penalty or premium, at any time and from time to time (but, if in part, in multiples of \$250,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the holder hereof (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused its corporate seal to be hereunto impressed, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated the Dated Date.

UNIVERSITY OF SOUTH ALABAMA

By: _____
President
University of South Alabama

[S E A L]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee**

By: _____
Its Authorized Officer

Section 3.5 Execution and Delivery of the Amended and Restated Series 2016-D Bond. The Amended and Restated Series 2016-D Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 3.6 Issuance by Exchange; No Proceeds. The Amended and Restated Series 2016-D Bond shall be issued by exchange for the Series 2016-D Bond. There will be no proceeds from the sale or issuance of the Amended and Restated Series 2016-D Bond.

ARTICLE IV: CONCERNING THE CODE; CHANGES TO BENCHMARK

Section 4.1 Concerning the Code.

(a) General.

The University recognizes that the Code imposes certain conditions to the exemption from federal income taxation of interest income on the Amended and Restated Series 2016 Bonds. Accordingly, the University agrees that it will continually comply with all requirements imposed by the Code as a condition to the exemption from federal income taxation of the interest income on the Amended and Restated Series 2016 Bonds. With respect to any question arising under this Section 4.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) Amended and Restated Series 2016 Bonds not to be "Private Activity Bonds".

The University will not apply the proceeds of the Amended and Restated Series 2016 Bonds in any manner that would cause the Amended and Restated Series 2016 Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) Concerning the Arbitrage Provisions of the Code.

The University agrees that it will comply with all provisions of the Code necessary to preclude the Amended and Restated Series 2016 Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code.

(d) Provisions Respecting Registration of Amended and Restated Series 2016 Bonds to Comply with Provisions of Code.

The University and the Trustee recognize that the provisions of the Code require that the Amended and Restated Series 2016 Bonds be in "registered form" and that, in general, the Amended and Restated Series 2016 Bonds must be registered as to both principal and interest and any transfer of the Amended and Restated Series 2016 Bonds must be effected only by the surrender of the old bond and either by the reissuance of the old bond to a new Holder or the issuance of a new bond to a new Holder. The Trustee may conclusively rely upon an opinion of nationally recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of any of the Amended and Restated Series 2016 Bonds.

Section 4.2 Changes in the Benchmark.

(a) Benchmark Replacement.

Notwithstanding anything to the contrary herein or in any other Bond Document, for each of the Amended and Restated Series 2016 Bonds, if a Benchmark Replacement Date has occurred prior to the Reference Time in respect of any setting of the then-current Benchmark on any date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Bond Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, such Amended and Restated Series 2016 Bond or any other Bond Document.

(b) Benchmark Replacement Conforming Changes.

In connection with the implementation of a Benchmark Replacement for an Amended and Restated Series 2016 Bond, the Lender will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Bond Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the University.

(c) Notices; Standards for Decisions and Determinations.

The Lender will promptly notify the University and the Trustee of (i) any occurrence of a Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination or decision that may be made by Lender pursuant to this Section 4.2, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non- occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in Lender's sole discretion and without consent from the University.

(d) Benchmark Unavailability Period.

With respect to each of the Amended and Restated Series 2016 Bonds, upon the University's receipt of notice of the commencement of a Benchmark Unavailability Period, the reference to "USD LIBOR" or "Benchmark" in the definitions of "Adjusted Interest Rate" shall be deemed and interpreted to mean the "Standard Rate", and the Spread and fixed minimum rates, if any, shall continue to apply.

(e) Certain Defined Terms.

In addition to the terms defined in this Twentieth Supplemental Indenture, the following definitions shall apply for purposes of this Section 4.2:

"Benchmark Replacement" means, for any Interest Period, the sum of the successor index and any applicable spread adjustment that would apply for derivatives transactions referencing the ISDA Definitions upon the occurrence of an index cessation effective date with respect to the then-current Benchmark for the applicable tenor; provided that if the Benchmark Replacement would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of the Bond and the other Bond Documents. In the event of the payment of any principal prior to the last day of an Interest Period for any reason, any reference to the Benchmark Replacement shall mean the most recent Benchmark Replacement rate available as determined by Lender in its reasonable discretion.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes in a manner consistent with market practice (including changes to the definition of "Business Day", the definition of "Interest Period, timing and frequency of determining rates and making payments of interest, conversion or continuation notices, length of lookback periods and other technical, administrative or operational matters) that Lender decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Lender in a manner Lender decides is reasonably necessary in connection with the administration of the Amended and Restated Series 2016 Bonds and the other Bond Documents.

"Benchmark Replacement Date" means the occurrence of an index cessation effective date with respect to an index cessation event for the then-current Benchmark, upon which the then-current Benchmark would be replaced in derivatives transactions referencing the ISDA Definitions.

