UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS
MACQUEEN ALUMNI CENTER - CHIEF CALVIN W. MCGHEE GRAND BALLROOM

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/

DECEMBER 1, 2021
1:30 P.M.

AUDIT COMMITTEE – RON GRAHAM, CHAIR

1 Roll Call
2 Approve: Minutes
3 Report: KPMG Audit Reports, Year ended September 30, 2021
- Basic Financial Statements
- Independent Auditors' Report on Internal Control Over Financial Reporting
- Communication to the Audit Committee (SAS #114 Letter)
- Bond Compliance Letter
- Agreed-Upon Procedures Bond Report
- Basic Financial Statements, USA Research and Technology Corporation
- Basic Financial Statements, USA Health Care Authority

4 Approve: Ratification of Internal Audit Budget
5 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR

6 Roll Call
7 Approve: Minutes
8 Report: Endowment and Investment Performance * Commonfund
9 Recommendation to Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Report: Development and Alumni Relations

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

11 Roll Call
12 Approve: Minutes
13 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments and Reappointments for August, September and October 2021
14 Recommendation to Approve: USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
15 Recommendation to Approve: USA Health Hospitals Medical Staff Officers for Calendar Years 2022 and 2023
16 Report: USA Health and College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE – MIKE WINDOM, CHAIR

17 Roll Call
18 Approve: Minutes
19 Recommendation to Approve: Sabbatical Awards
20 Recommendation to Approve: Faculty Emeritus
21 Recommendation to Approve: Honorary Doctorate Degree
22 Report: Academic Affairs
23 Report: Student Affairs
24 Report: Research and Economic Development

BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR

25 Roll Call
26 Approve: Minutes
27 Report: University of South Alabama 2021 Financial Report
28 Recommendation to Approve: Amended and Restated Bylaws for the USA Foundation for Research and Commercialization
29 Recommendation to Approve: Naming of Hancock Whitney Stadium Gate #1 as Randy Moon Memorial Gate

LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR

30 Roll Call
31 Approve: Minutes
32 Report: Strategic Planning Process

COMMITTEE OF THE WHOLE – JIMMY SHUMOCK, CHAIR

33 Roll Call
34 Approve: Minutes
35 Recommendation to Approve: Appointment to the Executive Committee
36 Recommendation to Approve: Commendation of Dr. G. David Johnson
37 Recommendation to Approve: Commendation of Mr. G. Scott Weldon
38 Recommendation to Approve: Commendation of the President Search Committee
39 Approve: Executive Session

DECEMBER 2, 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: Interim University President
4 Report: Faculty Senate President
5 Report: Student Government Association President
5.A Approve: President's Employment Contract
6 Approve: Consent Agenda Resolutions
- Appointment to the Executive Committee
- USA Health Hospitals Medical Staff Appointments and Reappointments for August, September and October 2021
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7 Report: Audit Committee
8 Report: Development, Endowment and Investments Committee
9 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Report: Health Affairs Committee
11 Report: Academic and Student Affairs Committee
12 Report: Budget and Finance Committee
13 Report: Long-Range Planning Committee
14 Approve: Naming of Hancock Whitney Stadium Gate #1 as Randy Moon Memorial Gate
15 Approve: Commendation of Dr. G. David Johnson
16 Approve: Commendation of Mr. G. Scott Weldon
17 Approve: Commendation of the President Search Committee

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING SCHEDULE

WEDNESDAY, DECEMBER 1, 2021:

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

THURSDAY, DECEMBER 2, 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.
- James A. Yance
- Appointment Pending

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**

AUDIT COMMITTEE:

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

BUDGET AND FINANCE COMMITTEE:

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

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**

EVALUATION AND COMPENSATION COMMITTEE:

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

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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
- John W. Smith, Ed.D., ex officio

LONG-RANGE PLANNING COMMITTEE:

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

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING AGENDA
AND MINUTES

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

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DECEMBER 2, 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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4 Report: Faculty Senate President
5 Report: Student Government Association President
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7 Report: Audit Committee
8 Report: Development, Endowment and Investments Committee
9 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Report: Health Affairs Committee
11 Report: Academic and Student Affairs Committee
12 Report: Budget and Finance Committee
13 Report: Long-Range Planning Committee
14 Approve: Naming of Hancock Whitney Stadium Gate #1 as Randy Moon Memorial Gate
15 Approve: Commendation of Dr. G. David Johnson
16 Approve: Commendation of Mr. G. Scott Weldon
17 Approve: Commendation of the President Search Committee

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: November 23, 2021

TO: USA Board of Trustees

FROM: Alexis Atkins
Secretary, Board of Trustees

SUBJECT: Meeting Minutes

Included herein are the unapproved minutes for the Board of Trustees and standing committee meetings held on September 2 and 3, 2021, as well as for special meetings of the Board of Trustees held on October 5, 11, 14 and 25 and on November 10, 2021. Please review these documents for amendment or approval at the December 1 and 2, 2021, meetings.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

September 3, 2021
10:30 a.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Friday, June 4, 2021, at 10:31 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, Scott Charlton, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes and Mike Windom were present, and Ken Simon and Margie Tuckson participated remotely.
Member Absent:	Tom Corcoran, Jim Yance and Kay Ivey.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Kristin Dukes, Julie Estis, Monica Ezell, Mike Haskins, Connor and Robert Holm, Andi Kent, Nick Lawkis, Alexandria Lee (BSU), John Marymont, Abe Mitchell, Mike Mitchell, Jim Moore (NAA), Laura Schratt, Grace Sekaya (SGA), Beth Shepard (Faculty Senate), John Smith, Sally and John Steadman, 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. Shumock called for adoption of the revised agenda, **Item 1.A.** On motion by Dr. Stokes, seconded by Ms. Mitchell, the Board voted unanimously to adopt the revised agenda. Mr. Shumock called for consideration of the minutes of the meeting held on June 4, 2021, **Item 2**. On motion by Mr. Graham, seconded by Ms. Atkins, the Board voted unanimously to adopt the minutes.

Chairman Shumock introduced South Alabama freshman Mr. Connor Holm, advising of his selection as Board of Trustees Scholar for 2021-2022, **Item 3**. Also introduced was Department of Music Professor Dr. Robert Holm, father of Mr. Holm. Mr. Holm and Dr. Holm made brief remarks.

Chairman Shumock called for an update on the president search process, **Item 4**. Ms. Atkins, Chair of the President Search Committee, discussed the progress made by the committee over recent weeks and advised that interviews with semifinalist candidates would be held on September 8 and 9.

Chairman Shumock called on Dr. Smith, Interim University President, to deliver the President's Report, **Item 5**. Dr. Smith recognized Mr. Abe Mitchell; National Alumni Association (NAA) President Mr. Jim Moore; and Black Student Union (BSU) President Ms. Alexandria Lee. He also introduced interim Chief Diversity, Equity and Inclusion Officer Dr. Joél Billingsley; discussed Week of Welcome activities; and advised of a new mural at the Student Center. He called on Dr. Erdmann, Ms. Chronister and Dr. Estis, who shared details on the football team's remembrance of the late Randy Moon; recent grant awards; and the University's COVID-19 action plan, respectively.

Chairman Shumock called for a report from the Faculty Senate President, **Item 6**. Ms. Beth Shepard, Associate Librarian at the Marx Library and 2021-2022 Faculty Senate President, provided an overview of the undertakings and goals of the Faculty Senate.

Chairman Shumock called for a report from the Student Government Association (SGA) President, **Item 7**. Ms. Grace Sekaya, 2021-2022 SGA President, shared insight on the activities and objectives of the SGA. She introduced Black Student Union (BSU) President Ms. Alexandria Lee, who gave information on the projects of the BSU.

Chairman Shumock called for consideration of consent agenda resolutions as follows, **Items 8** and **8.A**, all of which were unanimously recommended for Board approval by the respective committees that met on September 2, 2021. On motion by Ms. Atkins, seconded by Judge Windom, the Board voted unanimously to approve the resolutions:

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.

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.

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.*

Chairman Shumock called for a report from the Audit Committee, **Item 9**. Mr. Graham, Committee Chair, stated that the committee met on September 2, 2021, and shared a summary of the proceedings.

Chairman Shumock called for a report from the Development, Endowment and Investments Committee, **Item 10**. On behalf of Mr. Yance, Committee Chair, Dr. Stokes, Committee Vice Chair, said that the committee met on September 2, 2021, and provided an overview of the business that occurred.

Chairman Shumock called for a report from the Health Affairs Committee, **Item 11**. Dr. Charlton, Committee Chair, advised that the committee held a meeting on September 2, 2021, and he gave a summation of the proceedings.

Chairman Shumock called for a report from the Academic and Student Affairs Committee, **Item 12**. Judge Windom, Committee Chair, stated that the committee met on September 2, 2021, and shared a summary of the business that took place.

Chairman Shumock called for a report from the Budget and Finance Committee, **Item 13**. On behalf of Mr. Corcoran, Committee Chair, Mr. Perkins, Committee Vice Chair, said that the committee met on September 2, 2021, and provided an overview of the proceedings. He presented

Item 14 as follows, which was unanimously recommended for Board approval by the committee. Upon Chairman Shumock's call for a vote, the Board voted unanimously to approve the resolution:

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 Serie3s 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.

Mr. Perkins presented **Item 15** as follows, which was revised at the recommendation of the Budget and Finance Committee to include a provision for salary supplements for University General Division (UGD) employees in fiscal years 2021-2022 and 2022-2023. Following an exchange, and on motion by Mr. Perkins, which was seconded by Judge Windom, the Board voted unanimously to approve the resolution with the condition that a minimum three-percent salary supplement be given to UGD employees in fiscal year 2021-2022 and that the Administration set a goal to provide a minimum three-percent salary supplement for UGD employees in fiscal year 2022-2023.

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.

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 shared a summation of the proceedings.

Chairman Shumock welcomed Drs. Sally and John Steadman and, on behalf of the Board, thanked them for their service to the University and for their generous legacy gift benefiting the College of Engineering. As a proud graduate of the College Engineering, Mr. Perkins shared his admiration for the Steadmans, and he read **Item 17** as follows and moved for its approval. Mr. Graham seconded and the Board voted unanimously to approve the resolution. The Steadmans made brief remarks and conveyed appreciation for the Board's recognition:

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.

There being no further business, the meeting was adjourned at 11:50 a.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:

1624 Springhill Avenue
Mobile, Alabama 36604
Key Number 806257

APPRAISAL INFORMATION:

Appraised by Beaird Organization
Date of Appraisal: 08/19/2021
Appraised Value: $763,000.00

CONTRACTS RELATED TO THE PURCHASE:

Attached as **"Exhibit A"**

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

OFFICE OF REAL ESTATE SERVICES AND ASSET MANAGEMENT
775 N. University Blvd. | Suite 150 | Mobile, Alabama 36608-4548
TEL: (251) 460-6100 | FAX: (251) 461-1765 | SouthAlabama.edu

Inst. # 2021054767 Pages: 1 of 3 Doc: D
I certify this instrument filed on 8/20/2021 3:46 PM
Don Davis, Judge of Probate
Mobile County, AL. Rec: $11.50
DeedTx: $0.00
MinTx $0.00 Clerk: BFRANKS

STATE OF ALABAMA

COUNTY OF MOBILE

95282

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **JOHN M. TURNER**, also known as John Michael Turner, Jr., a single man, the Grantor, for and in consideration of the sum of **SIX HUNDRED FIFTY THOUSAND AND 00/100THS DOLLARS ($650,000.00)** and other good and valuable considerations hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA, a public body corporate of the State of 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 1, MAGNOLIA MANOR SUBDIVISION, AS PER PLAT THEREOF RECORDED IN INSTRUMENT #2019066474 OF THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE OF MOBILE COUNTY, ALABAMA.