"Benchmark Unavailability Period" means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Bond Document in accordance with this Section 4.2 and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Bond Document in

accordance with Section 4.2.

"Bond Documents" means, for each Amended and Restated Series 2016 Bond, the Tuition Revenue Trust Indenture, dated as of February 15, 1996, as previously supplemented and amended and as further supplemented and amended by this Twentieth Supplemental Indenture and by such Amended and Restated Series 2016 Bond.

"Federal Funds Rate" shall mean, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the holder of the Amended and Restated Series 2016 Bonds.

"Floor" means, for each Amended and Restated Series 2016 Bond, the Benchmark rate floor, if any, provided in such Amended and Restated Series 2016 Bond initially (as of the execution of such Amended and Restated Series 2016 Bond, the modification or amendment of such Amended and Restated Series 2016 Bond or otherwise) with respect to USD LIBOR.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

"Interest Period" means, for each of the Amended and Restated Series 2016 Bonds, the one month period commencing on the first day of each month and each subsequent period shall commence on the first day of each month; provided that the first Interest Period shall commence on the date such Amended and Restated Series 2016 Bond is first issued and end on the last day of the month in which such Amended and Restated Series 2016 Bond is issued.

"Lender" shall mean, as used in this Section 4.2, for each of the Amended and Restated Series 2016 Bonds, the holder of such bond.

"Prime Rate" means, with respect to each of the Amended and Restated Series 2016 Bonds, the interest rate announced by the holder thereof from time to time as its prime rate; with any change in the Prime Rate being effective as of the date such change is announced by said holder.

"Reference Time" with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by Lender in

its reasonable discretion.

"Standard Rate" means, for any day, the rate of interest per annum equal to the lesser of (i) the Federal Funds Rate plus 1.00% and (ii) the Prime Rate, provided that in no event will the Standard Rate ever be less than 0%. Each change in the Standard Rate shall be effective on the date any change in the Prime Rate is publicly announced as being effective, if applicable.

(f) In no instance will the applicable interest rate on the Amended and Restated Series 2016 Bonds, or any of them, exceed the maximum rate permitted by applicable law.

(g) The application of the Benchmark based upon the ISDA Definitions is an accommodation to the University in recognition of the existence of an interest rate swap derivative instrument (the "Interest Rate Swap") used by the University as a hedge. The Interest Rate Swap was not provided by the Lender or any affiliate of the Lender and the University acknowledges that the Lender has made no representations that the provider of the Interest Rate Swap will adopt the same ISDA-based benchmark or will apply any alternate benchmark at the same time or in a manner consistent with the application by the Lender as described in this Section 4.2.

ARTICLE V: CONCERNING PLEDGED REVENUES; CONFIRMATION OF INDENTURE, AS SUPPLEMENTED; OTHER

Section 5.1 Confirmation of Indenture.

All the terms, covenants and conditions of the Indenture, as supplemented hereby, are hereby in all respects ratified and confirmed, and the Indenture as so supplemented shall continue in full force and effect. In addition, each of the Trustee and the University confirms that the Trustee shall have no duties, express or implied, respecting the proceeds of the Amended and Restated Series 2016 Bonds during any time when the Trustee is not the depository of such amounts or respecting any other construction funds established under the Indenture for which the Trustee is not the depository.

Section 5.2 Confirmation of Pledges.

The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

Section 5.3 Construction of Twentieth Supplemental University Facilities Revenue Trust Indenture.

No provisions of this Twentieth Supplemental University Facilities Revenue Trust Indenture shall be construed to limit or restrict, either expressly or impliedly, the obligations of the University contained in the Indenture or the powers of the Trustee thereunder, nor shall the provisions of this Twentieth Supplemental University Facilities Revenue Trust Indenture be construed in any manner inconsistent with the provisions of the Indenture or in any manner that would adversely affect the interest of the Purchaser as holder of the Amended and Restated Series 2016 Bonds.

Section 5.4 Authorized Denominations.

Each of the Amended and Restated Series 2016 Bonds may have principal installments maturing in denominations of any amount.

Section 5.5 Severability.

In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 5.6 Special Reporting Covenants.

For each of the Amended and Restated Series 2016 Bonds, the University shall provide the holder thereof the following:

- (i) Audited financial statements of the University within 150 days following the close of each fiscal year of the University, commencing with the fiscal year ending September 30, 2022;
- (ii) quarterly financial statements of the University within 90 days following the close of each fiscal quarter of the University, commencing with the fiscal quarter ending December 31, 2016; and
- (iii) the annual budget for the University by October 31 of each year, commencing October 31, 2022.

Section 5.7 Communications; No Advisory or Fiduciary Relationship.

(a) The University hereby authorizes and consents to communications by the Purchaser with the Trustee with regard to the Amended and Restated Series 2016 Bonds including, without limitation, notices of amounts due, interest rate computations and interest amounts.

(b) In connection with all aspects of each transaction contemplated hereunder (including in connection with any amendment, waiver or other modification hereof or of the Amended and Restated Series 2016 Bonds or any other document delivered in connection herewith), the University acknowledges and agrees, that: (1) (i) the University has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, (ii) the University is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the Amended and Restated Series 2016 Bonds, (iii) the Purchaser is not acting as a municipal advisor or financial advisor to the University, and (iv) the Purchaser has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act to the University with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser has provided other services or is currently providing other services to the University on other matters); (2) (i) the Purchaser is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary,

for the University, or any other person, and (ii) the Purchaser has no obligation to the University, with respect to the transactions contemplated hereby except those obligations expressly set forth herein; and (3) the Purchaser may be engaged in a broad range of transactions that involve interests that differ from those of the University, and the Purchaser has no obligation to disclose any of such interests to the University. To the fullest extent permitted by law, the University hereby waives and releases any claims that it may have against the Purchaser with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby. If the University would like a municipal advisor in this transaction that has legal fiduciary duties to the University, the University is free to engage a municipal advisor to serve in that capacity. The Amended and Restated Series 2016 Bonds are being acquired pursuant to and in reliance upon the bank exemption and/or the institutional buyer exemption provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 et seq., to the extent that such rules apply to the transactions contemplated hereunder or in the Amended and Restated Series 2016 Bonds.

Section 5.8 Severability.

In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 5.9 No Broker Confirmations.

The University agrees that broker confirmations of investments in connection with the Amended and Restated Series 2016 Bonds are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 5.10 Electronic Communications.

The Trustee shall have the right to accept and act upon directions or instructions given by the University and delivered using Electronic Means (defined below); provided, however, that the University shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the University elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The University understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The University agrees: (i) to assume all risks

arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. “Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

IN WITNESS WHEREOF, the University and the Trustee have each caused this Twentieth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf by an authorized officer thereof, have caused its corporate seal to be hereunto affixed, and have caused this Twentieth Supplemental University Facilities Revenue Trust Indenture to be dated the Effective Date.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Acting President

[S E A L]

Attest:

Secretary of the Board of Trustees

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee**

By: _____

Its: _____

[S E A L]

Attest:

Its: _____

Exhibit A-1: Form of Put Notice Series 2016-B Bond

The undersigned, as holder of the \$20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September [____], 2021, does hereby elect in accordance with the provisions of Section 1.1(b) of that certain Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [____], 2021 between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., for all principal installments of the Series 2016-B Bond to become due and payable on December ____, 20__ (such date being not earlier than December 1, 2026 and a date that is not less than 210 days from the date of receipt by the University of this notice).

Dated this ____ day of _____, 20__.

By: _____

Its: _____

Exhibit A-2: Form of Put Notice Series 2016-C Bond

The undersigned, as holder of the \$35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September [____], 2021, does hereby elect in accordance with the provisions of Section 2.1(b) of that certain Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [____], 2021 between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., for all principal installments of the Series 2016-C Bond to become due and payable on December ____, 20__ (such date being not earlier than December 1, 2028 and a date that is not less than 210 days from the date of receipt by the University of this notice).

Dated this ____ day of _____, 20__.

By: _____

Its: _____

Exhibit A-3: Form of Put Notice Series 2016-D Bond

The undersigned, as holder of the \$45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September [____], 2021, does hereby elect in accordance with the provisions of Section 3.1(b) of that certain Twentieth Supplemental University Facilities Revenue Trust Indenture dated September [____], 2021 between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., for all principal installments of the Series 2016-D Bond to become due and payable on December ____, 20__ (such date being not earlier than December 1, 2031 and a date that is not less than 210 days from the date of receipt by the University of this notice).

Dated this ____ day of _____, 20__.

By: _____

Its: _____

STATE OF ALABAMA)
 :
COUNTY OF MOBILE)

I, _____, a Notary Public in and for said county in said state, hereby certify that John Smith, whose name as Acting President of the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this _____ day of _____, 2021.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

I, _____, a Notary Public in and for said county in said state, hereby certify that Stuart Statham, whose name as Vice President of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A.**, in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented and amended, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this ____ day of _____, 2021.

Notary Public

[NOTARIAL SEAL]



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: August 30, 2021

TO: Interim President John W. Smith

A handwritten signature in black ink, appearing to be 'JWS', written over the name 'John W. Smith'.

FROM: G. Scott Weldon

A handwritten signature in black ink, appearing to be 'Scott', written over the name 'G. Scott Weldon'.

SUBJECT: Resolution for University Budget for 2021-2022

Attached is the Resolution for the University Total Budget for 2021-2022. With your approval, we will place this item on the agenda for the September 3, 2021, Board of Trustees meeting.