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: 1624 Springhill Avenue, Mobile, AL 36604

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:

1. Building setback line, drainage and utility line easements and notes or restrictions as shown on recorded plat of said subdivision recorded in Instrument #2019066474.
2. Easement granted Alabama Power Company by Toxey D. Haas and Maurine Cottrell Haas by instrument dated March 31, 1948 and recorded in Deed Book 455, Page 328.
3. Easement granted City of Mobile by Maurine C. Haas dated December 1, 1973 and recorded in Real Property Book 1329, Page 132, which easement is corrected by instrument dated November 27, 1974 and recorded in Real Property Book 1416, Page 260 and re-recorded in Real Property Book 1445. Page 941.
4. Easement granted Alabama Power Company by Smith's Magnolia Manor, LLC by instrument dated May 2, 2013 and recorded in Book LR7054, Page 543.

5. Rights of other parties, the United States of America or State of Alabama, in and to the shore, littoral or riparian rights to the property described herein lying adjacent to Stickney Branch.
6. The lands described herein that would be below mean high tide.
7. All rights of the United States Government and the State of Alabama in and to the navigable waters and the land beneath any of the navigable waters within the property described herein, and all rights of the United States Governments and of the State of Alabama in and to any of the lands described herein that may be on or below mean high tide.
8. Terms, conditions, provisions and restrictions of all permits and licenses of Federal, State and local government, including applicable agencies and departments and private and quasi governmental agencies having jurisdiction over the real property, including but not limited to restrictions on construction of any areas delineated by government agencies as wetlands.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for himself, and for his heirs and personal representatives, hereby covenants with the said Grantee, its sucssessors 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 16 day of August, 2021.

JohnMC (SEAL)
JOHN M. TURNER

STATE OF District of Columbia
COUNTY OF District of Columbia

I, the undersigned Notary Public in and for said State and County, hereby certify that **JOHN M. TURNER,** 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 16th day of August, 2021.

Matthew Gallo
NOTARY PUBLIC, State at Large
My Commission Expires: 08/14/2024

THE GRANTEE'S ADDRESS IS:
775 N. University Blvd., Ste 150
Mobile, AL 36608

THE GRANTOR'S ADDRESS IS:
1801 8th St NW
Washington DC 20001

THIS INSTRUMENT WAS PREPARED BY:
William S. McFadden, Attorney
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Special Meeting

October 5, 2021
12:00 p.m.

A special meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair pro tempore, on Tuesday, October 5, 2021, at 12:01 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members:	Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Arlene Mitchell, Jimmy Shumock, Mike Windom and Jim Yance were present, and Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins and Margie Tuckson participated remotely.
Members Absent:	Scott Charlton, Kay Ivey and Steve Stokes.
Administration & Guests:	Owen Bailey, Kristin Dukes, Monica Ezell, Bill Grete, Mike Haskins, Rod Kanter (Bradley Arant), John Marymont, Grace Sekaya (SGA), Beth Shepard (Faculty Senate), John Smith and Scott Weldon.

The meeting came to order and the attendance roll was called, **Item 1**. In his opening remarks, **Item 2**, Chairman Shumock welcomed Trustees and guests and he summarized how the meeting would proceed. He called for adoption of the revised agenda, **Item 2.A**. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the Board voted unanimously to adopt the revised agenda.

Chairman Shumock called on Mr. Weldon to address **Item 2.B** as follows. Mr. Weldon and USA Health General Counsel Mr. Bill Grete shared insight on the need for a rent supplement agreement involving the USA Health Care Authority (HCA) and a private physician group interested in joining the HCA. Mr. Weldon recognized that Mr. Rod Kanter of Bradley Arant was available to answer questions specific to the resolution. On motion by Mr. Corcoran, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolution:

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A RENT SUPPLEMENT AGREEMENT BY THE UNIVERSITY OF SOUTH ALABAMA RESPECTING DEVELOPMENT OF MEDICAL OFFICE BUILDING USED IN CONNECTION WITH USA HEALTH OPERATIONS

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

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

(a) On May 2, 2017, the University formed the University of South Alabama Health Care Authority (the "USA HCA"), a public corporation organized pursuant to Section 16-17A-1 *et seq.* of the Code of Alabama 1975, as amended (the "Enabling Law"), for the promotion and enhancement of health care services and operations offered through USA Health; and

(b) Pursuant to that certain lease from the Fairhope Single Tax Corporation recorded as Instrument No. 1856964 in the Probate Office of Baldwin County, Alabama (the "MAPP Property Lease"), USA has a long-term leasehold interest in certain real property located in Baldwin County, Alabama and known as Lot 1 of the USA MAPP Subdivision recorded at Slide 2740-E, Probate Office of Baldwin County, Alabama (the "Campus"), upon which the University has determined to cause certain health care operations and activities of USA Health and the USA HCA to be located; and

(c) USA HCA has undertaken to attract and locate a physicians' group to join USA HCA, and in connection therewith has determined to enter a Whole Building Lease Agreement (the "MOB Agreement") with Family Medical Investments, LLC, an Alabama limited liability company (the "Group"), under and pursuant to which the Group will cause to be designed, constructed, and developed an approximately 51,000 square foot facility (the "Medical Office Building") for lease to USA Health for a period of fifteen (15) years, with at least two (2) five (5) year options to extend; and

(d) the Medical Office Building will be constructed on a portion of the Campus (the "MOB Parcel") more particularly described in a MOB Ground Lease and Development Agreement to be entered between the Group and USA HCA (the "MOB Ground Lease") for a term of fifty (50) years, subject to two additional ten (10) year options to extend; and

(e) Under the MOB Agreement, USA HCA shall be obligated to pay rent in the form of fixed annual payments of "Base Rent" and additional payments covering all expenses of the Medical Office Building (including without limitation, operating, insurance, repair and maintenance costs) known as "Additional Rent", all of which is defined and more particularly described in the MOB Agreement, and, upon the occurrence of certain events, to pay the "Remaining Leasehold Payment Obligation" as defined and more particularly described in the MOB Ground Lease; and

(f) In order to promote USA Health's operations and provision of health care services in Baldwin County, Alabama, and to obtain a necessary facility for USA Health's operations through the development of the Medical Office Building by the Group while also protecting the integrity and use of the property of the University made available under the MAPP Property Lease, the University has determined it to be necessary, desirable, and in the public interest to enter a Rent Supplement Agreement among the University, the Group, USA HCA, and The First, a National banking association (the construction lender to the Group), in substantially the form attached hereto as Exhibit A and with such changes and modifications as shall be agreed to by the President of the University and/or the Vice President for Finance and Administration of the University (herein called the "Rent Supplement Agreement"), pursuant to which USA HCA shall agree to use its revenues for payment of Base Rent, Additional Rent, and the Remaining Leasehold Payment Obligation, and in the event USA HCA does not timely make the full amount of such payments the University will remit and pay the balance, all as more particularly described and set forth in the Rent Supplement Agreement; and

(g) The University hereby declares and finds that the covenants and agreements of the University under the Rent Supplement Agreement enable the University to protect the use of property subject to the MAPP Property Lease and to assure continued control and use of the property defined in the MAPP Property Lease by the University.

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

Section 3. General Authorization. The President of the University, the Vice President for Finance and Administration of the University, and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments, notices, orders, releases, consents, or other documents (collectively, "Additional Instruments"), containing such terms as such officer (or any of them) shall approve, and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution and to the end that the Medical Office Building may be designed, developed, constructed and made available to USA HCA as herein contemplated and as contemplated under the MOB Agreement, and so the Rent Supplement Agreement may be executed and delivered by the University. The Secretary and any Assistant Secretary of the Board, or either of them, are hereby authorized and directed to affix the official seal of the Board to such Additional Instruments and to attest the same, and to the Rent Supplement Agreement and to attest the same.

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 one hour for the purpose of discussing good name and character **Item 3**. He said that Ms. Dukes had submitted the required written declaration for the minutes and that the public portion of the Board meeting would resume following the executive session. Ms. Mitchell seconded and, at 12:11 p.m., the Board voted unanimously to convene an executive session, as recorded below:

AYES:
- Ms. Atkins
- Ms. Brown Stewart
- Tom Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Ms. Tuckson
- Judge Windom
- Mr. Yance

Following the executive session, Chairman Shumock reconvened the Board meeting at 1:35 p.m. and called for a motion to approve the slate of finalist candidates for the position of University president as recommended by the President Search Committee, **Item 3.A**. On motion by Ms. Atkins, seconded by Mr. Yance, the Board voted unanimously to approve the slate of candidates. Ms. Shepard asked when the identities of the candidates would be announced. Mr. Shumock responded that the candidates' names would be publicized in the next day or two, and he thanked the University community for patience while the details for the public release of the information were being finalized.

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

Attest to:	Respectfully submitted:
Katherine Alexis Atkins, Secretary	James H. Shumock, Chair pro tempore

APPENDIX A

Executive Session

University of South Alabama Board of Trustees meeting on October 5, 2021.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character.

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

Kristin Daniels Dukes

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Special Meeting

October 11, 2021
2:00 p.m.

A special meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair pro tempore, on Monday, October 11, 2021, at 2:01 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members:	Alexis Atkins, Chandra Brown Stewart, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance were present, and Steve Furr, Ron Jenkins and Lenus Perkins participated remotely.
Members Absent:	Scott Charlton, Tom Corcoran, Ron Graham, Kay Ivey and Steve Stokes.
Administration & Guests:	Jo Bonner, Kristin Dukes and Monica Ezell.

The meeting came to order and the attendance roll was called, **Item 1**. In his opening remarks, **Item 2**, Chairman Shumock advised of revisions to the meeting agenda and shared how the meeting would proceed. He called for adoption of the revised agenda, **Item 1.A**, and on motion by Mr. Yance, which was seconded by Judge Windom, the Board voted unanimously to adopt the revised agenda.

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 one hour for the purpose of discussing good name and character, **Item 3**. He said that Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would be effectively adjourned at the conclusion of the executive session. Ms. Mitchell seconded and, at 2:04 p.m., the Board voted unanimously to convene an executive session, as recorded below:

AYES:
- Ms. Atkins
- Ms. Brown Stewart
- Dr. Furr
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Ms. Tuckson
- Judge Windom
- Mr. Yance

There being no further business, the meeting was adjourned at 3:05 p.m.

Attest to:	Respectfully submitted:
Katherine Alexis Atkins, Secretary	James H. Shumock, Chair pro tempore

APPENDIX A

Executive Session

University of South Alabama Board of Trustees meeting on October 11, 2021.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character.

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

Kristin Daniels Dukes

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Special Meeting

October 14, 2021
2:00 p.m.

A special meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair pro tempore, on Thursday, October 14, 2021, at 2:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members:	Alexis Atkins, Chandra Brown Stewart, Arlene Mitchell, Jimmy Shumock and Jim Yance were present, and Scott Charlton, Steve Furr, Ron Jenkins, Lenus Perkins and Margie Tuckson participated remotely.
Members Absent:	Tom Corcoran, Ron Graham, Kay Ivey, Steve Stokes and Mike Windom.
Administration & Guests:	Damon Andrew, Kristin Dukes and Monica Ezell.

The meeting came to order and the attendance roll was called, **Item 1**. In his opening remarks, **Item 2**, Chairman Shumock advised of revisions to the meeting agenda and shared how the meeting would proceed. He called for adoption of the revised agenda, **Item 1.A**. On motion by Ms. Atkins, seconded by Mr. Yance, the Board voted unanimously to adopt the revised agenda.

Chairman Shumock noted that the purpose of the meeting was to interview a candidate for the president's position. In accordance with the provisions of the Alabama Open Meetings Act, he made a motion to convene an executive session for approximately one hour for the purpose of discussing good name and character **Item 3**. He added that Ms. Dukes had submitted the required written attorney's declaration for the minutes and said the meeting would be effectively adjourned at the conclusion of the executive session. Ms. Mitchell seconded and, at 2:02 p.m., the Board voted unanimously to convene an executive session, as recorded below:

AYES:
- Ms. Atkins
- Ms. Brown Stewart
- Dr. Charlton
- Dr. Furr
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Ms. Tuckson
- Mr. Yance

There being no further business, the meeting was adjourned at 3:02 p.m.