Attachment

RESOLUTION

UNIVERSITY TOTAL BUDGET FOR 2021-2022

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2021-2022 University of South Alabama Total Budget, and

BE IT RESOLVED, the University of South Alabama Board of Trustees approves a salary supplement for the University General Division in fiscal year 2021-2022 and fiscal year 2022-2023, subject to University personnel guidelines and procedures, and

BE IT FURTHER RESOLVED that the University of South Alabama Board of Trustees approves the 2021-2022 Total Budget as a continuation for 2022-2023 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2022-2023 fiscal year.



**UNIVERSITY OF SOUTH ALABAMA
BUDGET
2021-2022**

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**UNIVERSITY OF SOUTH ALABAMA
2021-2022 BUDGET SUMMARY
TOTAL CURRENT FUNDS**

	2021-2022 BUDGET			2020-2021 BUDGET
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 160,080,362	\$	\$ 160,080,362	\$ 159,882,799
STATE APPROPRIATIONS	129,097,530		129,097,530	121,563,708
FEDERAL GRANTS AND CONTRACTS	5,395,768	76,000,000	81,395,768	41,560,832
STATE AND LOCAL GRANTS AND CONTRACTS	588,055	8,500,000	9,088,055	7,475,943
PRIVATE GIFTS, GRANTS AND CONTRACTS	6,281,552	7,600,000	13,881,552	10,682,350
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	8,458,000		8,458,000	7,300,000
USA HEALTH	798,724,991		798,724,991	716,575,042
AUXILIARY SERVICES	22,385,035		22,385,035	20,852,426
OTHER SOURCES	10,571,507	6,700,000	17,271,507	14,594,524
TOTAL REVENUES	1,141,582,800	98,800,000	1,240,382,800	1,100,487,624
EXPENDITURES AND MANDATORY TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	111,425,142	9,600,000	121,025,142	117,988,926
RESEARCH	9,444,822	24,100,000	33,544,822	23,477,640
PUBLIC SERVICE	3,089,575	6,100,000	9,189,575	7,012,186
ACADEMIC SUPPORT	31,507,565		31,507,565	31,824,762
STUDENT SERVICES	34,888,889	900,000	35,788,889	33,096,353
INSTITUTIONAL SUPPORT	27,928,850	25,400,000	53,328,850	25,973,257
OPERATION AND MAINTENANCE OF PLANT	35,951,371		35,951,371	33,272,466
SCHOLARSHIPS	29,406,535	34,500,000	63,906,535	55,987,978
EDUCATIONAL AND GENERAL EXPENDITURES	283,642,749	100,600,000	384,242,749	328,633,568
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	19,828,219		19,828,219	20,141,845
LOAN FUND MATCHING GRANTS	150,000		150,000	150,000
TOTAL EDUCATIONAL AND GENERAL	303,620,968	100,600,000	404,220,968	348,925,413
USA HEALTH:				
EXPENDITURES	756,929,085		756,929,085	674,868,290
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	16,656,122		16,656,122	9,300,366
TOTAL USA HEALTH	773,585,207		773,585,207	684,168,656
AUXILIARY SERVICES:				
EXPENDITURES	15,647,201		15,647,201	15,147,338
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST	5,442,017		5,442,017	5,364,342
TOTAL AUXILIARY SERVICES	21,089,218		21,089,218	20,511,680
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	1,098,295,393	100,600,000	1,198,895,393	1,053,605,749
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
RENEWALS AND REPLACEMENTS	(4,052,874)		(4,052,874)	(1,100,347)
OTHER TRANSFERS	(39,234,533)	1,800,000	(37,434,533)	(45,781,528)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ -	\$ -	\$ -	\$ -