Attest to:	Respectfully submitted:
Katherine Alexis Atkins, Secretary	James H. Shumock, Chair pro tempore

APPENDIX A

Executive Session

University of South Alabama Board of Trustees meeting on October 14, 2021.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character.

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

Kristin Daniels Dukes

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Special Meeting

October 25, 2021
2:00 p.m.

A special meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair pro tempore, on Monday, October 25, 2021, at 2:01 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members:	Alexis Atkins, Chandra Brown Stewart, Jimmy Shumock, Margie Tuckson and Jim Yance were present, and Steve Furr, Ron Jenkins, Arlene Mitchell, Lenus Perkins and Mike Windom participated remotely (Ms. Mitchell, Mr. Perkins and Judge Windom joined during the executive session).
Members Absent:	Scott Charlton, Tom Corcoran, Ron Graham, Kay Ivey and Steve Stokes.
Administration & Guests:	Kristin Dukes, Monica Ezell and Michael Tidwell.

The meeting came to order and the attendance roll was called, **Item 1**. In his opening remarks, **Item 2**, Chairman Shumock explained the revisions to the meeting agenda and discussed how the meeting would proceed. He called for adoption of the revised agenda, **Item 1.A**. On motion by Ms. Atkins, seconded by Mr. Yance, the Board voted unanimously to adopt the revised agenda.

Chairman Shumock acknowledged that the purpose of the meeting was to interview a candidate for the president's position. In accordance with the provisions of the Alabama Open Meetings Act, he made a motion to convene an executive session for an anticipated duration of one hour for the purpose of discussing good name and character, **Item 3**. He said that Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would be effectively adjourned at the conclusion of the executive session. Mr. Yance seconded and, at 2:03 p.m., the Board voted unanimously to convene an executive session, as recorded below:

AYES:
- Ms. Atkins
- Ms. Brown Stewart
- Dr. Furr
- Capt. Jenkins
- Mr. Shumock
- Ms. Tuckson
- Mr. Yance

There being no further business, the meeting was adjourned at 3:01 p.m.

Attest to:	Respectfully submitted:
Katherine Alexis Atkins, Secretary	James H. Shumock, Chair pro tempore

APPENDIX A

Executive Session

University of South Alabama Board of Trustees meeting on October 25, 2021.

The purpose of the executive session for the above-referenced meeting is to discuss good name and character.

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

Kristin Daniels Dukes

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Special Meeting

November 10, 2021
12:00 p.m.

A special meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair pro tempore, on Wednesday, November 10, 2021, at 12:01 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members:	Alexis Atkins, Tom Corcoran, Arlene Mitchell, Jimmy Shumock, Mike Windom and Jim Yance were present, and Chandra Brown Stewart, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins, Steve Stokes and Margie Tuckson participated remotely.
Members Absent:	Scott Charlton and Kay Ivey.
Administration & Guests:	Zeke Aull, Robbie Baker, Joél Billingsley, Owen Bailey, Madeleine Boudreaux, Mike Chang, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Mike Haskins, Martin Heslin, Kim and Nick Lawkis, Alexandria Lee (BSU), Todd McDonald, Abe Mitchell, Mike Mitchell, Chris Pringle, Grace Sekaya (SGA), Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan, Scott Weldon and Alvin Williams.
Media:	Lawrence Specker (AL.com); Gabe Tynes (Lagniappe); Mike Lowe (WALA); Gabby Easterwood (WKRG); and Mike Corry and Andrea Ramey (WPMI).

The meeting came to order and the attendance roll was called, **Item 1**. Concerning action related to the president search, **Item 2**, Chairman Shumock invited members of the Board to share any remarks regarding the process for selection of the University president. He noted that the Board followed Alabama Open Meetings Act provisions in conducting its deliberations on the finalist candidates who were recommended by the President Search Committee. He stated, through the Board's discussions, a conclusion had been reached with a majority of Board members in favor of one particular candidate, and he nominated Mr. Jo Bonner to be South's next president. Ms. Atkins seconded, and the Board voted to approve the acceptance of Mr. Bonner's nomination. At Ms. Tuckson's request, a roll call vote took place, as recorded below:

AYES:
- Ms. Atkins
- Tom Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock

AYES continued:
- Dr. Stokes
- Judge Windom
- Mr. Yance

NAYS:
- Ms. Brown Stewart
- Ms. Tuckson

Chairman Shumock stated that negotiations with the candidate selected would commence and the University community would be apprised as progress is made

There being no further business, the meeting was adjourned at 12:06 p.m.

Attest to: Respectfully submitted:

Katherine Alexis Atkins, Secretary James H. Shumock, Chair pro tempore

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Audit Committee

September 2, 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, September 2, 2021, at 1:35 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, Ron Graham, Ron Jenkins, Lenus Perkins were present and Ken Simon participated remotely.
Member Absent:	Tom Corcoran.
Other Trustees:	Chandra Brown Stewart, Scott Charlton, Steve Furr, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), Keith Shurbutt (KPMG), John Smith, Margaret Sullivan, Scott Weldon and Ashley Willson (KPMG).

Following introductory remarks by Chairman Shumock, the meeting came to order and the attendance roll was called, **Item 1**. Mr. Graham called for consideration of the minutes of the Audit Committee meeting held on June 3, 2021, **Item 2**. On motion by Ms. Atkins, seconded by Mr. Perkins, the Committee voted unanimously to adopt the minutes.

Mr. Graham called on Mr. Weldon to address **Item 3**, the KPMG 2020 single audit report concerning compliance with requirements for federal awards. Mr. Weldon introduced Mr. Keith Shurbutt of KPMG, who shared that KPMG rendered an unmodified opinion on the audit and noted that the report did not contain any compliance findings.

Mr. Graham asked Mr. Weldon to present **Item 4**, a report from KPMG auditors concerning plans for the 2021 fiscal year audit. Mr. Weldon introduced lead engagement partner Ms. Ashley Willson. Ms. Willson delivered the communications required to be presented to the Audit Committee.

Mr. Graham called on Mr. Weldon to discuss the independent audit of the USA Foundation consolidated financial statements and Disproportionate Share Hospital Funds combined financial statements for the years ended June 30, 2021 and 2020, **Item 5**. Mr. Weldon stated both reports received unqualified opinions.

Mr. Graham called on Ms. Schratt, who presented the Office of Internal Audit (OIA) draft audit plan for fiscal year 2022, **Item 6**. Chairman Shumock commended Ms. Schratt and the OIA team for their efficient work. On motion by Capt. Jenkins, seconded by Mr. Perkins, the Audit Committee voted unanimously to approve the 2022 fiscal year audit plan.

Mr. Graham asked Ms. Schratt to address **Item 7**, a report on the activities of the OIA. Ms. Schratt shared specifics related to OAI's quarterly report of key performance indicators for the third quarter of fiscal year 2021 and on the internal quality assessment review report for 2021. Ms. Schratt gave a brief update on OIA staffing as well.

There being no further business, the meeting was adjourned at 1:53 p.m.

Respectfully submitted:

William Ronald Graham, Chair

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

Basic Financial Statements

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

Table of Content

	Page
Management's Discussion and Analysis (Unaudited)	**1**
Independent Auditors' Report	**14**
Basic Financial Statements:	
Statements of Net Position – University of South Alabama, September 30, 2021 and 2020	16
Consolidated Statements of Financial Position – University of South Alabama Foundation, June 30, 2021 and 2020	17
Statements of Net Position – USA Research and Technology Corporation, September 30,	18
Statements of Net Position – University of South Alabama Health Care Authority, September 30, 2021 and 2020	19
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama, Years ended September 30, 2021 and 2020	20
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, Year ended June 30, 2021	21
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, Year ended June 30, 2020	22
Statements of Revenues, Expenses, and Changes in Net Position – USA Research and Technology Corporation, Years ended September 30, 2021 and 2020	23
Statements of Revenues, Expenses, and Changes in Net Position – University of South Alabama Health Care Authority, Years ended September 30, 2021 and 2020	24
Statements of Cash Flows – University of South Alabama, Years ended September 30, 2021 and 2020	25
Notes to Basic Financial Statements	**27**
Required Supplementary Information:	
Schedule of the University's Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)	84
Schedule of the University's Pension Contributions (Unaudited)	85
Schedule of the University's Proportionate Share of the Net OPEB Liability and Related Ratios (Unaudited)	86

Schedule of the University's OPEB Contributions (Unaudited) **87**

Notes to Required Supplementary Schedules (Unaudited) **88**

Introduction

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

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

Financial Highlights

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

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

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

Analysis of Financial Position and Results of Operations

Statements of Net Position

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

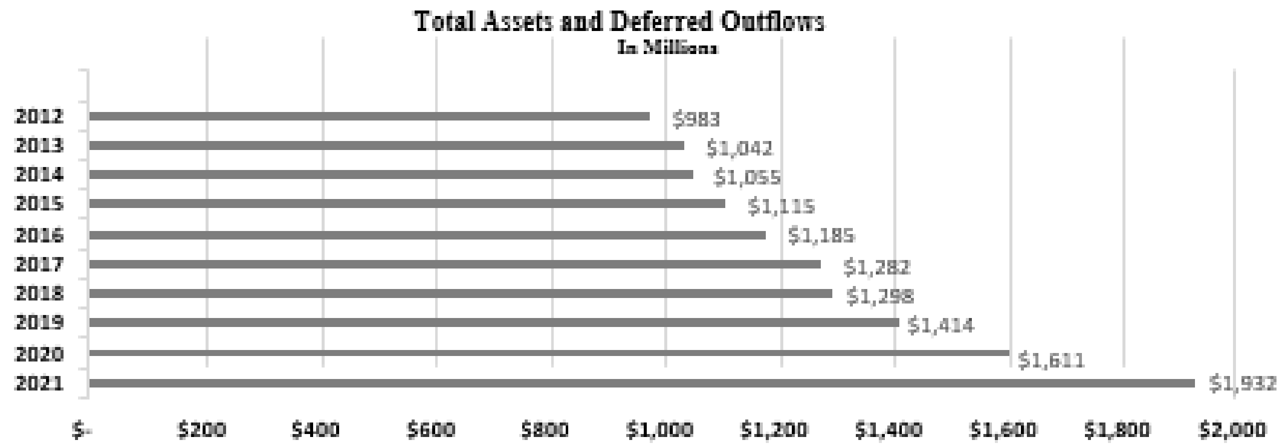
Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments and net patient receivables. Of these amounts, cash and cash equivalents, investments and net patient receivables comprise approximately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

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

Condensed Schedules of Net Position

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

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



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

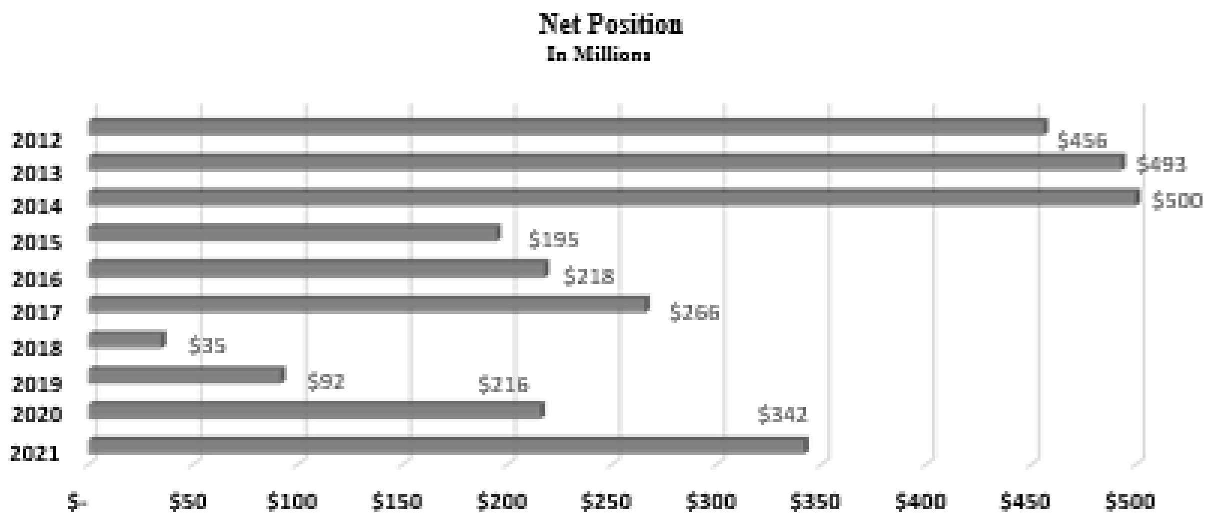
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