**UNIVERSITY OF SOUTH ALABAMA
2021-2022 BUDGET SUMMARY
RESTRICTED CURRENT FUNDS**

	<u>OPERATIONS AND MAINTENANCE</u>	<u>COLLEGE OF MEDICINE</u>	<u>USA HEALTH</u>	<u>2021-2022 BUDGET</u>	<u>2020-2021 BUDGET</u>
REVENUES:					
FEDERAL GRANTS AND CONTRACTS	\$ 60,300,000	\$ 10,100,000	\$ 5,600,000	\$ 76,000,000	\$ 36,400,000
STATE AND LOCAL GRANTS AND CONTRACTS	5,600,000	2,900,000		8,500,000	6,900,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	4,200,000	2,700,000	700,000	7,600,000	5,200,000
OTHER	<u>4,200,000</u>	<u>2,500,000</u>		<u>6,700,000</u>	<u>6,200,000</u>
TOTAL REVENUES	<u>74,300,000</u>	<u>18,200,000</u>	<u>6,300,000</u>	<u>98,800,000</u>	<u>54,700,000</u>
EXPENDITURES:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	6,050,000	3,550,000		9,600,000	6,800,000
RESEARCH	13,200,000	10,100,000	800,000	24,100,000	15,600,000
PUBLIC SERVICE	2,650,000	3,450,000		6,100,000	3,900,000
STUDENT SERVICES	900,000			900,000	900,000
INSTITUTIONAL SUPPORT	19,900,000		5,500,000	25,400,000	
SCHOLARSHIPS	<u>33,300,000</u>	<u>1,200,000</u>		<u>34,500,000</u>	<u>29,600,000</u>
TOTAL EXPENDITURES	<u>76,000,000</u>	<u>18,300,000</u>	<u>6,300,000</u>	<u>100,600,000</u>	<u>56,800,000</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
OTHER TRANSFERS	<u>1,700,000</u>	<u>100,000</u>		<u>1,800,000</u>	<u>2,100,000</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
OPERATIONS AND MAINTENANCE
2021-2022 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>2021-2022 BUDGET</u>	<u>2020-2021 BUDGET</u>
REVENUES:		
TUITION AND FEES	\$ 149,710,362	\$ 149,917,799
ALLOCATION OF STATE APPROPRIATIONS	79,266,753	74,455,653
FEDERAL GRANTS AND CONTRACTS	1,195,768	960,832
STATE GRANTS AND CONTRACTS	378,461	366,349
PRIVATE GIFTS, GRANTS AND CONTRACTS	4,501,552	3,967,350
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	8,108,000	6,900,000
OTHER SOURCES	<u>8,571,507</u>	<u>6,294,524</u>
TOTAL REVENUES	<u>251,732,403</u>	<u>242,862,507</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	87,712,528	86,802,811
RESEARCH	3,277,822	3,255,640
PUBLIC SERVICE	2,105,296	2,062,632
ACADEMIC SUPPORT	25,401,261	25,207,630
STUDENT SERVICES	34,462,953	31,721,035
INSTITUTIONAL SUPPORT	23,390,267	21,653,066
OPERATION AND MAINTENANCE OF PLANT	28,844,589	26,088,781
SCHOLARSHIPS	<u>27,599,035</u>	<u>24,774,228</u>
EDUCATIONAL AND GENERAL EXPENDITURES	<u>232,793,751</u>	<u>221,565,823</u>
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	19,828,219	20,141,845
LOAN FUND MATCHING GRANTS	<u>150,000</u>	<u>150,000</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>252,771,970</u>	<u>241,857,668</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	(730,000)	(730,000)
OTHER TRANSFERS	<u>1,769,567</u>	<u>(274,839)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

**UNIVERSITY OF SOUTH ALABAMA
COLLEGE OF MEDICINE
2021-2022 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>2021-2022 BUDGET</u>	<u>2020-2021 BUDGET</u>
REVENUES:		
TUITION AND FEES	\$ 10,370,000	\$ 9,965,000
ALLOCATION OF STATE APPROPRIATIONS	33,939,404	31,878,151
FEDERAL GRANTS AND CONTRACTS	4,200,000	4,200,000
STATE GRANTS AND CONTRACTS	209,594	209,594
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,780,000	1,515,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	350,000	400,000
OTHER SOURCES	<u>2,000,000</u>	<u>2,100,000</u>
TOTAL REVENUES	<u>52,848,998</u>	<u>50,267,745</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	23,712,614	24,386,115
RESEARCH	6,167,000	4,622,000
PUBLIC SERVICE	984,279	1,049,554
ACADEMIC SUPPORT	6,106,304	6,617,132
STUDENT SERVICES	425,936	475,318
INSTITUTIONAL SUPPORT	4,538,583	4,320,191
OPERATION AND MAINTENANCE OF PLANT	7,106,782	7,183,685
SCHOLARSHIPS	<u>1,807,500</u>	<u>1,613,750</u>
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	<u>50,848,998</u>	<u>50,267,745</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS	<u>(2,000,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**UNIVERSITY OF SOUTH ALABAMA
USA HEALTH
2021-2022 BUDGET
UNRESTRICTED CURRENT FUNDS**