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

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

Unrestricted net position represents amounts not invested in capital assets or not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at September 30, 2021 and 2020 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

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



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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. These include patient service revenues (net of provision for bad debts), tuition and fees (net of scholarship allowances), most noncapital grants and contracts, revenues from auxiliary activities and sales and services of educational activities (primarily athletic activities). Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

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

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

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

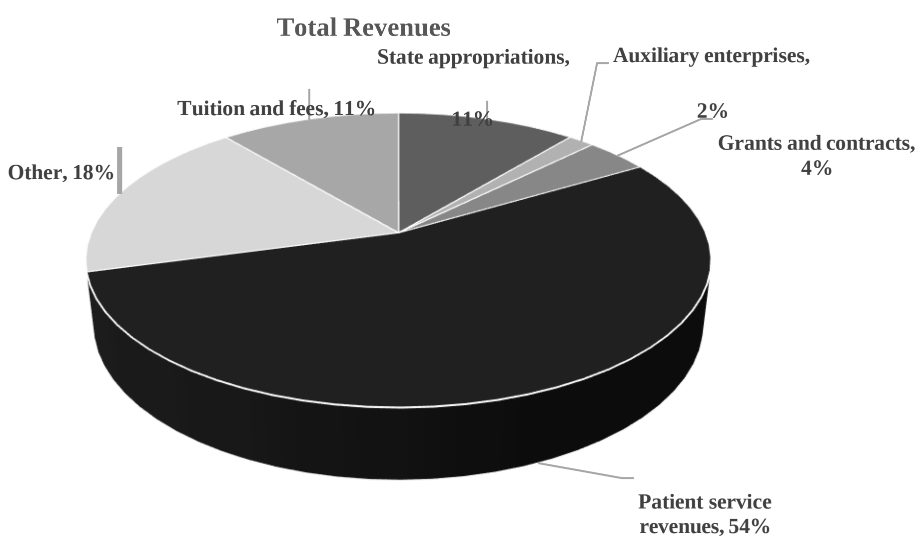
	2021	2020	2019
Operating revenues:			
Tuition and fees, net	$ 128,040	129,644	139,871
Patient service revenues, net	622,678	554,431	491,796
Federal, state and private grants and contracts	44,589	39,668	36,647
Other	65,388	58,949	62,527
	860,695	782,692	730,841
Operating expenses:			
Salaries and benefits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

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

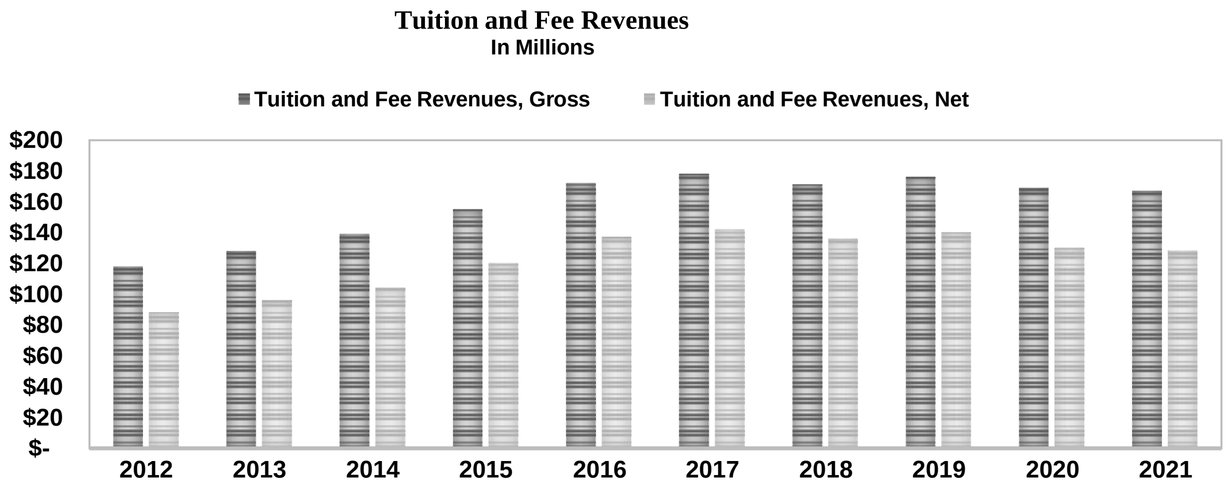
	2021	2020	2019
Capital contributions and grants and additions to endowment	13,449	12,042	20,316
Increase in net position	126,032	124,153	56,727
Beginning net position	216,278	92,125	35,398
Ending net position	$ 342,310	216,278	92,125

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

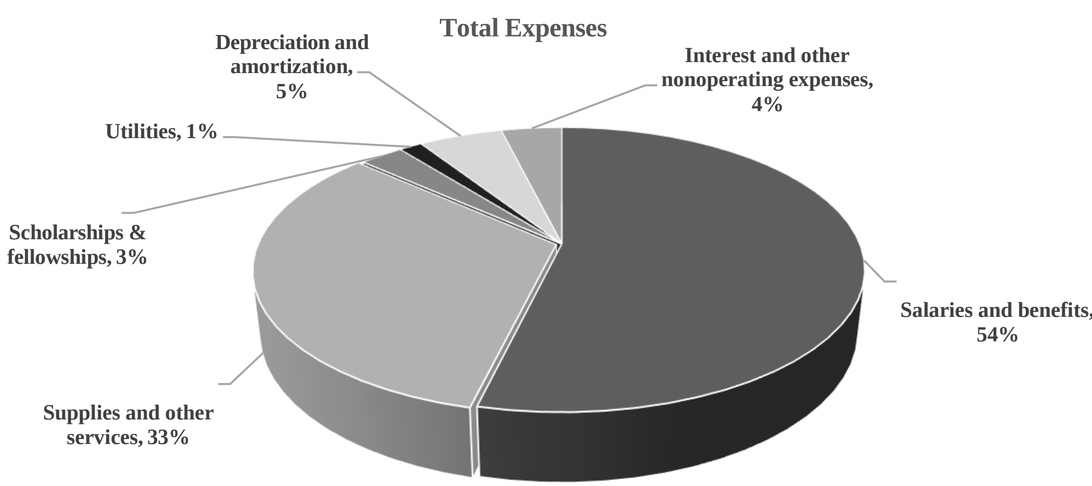
A summary of University revenues for the year ended September 30, 2021 is presented as follows:



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

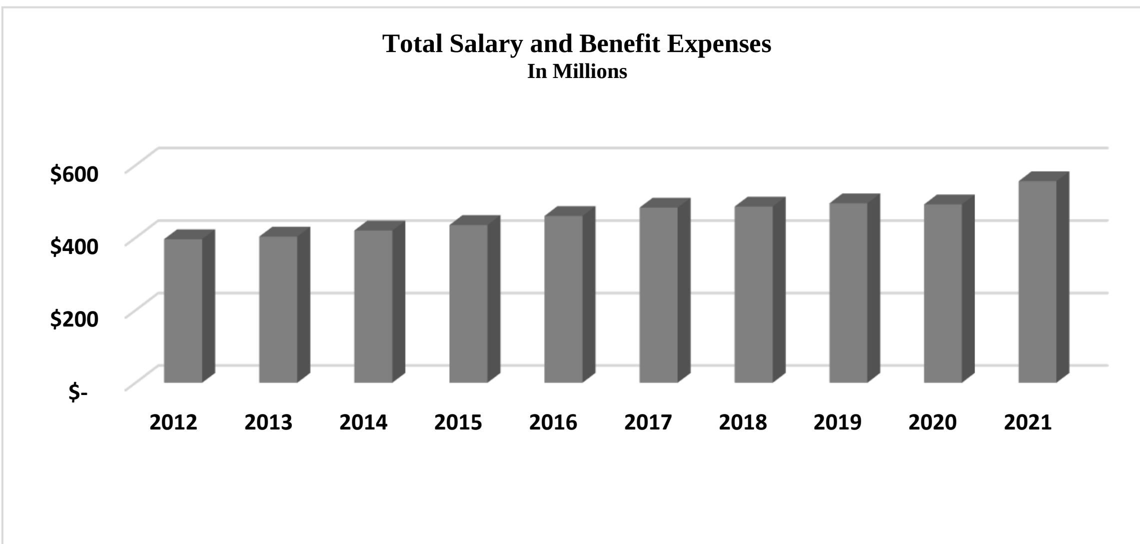


University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2021 is presented as follows:



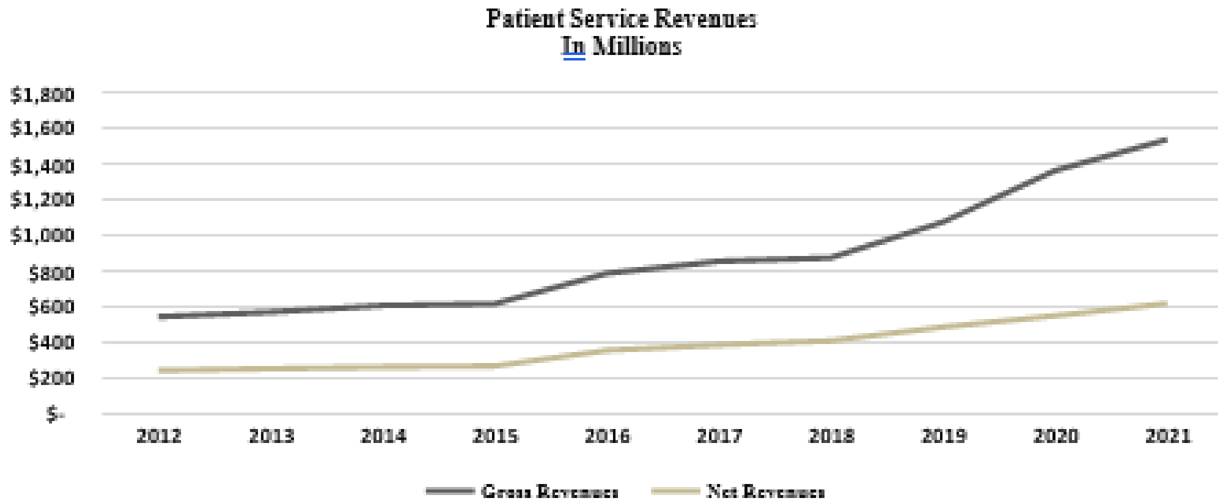
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant and scholarships. Expenses related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

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



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

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



Statements of Cash Flows

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

Capital Assets and Debt Administration

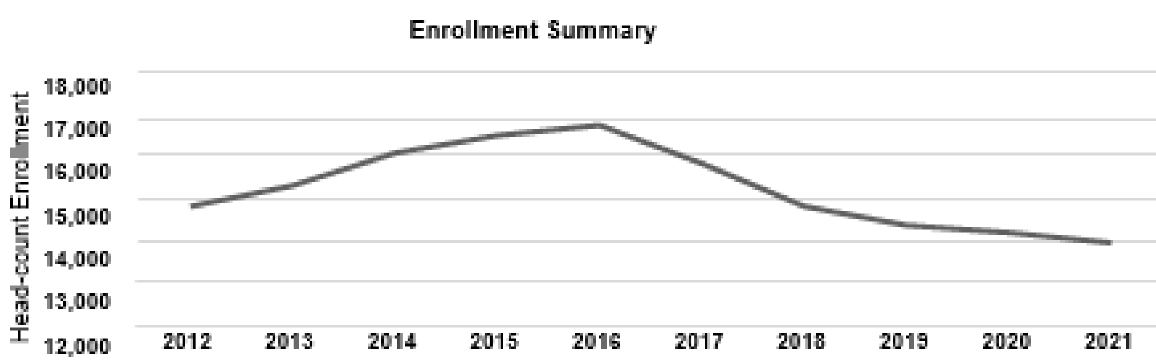
Total capital asset additions for the University were approximately $79,103,000 and $110,120,000 in 2021 and 2020, respectively. Significant construction projects that remain in progress at September 30, 2021 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, the Transportation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

In December 2019, the University refinanced the Series 2010 Bond with the University Facilities Revenue Bond, Series 2019-C, with a face value of $19,086,000. In February 2020, the University issued a new University Facilities Revenue Bond, Series 2020, with a face value of $37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities. In March 2021, the University issued a new University Facilities Revenue Bond, Series 2021, with a face value of $40,555,000. The proceeds, along with internal contributions from the University, are financing USA Health facilities and transportation infrastructure. In July 2021, the University refinanced the Series 2012-A Bond with the University Facilities Revenue Bond, Series 2021-B, with a face value of $15,387,000. The terms for Bonds 2016-B, 2016-C and 2016-D were revised in September 2021 to address the removal of the LIBOR rate to be replaced by the ISDA-based replacement index after year ended September 30, 2021. The dates by which the Lender may cause all of the outstanding principal on such bonds to mature and become due and payable by the University were extended 5 years for each bond.