	2021-2022 BUDGET	2020-2021 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	\$ 1,668,981,372	\$ 1,450,133,390
CONTRACTUAL ADJUSTMENTS	882,273,364	763,151,778
OTHER ADJUSTMENTS	16,961,341	6,431,460
TOTAL DEDUCTIONS FROM REVENUES	<u>899,234,705</u>	<u>769,583,238</u>
NET PATIENT REVENUES	<u>769,746,667</u>	<u>680,550,152</u>
ALLOCATION OF STATE APPROPRIATIONS	15,891,373	15,229,904
MOBILE COUNTY HOSPITAL BOARD	17,920,537	18,167,885
MOBILE COUNTY INDIGENT CARE BOARD	350,000	366,445
MEDICAID DISPROPORTIONATE SHARE	2,493,739	10,167,395
OTHER REVENUES	<u>8,214,048</u>	<u>7,323,165</u>
TOTAL REVENUES	<u>814,616,364</u>	<u>731,804,946</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
NURSING SERVICES	192,583,386	167,241,123
PROFESSIONAL SERVICES	149,582,284	140,023,920
GENERAL DIVISION	26,567,387	22,897,522
ADMINISTRATIVE DIVISION	94,687,442	86,031,220
MEDICAL EDUCATION	23,734,882	21,470,267
AMBULATORY CLINICS	157,722,252	132,041,254
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>112,051,452</u>	<u>105,162,984</u>
TOTAL EXPENDITURES	<u>756,929,085</u>	<u>674,868,290</u>
MANDATORY TRANSFERS FOR:		
PRINCIPAL AND INTEREST	<u>16,656,122</u>	<u>9,300,366</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>773,585,207</u>	<u>684,168,656</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	<u>(41,031,157)</u>	<u>(47,636,290)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>

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

2021-2022
\$ 129,097,530

2020-2021
\$ 121,563,708



UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA HEALTH

DATE: September 2, 2021

TO: John Smith
Interim President, University of Sou

FROM: John Marymont, M.D., MBA
Vice President for Medical Affairs
Dean of the College of Medicine
University of South Alabama

A handwritten signature in black ink, appearing to read 'John V. Marymont'. The signature is written in a cursive style and is positioned to the right of the 'FROM:' field. Above the signature, there are some faint, illegible handwritten marks that look like 'GA'.

SUBJECT: Naming USA Health Medical Campus Street: USA Health Boulevard

The purpose of this memorandum is to recommend to you that the main access road running through the USA Health Medical Campus from Hillcrest Road to Old Shell Road be named the following:

USA Health Boulevard

My request is that the attached resolution be presented to the University of South Alabama Board of Trustees for approval. Thank you for your continued support of USA Health.

ATTACHMENT: Proposed Resolution Naming USA Health Boulevard

Cc. Monica

RESOLUTION

NAMING OF USA HEALTH BOULEVARD

WHEREAS, the University of South Alabama (“the University”) owns a medical campus known as the USA Health Medical Campus (“Medical Campus”) on land located directly south of the University’s main campus and shown more particularly on the medical campus plat attached as Exhibit A, and

WHEREAS, USA Health has planned the development of the Medical Campus to include: (1) the USA Health University Hospital Freestanding Emergency Department; (2) a 90,000 sq. ft. professional medical office building; and (3) other healthcare facilities in support of the clinical and teaching functions of the University, and

WHEREAS, the Board of Trustees desires to provide a suitable name for the street running through the Medical Campus as shown on Exhibit A,

THEREFORE, BE IT RESOLVED, pending notification of emergency services and logistical considerations, the University of South Alabama Board of Trustees hereby names the street, identified on the Medical Campus plat attached as Exhibit A, *USA Health Boulevard*.

EXHIBIT A

USA HEALTH MEDICAL CAMPUS PLAT



UNIVERSITY OF
SOUTH ALABAMA

OLD SHELL RD



1.3
ACRES

5.71
ACRES

1.3
ACRES

2.07
ACRES

2.21
ACRES

1.46
ACRES

USA HEALTH
Boulevard

3.68
ACRES

4.66
ACRES

6.32
ACRES

F.E.D.

2.58
ACRES

HILLCREST RD

WEST DR



SCALE 1"=100'

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**



**LONG-RANGE PLANNING
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Long-Range Planning Committee

**June 3, 2021
3:46 p.m.**

A meeting of the Long-Range Planning Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Chandra Brown Stewart, Chair, on Thursday, June 3, 2021, at 3:46 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Chandra Brown Stewart, Ron Jenkins, Lenus Perkins, Steve Stokes, Mike Windom and Jim Yance.

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

Administration & Guests: Owen Bailey, Lynne Chronister, Angela Coleman, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 27**. Ms. Brown Stewart called for consideration of the minutes of the meeting held on March 4, 2021, **Item 28**. On motion by Judge Windom, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.






Ms. Brown Stewart called for a report from Associate Vice President for Institutional Effectiveness Dr. Angela Coleman. Dr. Coleman provided an update on the strategic planning activities taking place and slated for the months ahead that would culminate in the adoption of a new strategic plan by the Board of Trustees at its December 2021 meeting, **Item 29**.

There being no further business, the meeting was adjourned at 3:48 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

University of South Alabama -- Scorecard 2021

Student Success and Access									
Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Data	2022 Target	Progress	Data Trends (average change over four year period)
One (1) Year FTFT* Undergraduate Retention Rate <small>(FactBook 2015-2016/FactBook 2016-2017/FactBook 2017-2018/FactBook 2018-2019/FactBook 2019-2020)</small>	73% 2014 Cohort	73% 2015 Cohort	78% 2016 Cohort	74% 2017 Cohort	74% 2018 Cohort	76% 2018 Cohort	81%		increased
Six (6) Year FTFT Graduation Rate <small>(FactBook 2015-2016/FactBook 2016-2017/FactBook 2017-2018/FactBook 2018-2019/FactBook 2019-2020)</small>	35% 2009 Cohort	38% 2010 Cohort	40% 2011 Cohort	44% 2012 Cohort	46% 2013 Cohort	45% 2014 Cohort	45%		remained steady
One (1) Year FTFT Undergraduate Retention Rate for Pell Eligible Students <small>(IR Freshman Cohort Retention Report)</small>	71% 2014 Cohort	69% 2015 Cohort	75% 2016 Cohort	71% 2017 Cohort	69% 2018 Cohort	72% 2018 Cohort	81%		increased
Student/Faculty Ratio <small>(Common Data Set 2015-2016/Common Data Set 2016-2017/Common Data Set 2017-2018/Common Data Set 2018-2019)</small>	20:1 Fall 2015	20:1 Fall 2016	18:1 Fall 2017	18:1 Fall 2018	17:1 Fall 2019	17:1 Fall 2020	20:1		remained steady
Percent of disciplines where USA scores above national average on license/exit tests**	85%	92%	82%	92%	82%	82%	90%		remained steady

FTFT= First Time Full Time Undergraduates




** Includes: Social Work, Audiology, Engineering, Occupational Therapy, Paramedic, Physical Therapy, Physician Assistant Studies, Radiologic Sciences, Speech Pathology, Medicine, and Nursing (MSN, Accelerated, and Traditional tracks).

University of South Alabama -- Scorecard 2021

Research and Graduate Education									
Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Data	2022 Target	Progress	Data Trends (average change over four year period)
Number of awards received from external agencies	283 FY 2015	300 FY 2016	298 FY 2017	323 FY 2018	294 FY 2019	338 FY2020	336	★	increased
Number of students funded from external grants, gifts, or contracts	AY 2015	AY 2016	AY 2017	AY 2018	AY 2019	AY2020	AY 2021		
- Undergraduate	208	185	230	245	259	262	251	★	increased
- Graduate	101	99	95	80	72	142	121	★	increased
Percentage of South Alabama projects involved in multidisciplinary sponsored research across college and department lines	6% FY 2015	13% FY 2016	9% FY 2017	5% FY 2018	2% FY 2019	4% FY 2020	15%	▲	increased
Develop a new graduate degree program biennially- (FactBook 2015-2016-baseline FactBook 2016-2017-added *Sport Management / FactBook 2017-2018- added * Rehabilitation Sciences-Speech Language Pathology, MS Rehabilitation Sciences-Occupational Therapy, MS and Physical Therapy, M.S. for International Students, MS in Systems Engineering)	47 Fall 2015	48 Fall 2016	48 Fall 2017	51 Fall 2018	51 Fall 2019	52 Fall 2020	49	★	increased
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	3.26 2018 Annual Report	3.18 2019 Annual Report	2.97 2020 Annual Report	3.4	▼	decreased







*The definition of juried works was adjusted in 2017.

University of South Alabama -- Scorecard 2021

University Community									
Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Data	2022 Target	Progress	Data Trends (average change over four year period)
**Number of unique service-learning courses	83 <small>AY 2015</small>	51 <small>AY 2016</small>	46 <small>AY 2017</small>	64 <small>AY 2018</small>	77 <small>AY 2019</small>	0 <small>AY2020</small>	91		decreased
**Attendance at Music and Theater Events at the Laidlaw Performing Arts Center	9,818 <small>AY 2015</small>	8,987 <small>AY 2016</small>	10,838 <small>AY 2017</small>	11,178 <small>AY 2018</small>	12,811 <small>AY 2019</small>	6,483 <small>AY2020</small>	10,482		decreased
*Attendance at Athletic Events	200,505 <small>AY 2015</small>	210,159 <small>AY 2016</small>	206,329 <small>AY 2017</small>	193,528 <small>AY 2018</small>	193,927 <small>AY 2019</small>	74,018 <small>AY2020</small>	262,500		decreased






*Athletic events operated under 25% capacity restriction due to Covid-19. **Number impacted by COVID-19 guidelines.