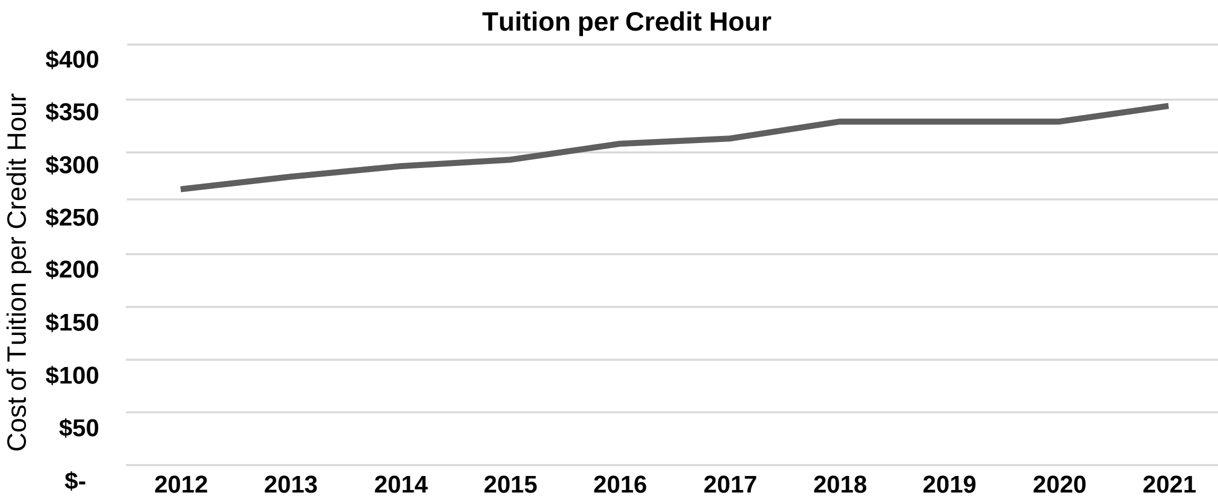
The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during 2021 or 2020. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with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

Economic Outlook

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

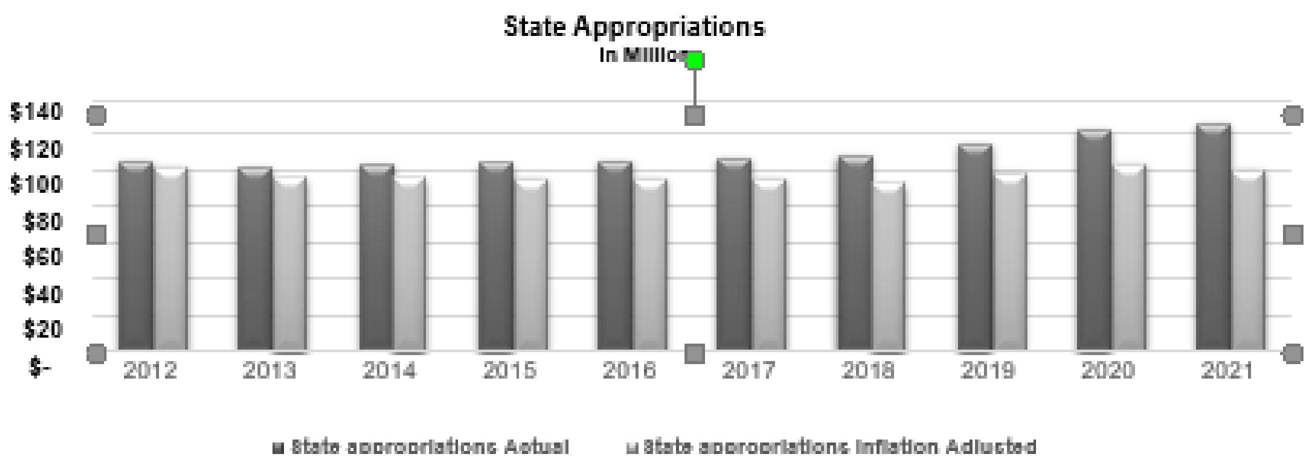


During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 30%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per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



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

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



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

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

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

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

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

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

Requests for Information

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

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

The Board of Trustees
University of South Alabama:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

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

KPMG LLP

Jackson, Mississippi
November 15, 2021

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statements of Net Position

September 30, 2021 and 2020

(In thousands)

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

See accompanying notes to basic financial statements

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit of the University of South Alabama)

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

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

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

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2021 and 2020

(In thousands)

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

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA 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)

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

See accompanying notes to basic financial statements.

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

Consolidated 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 on investments	$	5,204	56,052	61,256
Rents, royalties and timber sales		3,342	133	3,475
Interest and dividends		1,126	1,332	2,458
Gifts		1	511	512
Required match of donor contributions		(11)	11	—
Interfund interest		(165)	165	—
Other income		83	—	83
Allocation of Brookley		(16,773)	16,773	—
Net assets released from program restrictions		8,365	(8,365)	—
Total revenues, gains, losses and other support		1,172	66,612	67,784
Expenditures:				
Program services:				
Faculty support		2,694	—	2,694
Scholarships		1,130	—	1,130
Other academic programs		7,039	—	7,039
Total program service expenditures		10,863	—	10,863
Management and general		2,276	—	2,276
Other investment expense		1,625	—	1,625
Depletion expense		4,157	—	4,157
Depreciation expense		43	—	43
Total expenditures		18,964	—	18,964
Change in net assets		(17,792)	66,612	48,820
Net assets – beginning of year		79,835	307,288	387,123
Net assets – end of year	$	62,043	373,900	435,943

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 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.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

(In thousands)

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

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

(In thousands)

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

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

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

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

Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

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

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

GASB requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements. Based on these requirements, the University reports the Professional Liability Trust Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM), Jaguar Realty, LLC, USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC, USA Health MCI Business Services, LLC, USA Health Children's and Women's Provider Based Clinics, LLC and USA Health Reference Lab Billing Services, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

(b) Professional Liability and General Liability Trust Funds

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

(c) USA HealthCare Management, LLC

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

(d) USA Health Billing Limited Liability Companies

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

(e) University of South Alabama Health Care Authority

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

(Continued)

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

(f) University of South Alabama Foundation

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

(g) USA Research and Technology Corporation

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

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

(h) Measurement Focus and Basis of Accounting

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

(i) Use of Estimates

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

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

(j) Cash and Cash Equivalents

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

(k) Investments and Investment Income

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

(l) Derivatives

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

(m) Deferred Outflows and Inflows of Resources

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

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

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

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

(o) Accounts Receivable

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

(p) Inventories

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

(q) Capital Assets

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

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

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

Certain buildings are componentized for depreciation purposes.

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

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

(r) Unrecognized Revenues

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

(s) Cost Sharing Multiple-Employer Pension Plan

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

(t) Postemployment Benefits Other Than Pensions (OPEB)

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

(u) Classification of Net Position

The University's net position is classified as follows:

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

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

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

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

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

(v) Scholarship Allowances and Student Financial Aid

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

(w) Donor Restricted Endowments

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

(x) Classification of Revenues

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

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

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

(y) Gifts and Pledges

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

(Continued)

(z) Grants and Contracts

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

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

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

(bb) Compensated Absences

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

(cc) Recently Adopted Accounting Pronouncements

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

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

(2) Income Taxes

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

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

(3) Cash and Cash Equivalents

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

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

(4) Investments

(a) University of South Alabama

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

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

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

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

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

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

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

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

(i) Credit Risk and Concentration of Credit Risk

Nonendowment Cash Pool Investment Policy

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

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.

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

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

	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	BBB- to AAA	4.0

(ii) Interest Rate Risk

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

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

	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
	$ 140,903	5,122	77,634	13,462	44,685

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 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.

		Asset fair value measurements at September 30, 2021			
Description		**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Treasury securities	$	13,202	—	—	13,202
U.S. federal agency notes		—	58,057	—	58,057
Commingled equity funds		67,833	49,993	—	117,826
Commingled fixed income funds		68,786	21,270	—	90,056
Marketable equity securities		54,701	—	—	54,701
Marketable debt securities		12,394	—	—	12,394
Private equity		—	—	19,510	19,510
Total investments at fair value	$	216,916	129,320	19,510	365,746

Investments measured at NAV: Private equity		2,004
Managed income alternative investments (low volatility multi-strategy funds of funds)		42,618
Total investments	$	410,368

		Liability fair value measurements at September 30, 2021			
Description		**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate exchange agreements	$	—	38,317	—	38,317

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

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

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

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

(Continued)

(b) University of South Alabama Foundation

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

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

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

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

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

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

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

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

The USA Foundation has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*. ASC 820 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants (Level 1). The USA Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices (Level 2). Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable (Level 3). The USA Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

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

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

	Fair value measurements at June 30, 2020			
Description	**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
	$ 105,487	—	227,329	332,816
Investment in Commonfund measured at NAV				51,970
				$ 384,786

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

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

		2020		
Description	**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

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

(Continued)

(5) Capital Assets

(a) University of South Alabama

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

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

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

(Continued)

	2020				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
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
	121,412	87,763	(30,778)	—	178,397
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
	1,208,634	22,357	30,778	(13,111)	1,248,658
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)
	(570,245)	(50,202)	—	11,476	(608,971)
Capital assets being depreciated, net	638,389	(27,845)	30,778	(1,635)	639,687
Capital assets, net	$ 759,801	59,918	—	(1,635)	818,084

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

(b) USA Research and Technology Corporation

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

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

	2020				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
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)	—
	33,031	17	—	(19)	33,029
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)
	(12,191)	(1,106)	—	6	(13,291)
Capital assets, net	$ 20,840	(1,089)	—	(13)	19,738

(Continued)

(c) Health Care Authority

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

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

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

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

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

(6) Noncurrent Liabilities

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

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

	2020					
	Beginning balance	**Additions**	**Reductions**	**Ending balance**	**Less amounts due w ithin 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 borrow ings	4,295	2,147	(1,011)	5,431	1,063	4,368
Capital lease obligations	15,502	3,584	(5,814)	13,272	6,656	6,616
Total long-term debt	443,426	70,259	(42,331)	471,354	28,033	443,321
Other noncurrent liabilities:						
Net pension liability	282,739	11,876	—	294,615	—	294,615
Net OPEB liability	259,418	8,565	(164,695)	103,288	—	103,288
Other long-term liabilities	96,451	2,418	(5,843)	93,026	6,515	86,511
Total other noncurrent liabilities	638,608	22,859	(170,538)	490,929	6,515	484,414
Total noncurrent liabilities	$ 1,082,034	93,118	(212,869	962,283	34,548	927,735

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

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

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

During 2020, the University entered into a variable rate revolving line of credit with Hancock Whitney Bank to ensure the University was adequately prepared for potential cash-flow issues that could have been caused by the onset of the COVID-19 pandemic. The $50,000,000 line of credit expired in June 2021 and was not renewed. There were no draws on the line of credit during the years ended September 30, 2021 or 2020.