University of South Alabama -- Scorecard 2021

Global Engagement									
Metric	Baseline	2017 Data	2018 Data	2019 Data	2020 Data	2021 Data	2022 Target	Progress	Data Trends (average change over four year period)
The number of new non-resident international students enrolled	71 Fall 2017	N/A Global USA began Spring 2017	*Fall 2017 data used for Baseline.	76 Fall 2018	89 Fall 2019	46 Fall 2020	300 Fall 2020		decreased
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 2018	Fall 2019	Fall 2020	Fall 2021		increased
-Countries	25			27	29	32	60		decreased
-Average number of students per country	3			3	3	1.4	16		
Number of students earning the global engagement certificate (established Fall 2017)	NA	N/A begins Fall 2017	8	3	8	6	5		decreased
Percentage of students participating in study abroad programs *actual number of students	1.58% *175 AY 2015	1.95% *226 AY 2016	2.15% *292 AY 2017	2.21% *298 AY 2018	** .63% *91 AY2019	** .13% *19 AY2020	3%		decreased
Number of formal active collaborations with foreign universities as indicated by faculty/ student exchanges or research/scholarly collaborations	10 2015	18 2016	45 2017	61 2018	70 2019	88 2020	21		increased

*Percentage of students participating in study abroad programs including actual numbers. **Number impacted by COVID-19.

University of South Alabama -- Scorecard 2021

Excellence in Healthcare							
Metric	Baseline CY17 Data	2019 CY18 Data	2020 CY19 Data	2021 CY20 Data	2022 Target	Progress	Data Trends (average change over four year period)
Eight (8) indicators of healthcare associated infections are within acceptable range (CW and UH)	5 within range	3 within range	3 within range 1 close to target	3 within range 1 close to target	6 within range		remained steady
Percentage of patients willing to recommend facility or providers							
Children's and Women's	83%	83%	78.3%	77.3%	85%		decreased
University Hospital	76%	74%	70.4%	68.3%	85%		decreased
USA Physicians Group	94%	93%	95.6%	*TBD	95%		undetermined
Mitchell Cancer Institute	96%	No Data	97.9%	98.9%	97%		increased
Percentage of Serious Safety Events (CW and UH)	3.0%	4.1%	0.2%	0.01%	2.5%		decreased

*Transitioning survey systems; data unavailable until transition complete.

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

**June 3, 2021
3:48 p.m.**

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Thursday, June 3, 2021, at 3:48 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

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

Member Absent: Kay Ivey.

Administration & Guests: Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schrott, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 30**. Chairman Shumock called for consideration of the minutes of meetings of the Committee of the Whole and Evaluation and Compensation Committee held on March 4, 2021, and of meetings of the Executive Committee held on April 13 and April 15, 2021, **Item 31**. On motion by Ms. Atkins, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

As to a report on the actions required of the Board of Trustees in conjunction with the president search, as are set forth in the University's Presidential Search Guidelines, **Item 32**, Chairman Shumock reviewed that most had been discussed at a recent meeting of the Executive Committee. He stated that three of the Board actions were pending and pertained to when the president would assume office, the setting of a range of compensation, and the review and modification of policies on presidential performance reviews and contract, and said these could be handled in the fall. He added that Capt. Jenkins, Chair of the Evaluation and Compensation Committee (ECC), had been involved in the discussion and would work with the ECC in the weeks ahead on possible amendments to the aforementioned policies.

Ms. Atkins, Chair of the President Search Committee, provided a summary on the activities of the committee completed thus far over three meetings, **Item 33**. She advised of the engagement of R. William Funk & Associates as the University's search consultant and said Mr. Bill Funk had met with the committee to discuss expectations for the search. She anticipated that the next committee meeting would occur in July with an update provided by Mr. Funk on the candidates.

Chairman Shumock presented **Item 34**, a resolution authorizing the Board meeting dates for 2021-2022 as set forth. (For copies of resolutions, policies and other authorized documents, refer

to the minutes of the Board of Trustees meeting held on June 4, 2021.) On motion by Ms. Mitchell, seconded by Ms. Atkins, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Chairman Shumock presented **Item 35**, a resolution honoring President Waldrop for his service and bestowing upon him the title of President Emeritus. On motion by Judge Simon, seconded by Capt. Jenkins, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

In accordance with the provisions of the Alabama Open Meetings Act, Chairman Shumock made a motion to convene an executive session for an anticipated duration of 30 minutes for the purpose of discussing good name and character and pending or threatened litigation, **Item 36**. He said that Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. Ms. Atkins seconded and, at 3:57 p.m., the Committee of the Whole voted unanimously to convene an executive session, as recorded below, with Chairman Shumock directing the Trustees present to move into the Moulton Board Room and the Trustees participating remotely to join momentarily:

AYES:

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

There being no further business, the meeting was adjourned at 4:32 p.m.

Respectfully submitted:

James H. Shumock, Chair *pro tempore*

APPENDIX A

Executive Session

University of South Alabama Board of Trustees Committee of the Whole meeting on June 3, 2021.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character, and pending or threatened litigation.

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

A handwritten signature in blue ink that reads "Kristin Daniels Dukes". The signature is written in a cursive style and is centered within a light gray rectangular box.