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

(i) Notes Payable

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

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

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

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

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

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

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

(ii) Debt Service on Long-Term Obligations

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

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

(iii) Derivative Transaction

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

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

(7) Bonds Payable

Bonds payable consisted of the following at September 30, 2021 and 2020 (in thousands):18,440

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

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

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

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of $85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the asset of the escrow trust account, nor the defeased indebtedness is included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of $7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds and the balance of the related deferred outflow totaled $5,886,000 and $6,274,000, respectively, at September 30, 2021 and 2020. The principal outstanding on all defeased bonds is $77,455,000 and $80,310,000 at September 30, 2021 and 2020, 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 Bonds and the balance of the related net deferred inflow at September 30, 2021 and 2020 totaled $3,442,000 and $3,669,000, respectively.

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

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

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

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

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

(Continued)

Debt Service on Long-Term Obligations

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

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

(8) Capital Lease Obligations

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

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

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

(9) Derivative Transactions – Interest Rate Swaps

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

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

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

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

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

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

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

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

Risks Associated with these Transactions

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

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

(Continued)

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

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

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

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

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

(10) Patient Service Revenues

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

(11) Defined Benefit Cost Sharing Pension Plan

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

(a) Plan Description

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

(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 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $21,566,000 and $21,413,000 for the years ended September 30, 2021 and 2020, respectively.

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

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

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

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

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

	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

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

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

(e) Actuarial Assumptions

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

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

* Net of pension plan investment expense

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

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

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

* Includes assumed rate of inflation of 2.50%

(f) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2021 and 2020 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(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):

	2021		
	1% Decrease (6.70)%	**Current rate (7.70)%**	**1% Increase (8.70)%**
University's proportionate share of collective net pension liability	$ 421,064	315,591	226,348

	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, 2020 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2020. The auditors' report dated April 23, 2021 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2020 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov

(12) Other Employee Benefits

(a) Other Pension Plans

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed $422,000 and

(Continued)

$462,000 in 2021 and 2020, respectively, representing 190 and 197 employees for 2021 and 2020, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed $6,553,000 and $5,544,000 in 2021 and 2020, respectively, representing 1,998 and 1,436 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

(b) Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately $12,644,000 and $12,962,000 at September 30, 2021 and 2020, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(13) Other Postemployment Benefit Plans

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

(a) Plan Description

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

(b) Benefits Provided

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

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

(c) Contributions

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

Total employer contributions to the OPEB plan from the University were $6,868,000 and $7,947,000 for the years ended September 30, 2021 and 2020, respectively.

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

At September 30, 2021 and 2020, the University reported a liability of $260,646,000 and $103,288,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2021, the net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2020, the University's proportion of contributions to the OPEB plan was 4.0162100%, which was an increase of 1.2784930% from its proportion measured as of September 30, 2019 of 2.7377170%.

For the years ended September 30, 2021 and 2020, the University recognized OPEB expense of approximately $7,208,000 and $(11,830,000), respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

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

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on OPEB plan investments	$ —	11
Differences between expected and actual experience	6,610	93,709
Changes of assumptions	91,042	48,400
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,698	36,524
Employer contributions subsequent to the measurement date	6,868	—
	$ 204,218	178,644

	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

At September 30, 2021, approximately $6,868,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022. Other

(Continued)

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

Year ending September 30:		
2022	$	(6,239)
2023		(5,842)
2024		(5,955)
2025		(5,633)
2026		25,125
Thereafter		17,249
	$	18,705

(e) Actuarial Assumptions

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

	2021	2020
Inflation	2.75 %	2.75 %
Projected salary increases*	3.25%-5.00%	3.25%-5.00%
Long-term investment rate of return**	7.25 %	7.25 %
Municipal bond index rate at the measurement date	2.25	3.00
Projected year for fiduciary net position to be depleted	2040	2055
Single equivalent interest rate at the measurement date	3.05 %	5.50 %
Healthcare cost trend rate		
Pre-medicare eligible	6.75 %	6.75 %
Medicare eligible	***	***
Ultimate trend rate		
Pre-medicare eligible	4.75 %	4.75 %
Medicare eligible	4.75 %	4.75 %
Year of ultimate trend rate		
Pre-medicare eligible	2027	2026
Medicare eligible	2024	2024

* Includes 3% wage inflation

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

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

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) of the total OPEB liability were based on the September 30, 2019 valuation.

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

	2021	
	Target allocation	Long-term expected real rate of return*
Fixed income	30 %	4.40 %
U.S. large stocks	38	8.00
U.S. mid stocks	8	10.00
U.S. small stocks	4	11.00
International developed market stocks	15	9.50
Cash	5	1.50
	100 %	

* Geometric mean, includes 2.5% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2020 and 2019 was 3.05% and 5.50%, respectively. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019. 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation by the asset class and by the mean and variance of real returns. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 4.75%, 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):

	1% Decrease - (3.75)%	2021 Current rate (4.75)%	1% Increase (5.75)%
University's proportionate share of collective net OPEB liability	$ 206,042	260,646	331,723

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 2.05% or 1-percentage point higher 4.05% than the current rate (in thousands):

	1% Decrease (2.05)	2021 Current rate (3.05%	1% Increase (4.05)%
University's proportionate share of collective net OPEB liability	$ 319,696	260,646	213,748

(h) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2020 and 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020 and 2019. Additional financial and actuarial information is available at www.rsa-al.gov

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

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the financial statements of the University for the years ended September 30, 2021 and 2020. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University, HCM and HCA each participate in a separate self-insured health plan administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately $2,767,000 and $2,560,000 in 2021 and 2020, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2021 and 2020 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	2021	2020
Balance, beginning of year	$ 39,995	39,400
Liabilities incurred and other additions	98,027	101,204
Claims, administrative fees paid and other reductions	(96,412)	(100,609)
Balance, end of year	$ 41,610	39,995

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

(15) Other Related Parties and Related-Party Transactions

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2021, SAMSF had total assets of $10,684,000, net assets of $9,673,000, and total revenues of $1,750,000 for the year then ended. At September 30, 2020, SAMSF had total assets of $10,662,000, net assets of $9,515,000, and total revenues of $1,345,000 for the year then ended. SAMSF reimburses the University for certain administrative expenses and other related support services. No such amounts were received for such expenses in 2021 and 2020.

(16) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2021 and 2020, the University had been awarded approximately $80,663,000 and $53,257,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.

(b) Litigation

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

(c) Rent Supplement Agreements

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 6). As of September 30, 2021 and 2020, no amounts were payable pursuant to these agreements.

(d) USA Research and Technology Corporation Leases

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

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

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

Space under lease to the University was 73,487 and 64,385 square feet at September 30, 2021 and 2020, respectively.

(Continued)

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

The Corporation, as lessor, had three ground leases in place at September 30, 2021. One lease is for a 40 year initial term expiring in October 2046 with 20 year, and 15 year renewal options. The second lease is for a 30 year initial term expiring in October 2036 with four 5 year renewal options. The third lease has a 38.5 year initial term expiring in September 2046 with 20 year and 15 year renewal options.

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

2022	$ 3,509
2023	2,674
2024	2,007
2025	1,193
2026	789
2027–2049	6,570
Total	$ 16,742

(17) Functional Expense Information

Operating expenses by functional classification for the years ended September 30, 2021 and 2020 are listed below (in thousands).

	2021	2020
Instruction	$ 114,020	108,737
Research	30,068	31,558
Public service	8,320	7,009
Academic support	26,673	27,242
Student services	34,094	33,570
Institutional support	33,333	19,386
Operation and maintenance of plant	28,061	28,184
Scholarships	35,309	17,468
USA Health	614,610	523,020
Auxiliary enterprises	11,025	11,885
Depreciation and amortization	54,985	50,237
	$ 990,498	858,296

(18) Blended Component Units

As more fully described in note 1, HCM, PLTF and GLTF are reported as blended component units. Required combining financial information of the aggregate blended component units as of and for the years ended September 30, 2021 and 2020 is presented below (in thousands):\

	2021	2020
Current assets	$ 27,505	13,858
Noncurrent assets	59,708	50,775
Total assets	87,213	64,633
Current liabilities	46,765	27,869
Noncurrent liabilities	36,721	33,743
Total liabilities	83,486	61,612
Net position	$ 3,727	3,021

	2021	2020
Operating revenues	$ 275,779	224,850
Operating expenses	(284,620)	(228,936)
Operating loss	(8,841)	(4,086)
Nonoperating revenues	9,547	5,069
Nonoperating expenses	—	—
Change in net position	$ 706	983

(19) Recently Issued Accounting Pronouncements

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

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

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

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

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

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement, effective for periods ending after December 31, 2021, addresses financial reporting implications related to the replacement of LIBOR, which is expected to cease to exist in its current form at the end of 2021.

In May 2020, the GASB issued Statement No. 96 *Subscription Based Information Technology Arrangements* effective beginning with the fiscal year ending September 30, 2023 and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, effective beginning with the fiscal year ending September 30, 2022. Statement No. 96 requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to non-subscription payments, and requires note disclosures for SBITA. The objective of Statement No. 97 is to improve consistency and comparability of reporting for those entities who rely on the government to perform the duties of a governing board in its absence, mitigate the costs of reporting for defined contribution plans, and improve relevance, consistency, and comparability of accounting and financial reporting of Section 457 plans that meet the definition of a pension plan.

In October 2021, the GASB issued statement No. 98, *The Annual Comprehensive Financial Report and its acronym ACFR*. This statement, effective for periods after December 15, 2021, replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

The effect of the implementation of GASB Statement Nos. 87, 89, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93, 94 and 98 will not impact the University.

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(20) COVID-19 Pandemic

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

As a result of the pandemic, most higher education institutions, including the University, moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls. This had an adverse effect on the operations of the University due to the pro-rata refund of housing and dining fees and incremental costs incurred as a result of having to convert all instruction to an on-line format. All instruction for the May and summer terms was delivered online and residence calls remained largely closed. The University returned to a modified in-person delivery of education for the 2020 fall semester, although residence halls reopened at a lower occupancy level. For the 2021 fall semester, the University returned to normal operations and residence hall capacities returned to a near-normal level. Management is unable to predict the future impact of the pandemic on the University's operations.

Government orders suspending elective surgical and other procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. Patient volumes and revenues experienced gradual improvement beginning in July 2020 and are now at normal levels. Management is unable to predict the future impact of the pandemic on USA Health's operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to provide economic relief to Higher Education Institutions and other entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2021, the University (including USA Health) has been awarded $93,064,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount $68,749,000 was awarded during the year ended September 30, 2021 and $24,315,000 was awarded during the year ended September 30, 2020. Of the total amounts awarded $58,249,000 and $11,350,000 have been recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020, respectively.

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

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAAPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. Beginning in April 2021, CMS began recouping the advanced payments by reducing the amount due to USA Health for Medicare and Medicaid services provided. CMS will reduce the remittances by 25% for the first 11 months and increase this percentage for the next six months if there is still a balance in advanced funds. The balance of the advanced payments are $27,682,000 and $35,156,000 as of September 30, 2021 and 2020, respectively and are reflected as unrecognized revenues in the accompanying 2021 and 2020 statements of net position.

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

- Established a campus wide contact tracing office to minimize the spread of the virus and therefore minimizing the financial impact on the University.
- Established a campus-wide reopening committee, now known as the Covid-19 Response Team, to address COVID issues related to the reopening of campus, the return of employees and students to an in-person environment, and the on-going monitoring of the impact of Covid-19 on the University community.
- As part of campus reopening, the student housing model was revised to provide a safer environment for residential students. This was accomplished by increasing the number of single occupant rooms and creating a quarantine facility within housing for students that become COVID positive.
- Implemented a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August of 2020. This unpaid furlough plan ultimately ended and funds were returned to employees due to positive financial results for the University.
- Proactively permanently eliminated certain positions, mostly unfilled, in academic and administrative areas.

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

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

Required Supplementary Information

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

Teachers' Retirement Plan of Alabama

September 30, 2021

(In thousands)

		2021	2020	2019	2018	2017
University's proportion of the net pension liability		2.551330 %	2.664536 %	2.843720 %	3.018313 %	3.108048 %
University's proportionate share of the net pension liability	$	315,591	294,615	282,739	296,654	336,477
University's covered-employee payroll		184,984	181,875	190,559	191,520	200,464
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		170.60 %	161.99 %	148.37 %	154.89 %	167.85 %
Plan fiduciary net position as a percentage of the total pension liability		67.72 %	69.85 %	72.29 %	71.50 %	67.93 %

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

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of the University’s Pension Contributions (Unaudited)

Teachers’ Retirement Plan of Alabama

September 30, 2021

(In thousands)

		2021	2020	2019	2018	2017
Contractually required contribution	$	21,566	21,413	22,481	22,262	23,664
Contributions in relation to the contractually required contribution		21,566	21,413	22,481	22,262	23,664
Contribution deficiency (excess)	$	—	—	—	—	—
University’s covered-employee payroll	$	184,984	181,875	190,559	191,520	200,464
Contributions as a percentage of covered-employee payroll		11.66%	11.77%	11.80%	11.62%	11.80%

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

See accompanying independent auditors’ report.

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

Required Supplementary Information

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

Alabama Retired Education Employees' Health Care Trust

September 30, 2021

(In thousands)

		2021	2020	2019
University's proportion of the net OPEB liability		4.016210 %	2.737717 %	3.156420 %
University's proportionate share of the net OPEB liability	$	260,646	103,288	259,418
University's covered-employee payroll		184,984	181,875	190,559
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		140.90 %	56.79 %	136.14 %
Plan fiduciary net position as a percentage of the total OPEB liability		19.80 %	28.14 %	14.81 %

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

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of the University's OPEB Contributions (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2021

(In thousands)

		2021	2020	2019
Contractually required contribution	$	6,868	7,947	7,772
Contributions in relation to the contractually required contribution		6,868	7,947	7,772
Contribution deficiency (excess)	$	—	—	—
University's covered-employee payroll	$	184,984	181,875	190,559
Contributions as a percentage of covered-employee payroll		3.71 %	4.37 %	4.08 %

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

See accompanying independent auditors' report.

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

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

(a) Actuarial Assumptions

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

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

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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

(b) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2021 and 2020 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(2) Summary of OPEB Plan Provisions and Assumptions

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

(a) Changes in Actuarial Assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

(b) Recent Plan Changes

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

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

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

(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, 2017, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule for the years ended September 30, 2021 and 2020:

	2021	**2020**
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay, closed	Level percent of pay
Remaining amortization period	24 years	25 years
Asset valuation method	Market value of assets	Market value of assets
Inflation	2.750%	2.875%
Health care cost trend rate:		
Pre-medicare eligible	7.00%	7.75%
Medicare eligible	5.00%	5.00%
Ultimate trend rate:		
Pre-medicare eligible	4.75%	5.00%
Medicare eligible	4.75%	5.00%
Year of ultimate trend rate	2026 for Pre-medicare eligible 2024 for Medicare eligible	2022 for Pre-medicare eligible 2018 for Medicare eligible
Investment rate of return	5.00%, including inflation	5.00%, including inflation

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business type activities and aggregately discretely presented component units of the University of South Alabama, a component unit of the State of Alabama, (the University), as of and for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2021. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of South Alabama Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Jackson, Mississippi
November 15, 2021

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

November 16, 2021

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

Ladies and Gentlemen:

We have audited the financial statements of the business type activities and aggregate discretely presented component units of the University of South Alabama, a component unit of the State of Alabama, (the University) as of September 30, 2021 and for the year then ended, which collectively comprise the University's basic financial statements and have issued our report thereon under date of November 15, 2021. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing opinions about whether the basic financial statements, that have been prepared by management with the oversight of the audit committee of the Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have a responsibility to perform our audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve management or the audit committee of the Board of Trustees of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

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

Significant Unusual Transactions

In connection with our audit of the University’s basic financial statements, no significant unusual transactions were identified.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions

In connection with our audit of the University's basic financial statements, we have discussed with management certain financial statement misstatements related to accounts and disclosures that have not been corrected in the University's books and records as of and for the year ended September 30, 2021. We have reported such misstatements to management on a Summary of Audit Misstatements and have received written representations from management that the effects of the uncorrected financial statement misstatements related to accounts and disclosures are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. Attached is a copy of the summary that has been provided to, and discussed with, management.

Corrected Misstatements

In addition, during the course of our audit, we identified and discussed with management a material financial statement misstatement that was corrected by the University. Specifically, we proposed a balance sheet reclassification relating to the presentation of certain components of the OPEB liability. Attached is a copy of the adjustment schedule that has been discussed with management and corrected by the University.

Auditors' Report

A draft of the auditors' report, including expected language of additional paragraphs to be added to the report, including a draft of the other matter paragraph, was provided and discussed with the chairman of the audit of committee of the Board of Trustees on November 11, 2021.

Significant Accounting Policies and Practices

In connection with our audit of the University's basic financial statements, no new, or changes in, significant accounting policies and practices were identified.

Qualitative Aspects of Accounting Practices

We have discussed with the audit committee of the Board of Trustees and management our judgments about the quality, not just the acceptability, of the University's accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the University's accounting policies and their application and the understandability and completeness of the University's basic financial statements, which include related disclosures.

Significant Accounting Estimates and Significant Financial Statement Disclosures

The preparation of the basic financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period.

Management's estimates of the allowances for uncollectible accounts and contractual adjustments are based on, among other things, analyses of historical trends, the aging and mix of accounts receivable at year-end and expected third-party payor payment rates. We evaluated the key factors and assumptions used to develop the estimates, including possible management bias in developing the estimates, in determining that the estimates are reasonable in relation to the basic financial statements as a whole.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in the University's annual report, to determine that such information, or its manner of presentation, is not materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Noncompliance with Laws and Regulations, including Illegal Acts or Fraud

In connection with our audit of the University's basic financial statements, no identified or suspected instances of non-compliance with laws and regulations, including illegal acts or fraud, have come to our attention.

Significant Difficulties Encountered During the Audit

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

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with other accountants during the year ended September 30, 2021.

Difficult or Contentious Matters for Which We Consulted

In connection with our audit of the University's basic financial statements, we did not consult outside of the engagement team for any difficult or contentious matters.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that individually or in the aggregate could be significant to the University's basic financial statements, or our report.

Written Communications

Attached to this letter please find copies of the following written communications between management and us:

1. Engagement letters and

2. Management representation letters.

Independence

We are communicating all relationships between our firm, or any affiliates of the firm, and the University and persons in a financial reporting oversight role at the University that may reasonably be thought to bear on auditor independence.

We are aware of the following relationship between our firm and the University and persons in a financial reporting oversight role at the University that previously has not been reported to you:

Relationship	***Description of relationship***
Monoclonal antibodies (mAb) engagement	KPMG entered into a Statement of Work (SOW) with the University to develop novel operational models and then evaluate the technical feasibility of the operational models and processes to deliver mAb infusion capabilities in order to develop a novel prototype process to create a standard and consistent operational model for establishing mABs infusion center capabilities to COVID-19 positive patients in high-risk communities in the United States. The following safeguards are in place to prevent the impairment of independence: – Separate agreements are in place for this engagement and the audit engagement – Neither KPMG nor the University assumes responsibility for the other’s activities or results – Neither KPMG nor the University has the authority to act as the other’s representative or agent, nor advocate for the other – Further, the mAbs engagement is not material to KPMG nor the University.

Secondary Auditors

This letter includes all relationships between our firm and the University that may reasonably be thought to bear on independence. With respect to other auditors (which collectively audited approximately 92% of the assets, 98% of the net position and 67% of the revenues of the aggregately discretely presented component units reflected in the basic financial statements), we, pursuant to professional standards among other things, satisfied ourselves as to their professional reputation and independence, including obtaining a confirmation from the other auditors that they are independent under applicable professional standards. We have not requested from the other auditors and our letter does not provide information about relationships of the other auditors. Those charged with governance may wish to obtain more information from the other auditors and have discussions with them about independence matters.

Affirmation of Independence

In connection with our audit of the University, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

University of South Alabama

Summary of Uncorrected Audit Misstatements

For Year Ended September 30, 2021

Amounts in Thousands

Correcting Entry Required at Current Period End						Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)		
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Investing Activities	Financing Activities
				A		B	C=A (Only Income Statement accounts)	C-B								
AM 2	Current year impact of correcting repayable scholarships liability balance as of September 30, 2020 with a total impact of $5,738.	Factual		0	0	(5,738)		5,738		0	0	0	0	0	0	0
	Aggregate effect of uncorrected audit misstatements (before tax):					**(5,738)**	**0**	**5,738**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Aggregate effect of uncorrected audit misstatements (after tax):					**(5,738)**	**0**	**5,738**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Financial statement amounts (per final financial statements) (after tax):							126,032	(342,310)	363,476	1,568,887	(241,038)	(1,349,015)	(50,941)	(37,578)	89,466
	Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):							4.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

University of South Alabama
Summary of Corrected Audit Misstatements
For Year Ended September 30, 2021
Amounts in Thousands

							Income Statement Effect - Debit (Credit)	**Balance Sheet Effect - Debit (Credit)**					**Cash Flow Effect - Increase (Decrease)**		
ID	**Description of misstatement**	**Type of misstatement**	**Identified During**	**Accounts**	**Debit**	**(Credit)**	**Income Effect Debit (Credit)**	**Equity**	**Current Assets**	**Noncurrent Assets and Deferred Outflows**	**Current Liabilities**	**Noncurrent Liabilities and Deferred Inflows**	**Operating Activities**	**Investing Activities**	**Financing Activities**
				Total income effect of corrected audit misstatements – Interim			**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
AM 1	The original entry was erroneously keyed to the wrong account (deferred inflows instead of deferred outflows). This entry above is to correct the amount of deferred outflows and inflows as of period end.	Factual	Final	Deferred Outflows	85,745,644	0	0	0	0	0	0	0	0	0	0
				Deferred inflows	0	(85,745,644)	0	0	0	85,745,644	0	(85,745,644)	0	0	0
				Total income effect of corrected audit misstatements – Final			**0**	**0**	**0**	**85,745,644**	**0**	**(85,745,644)**	**0**	**0**	**0**

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February 19, 2021

Mr. Scott Weldon
Vice President for Finance and Administration
Mr. Ron Graham
Chairman, Audit Committee of the Board of Trustees
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Attention: Mr. Weldon and Mr. Graham

This letter amends our engagement letter dated June 23, 2020, confirming our understanding to provide professional audit services to the University of South Alabama (the University) by substituting the attached Appendix I for the Appendix I originally attached to our engagement letter and amending its terms as noted below.

Annual Report

The auditing standards require us to read the other information in the University's annual report and consider whether a material inconsistency exists between the other information and the financial statements. Management has identified the following document comprising the annual report: University of South Alabama 2021 Financial Report

Management will provide final versions of this document to us in a timely manner, and if possible, before the date of our auditor's report. If some or all of the document is not available until after that date, management will provide written representation that the final document will be provided when available and prior to issuance by the University.

Other Matters

The parties agree that the paragraph in the engagement letter that references providing access to certain online tools shall be revised to add the following at the end of such paragraph: "The KPMG online tools include technology licensed from Microsoft, and the University's use of such Microsoft technology is subject to the Microsoft End-User Terms available at http://www.kpmginfo.com/NDPPS/media/docs/144210-1A_NAS_MicrosoftEnd-UserTerms.pdf."

The parties agree that the disclosure in the engagement letter referencing "back-office administrative and clerical services" is revised to reference "back-office administrative and clerical, or analytical services."

Except for the sentence contained in the "Other Matters" section of the engagement letter regarding KPMG Firms utilizing, in their discretion, the services of third party service providers within or outside of the United States to complete the services under the engagement letter, all other references to "KPMG Firms" contained in the engagement letter are replaced by the term "KPMG Parties." The term "KPMG Parties" shall mean the KPMG Firms, together with the entities comprising KPMG International.

For purposes of clarification, the paragraph contained in the "Other Matters" section of the engagement letter which states that KPMG Parties and third party service providers may have access to your confidential information is revised to include the following and is subject to the representations and other protective provisions set forth in such paragraph: "In particular, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Parties or such third party service providers. In addition, KPMG Parties may have access to certain of your information in respect to engagement acceptance and other professional responsibilities such as maintaining independence and performing conflict checks."

The parties further agree that the provision contained in the engagement letter that addresses the use of the University's information for other purposes shall be revised in its entirety to read as follows: "You also understand and agree that the KPMG Parties, with the assistance of third parties as outlined in the engagement letter, may use all the University's information for other purposes consistent with our professional standards, such as improving the delivery or quality of audit and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Parties or such third parties assisting them as outlined in the engagement letter, the University will not be identified as the source of the information."

It may be necessary or convenient for the University to use KPMG-owned or -licensed software, software agents, scripts, technologies, tools or applications (collectively "KPMG Technology") designed to extract data from the University's electronic books and records systems or other systems (collectively, "Systems"), in connection with the audit. The University understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to use of such technology (including without limitation appropriate backup of the University's information and Systems) (collectively, "Change Management Processes") before such KPMG Technology is utilized to extract data from the Systems. In the event the University fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, the University acknowledges that the Systems and/or KPMG Technology may not function as intended. In consideration of the foregoing, KPMG hereby grants the University the right to use KPMG Technology solely to facilitate the University's necessary or convenient provision of information to KPMG in connection with the audit, and this grant does not extend to any other purposes or use by third parties outside of your organization without our prior written approval, provided that third party contractors of the University having a need to know in order to perform their services to the University are permitted to use KPMG Technology to the extent necessary for such parties to perform such services, so long as the University exercises the same level of care to protect such KPMG Technology and KPMG confidential information as it uses to protect its own confidential information, but in no event less than reasonable care. Other than as expressly permitted hereby, the University agrees to keep KPMG Technology confidential, using no less than a reasonable standard of care to protect it from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing legal demand of confidential information which appear in the engagement letter with respect to which the KPMG Technology is being used, mutatis mutandis. If the KPMG Technology is subject to any third party license terms and conditions before being provided to the University, the University may be required to accept such terms and conditions before using the KPMG Technology, in which case KPMG will provide such license terms and conditions to the University in writing before the University elects to use the KPMG Technology.

The parties further agree that the paragraph in the engagement letter that references legal entity listings shall be revised in its entirety, as follows: "For the purpose of complying with the AICPA Code of Professional Conduct, the University agrees to provide to KPMG, at least annually, a complete and accurate legal entity listing and a listing of other affiliated entities not included on the legal entity listing (e.g., parent company, entities under common control, joint ventures, equity method investments, and others). The University further agrees to provide a listing of the University's officers, directors, and individuals owning 10% or more of the University's outstanding voting equity securities or other ownership interests. The University also agrees to provide information to KPMG about acquisitions, investments or other transactions that may result in changes to the legal entity listing or the listing of other affiliated entities, not included on the legal entity listing, prior to the effective date of the acquisition, investment or other transaction."

The attached Appendix I lists the services to be rendered and related fees to provide each specified service for the identified time period. Except as specified in this letter and in the Appendix I attached to this letter, all provisions of the aforementioned engagement letter remain in effect until either the audit committee or we terminate this agreement or mutually agree to the modification of its terms.

* * * * * * *

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign in the space provided and return the copy to us.

Very truly yours,

KPMG LLP

Ashley E. Willson

Ashley E. Willson
Partner

Enclosure

(On the duplicate of the preceding letter, which should be signed in the same manner as the original, type the following):

ACCEPTED

University of South Alabama	University of South Alabama
Scott Weldon	Ron Graham
Scott Weldon	Ron Graham
Vice President for Finance and Administration	Chairman, Audit Committee of the Board of Trustees
Title	Title
3/2/21	3/4/21
Date	Date

Reports, Services and Associated Fees

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

Audits of financial statements and related notes to the financial statements of the University as of and for the years ended September 30, 2021, 2022 and 2023 and other reports detailed below (includes KPMG performing the audit of one major program in connection with the under Uniform Guidance)

2021	$612,000
2022	$636,000
2023	$661,000

Other Reports:

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Report

Reports issued in connection with Uniform Guidance
Debt covenant compliance report
Debt agreed upon procedures report
USA Research and Technology Corporation
NCAA agreed upon procedures report

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of appropriately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations and no significant increase in the purchase of additional alternative investments. The above fees do not consider any time associated with implementing any future GASB pronouncements. Any additional time associated with GASB pronouncements will be billed separately. The above fees also do not include any changes in the scope of KPMG's hours related to the NCAA agreed upon procedures report or Uniform Guidance procedures. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our audit report and associated consent.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

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July 9, 2020

Mr. Scott Weldon
Vice President for Finance and Administration
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Dear Scott,

This letter (Engagement Letter) confirms our understanding of our engagement to provide professional services to the University of South Alabama (the University).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the University's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards), with the objectives of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and issuing an auditor's report that includes our opinion as to whether the presentation of the financial statements conforms with U.S. generally accepted accounting principles.

Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on the financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall financial statement presentation, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud, and noncompliance with laws and regulations may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements will include a schedule of expenditures of federal awards (SEFA) which is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the University's financial statements addressed to the Board of Trustees of the University. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

Internal Control over Financial Reporting and Compliance and Other Matters

We will obtain an understanding of the University's internal control relevant to the audit in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

The objective of our audit of the financial statements is not to report on the University's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. 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 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. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's 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, our objective is not to provide an opinion on compliance with such provisions.

In accordance with Government Auditing Standards, we will prepare a written report, Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will include any material weaknesses and significant deficiencies identified during the audit. This report will also include any of the following that we identify or suspect:

- Instances of noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements or other financial data significant to the audit objectives.
- Instances of fraud that are material, either qualitatively or quantitatively, to the financial statements or other financial data significant to the audit objectives.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also communicate in writing when:

- Identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to our attention during the course of our audit that has an effect on the financial statements or other financial data significant to the audit objectives that is less than material but warrants the attention of those charged with governance, or
- We obtained evidence of identified or suspected instances of fraud that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or instances of fraud directly to parties outside the auditee.

Uniform Guidance Audit Services

We will also perform audit procedures with respect to the University's major federal programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). The Uniform Guidance includes specific audit requirements, mainly in the areas of internal control and compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs that exceed those required by *Government Auditing Standards.*

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs. The tests of internal control performed in accordance with the Uniform Guidance are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards we determine to be necessary based on the *OMB Compliance Supplement*. The procedures outlined in the *OMB Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material noncompliance, fraud, and noncompliance with laws and regulations may exist and not be detected even though the audit is properly planned and performed in accordance with *Government Auditing Standards*. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs and 2) communicates our consideration of internal control over major federal programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This Engagement Letter serves as the University's authorization for the submission of the reporting package in this format.

Offering Documents

Should the University wish to include or incorporate by reference these financial statements and our audit report(s) thereon into a future exempt filing, the University agrees that the aforementioned auditor's report, or reference to KPMG LLP, will not be included in any such offering document without our prior permission or consent. Additionally, we may be required by the professional standards to perform procedures depending on our involvement with the exempt offering document. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement and the specific terms of our future services with respect to future exempt offerings will be determined at the time the services are to be performed.

In the event the University does not obtain our permission or consent to include or incorporate by reference our report(s) on such financial statements, and we are not otherwise associated with the offering document, then the University agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will communicate our planned scope and timing for our audits with the audit committee, including significant risks identified in planning our audit of the financial statements.

We will report to the audit committee or those charged with governance the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audits.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Significant findings from the compliance audit.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

a. identifying and ensuring that the University complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements;

b. providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within 10 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report(s), the report(s) will indicate management did not provide written responses;

c. distributing the reports issued by KPMG.

Management also is responsible for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of the University also acknowledges and understands that they have responsibility for the preparation of the SEFA in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management of the University also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the University will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its federal programs, management acknowledges and understands its responsibility for:

- Identifying the University's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the University administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the University's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above, the Uniform Guidance also requires the University to prepare a:

- Schedule of expenditures of federal awards;

- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (auditee sections).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the University.

Certain provisions of the Uniform Guidance allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The University agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this Engagement Letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to August 15, 2020.

Use of Internal Audit

Management acknowledges and understands that internal auditors providing direct assistance to us will be allowed to follow our instructions and that personnel of the University will not intervene in the work the internal auditor performs for us. Further, management acknowledges and understands that if, in our sole judgment, we believe the objectivity of internal auditors providing direct assistance to us has been impaired, we will be unable to use the work performed or planned to be performed.

Government Auditing Standards require external and internal auditors to meet minimum Continuing Professional Education (CPE) hours. Therefore, management is responsible for monitoring and documenting the compliance with the Government Auditing Standards CPE hours of those internal auditors assigned to the audit in direct assistance roles.

Non-audit service - Assistance in Preparing Financial Statements (including the SEFA)

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles. We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes.

We may also provide advice and recommendations to assist management of the University in performing its responsibilities. We will not assume management responsibilities on behalf of the University.

The University agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This Engagement Letter shall serve that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

In an effort to facilitate efficient communication between KPMG and the University related to the audit and to track engagement progress during the course of the engagement, KPMG may provide the University with access to certain online tools. If such access is provided to the University, the University shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by the University's users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing KPMG when the University individuals' access should be removed. The University acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without KPMG's written consent, use such tools as a system of record, nor use such tools other than for purposes of the audit engagement.

Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. The University agrees that KPMG may list the University as a client in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "University of South Alabama is an Audit client of KPMG LLP"). Further, for purposes of the services described in this Engagement Letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

The University and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its audit, the University will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Control Reform Act of 2018, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from the University, the University shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter. The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University, the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards,* and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. In particular, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Firms or such third party service providers. We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions related to the University's major federal program, Student Financial Assistance, that we determine to be necessary based on the 2020 *OMB Compliance Supplement*. We expect the 2020 OMB Compliance Supplement to include a requirement that auditors provide the US Department of Education information on all samples used to test disbursements and returns of Pell Grants and Direct Loans. We also expect it to request that auditors provide information for these two programs related to all instances of noncompliance, including those that are less than the $25,000 Uniform Guidance reporting threshold. While this does not include direct access to the work papers, we believe this information request is within the scope of *Government Auditing Standards,* and we will provide the information to the US Department of Education. We will provide such information directly to the US Department of Education within 60 days of the filing of the Data Collection Form. In addition, for purposes of fulfilling our professional responsibilities, such as maintaining independence and performing conflict checks, the University of South Alabama will be listed as a client in internal KPMG systems accessible on a need to know basis to certain professionals in KPMG International member firms. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use all the University's information for other purposes consistent with our professional standards, such as improving the delivery or quality of audit and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Firms or such third parties assisting them as outlined above, the University will not be identified as the source of the information.

It may be necessary or convenient for the University to use KPMG-owned or -licensed software, software agents, scripts, technologies, tools or applications (collectively "KPMG Technology") designed to extract data from the University's electronic books and records systems or other systems (collectively, "Systems"), in connection with the audit. The University understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to use of such technology (including without limitation appropriate backup of the University's information and Systems) (collectively, "Change Management Processes") before such KPMG Technology is utilized to extract data from the Systems. In the event the University fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, the University acknowledges that the Systems and/or KPMG Technology may not function as intended. In consideration of the foregoing, KPMG hereby grants the University the right to use KPMG Technology solely to facilitate the University's necessary or convenient provision of information to KPMG in connection with the audit, and this grant does not extend to any other purposes or use by third parties outside of your organization without our prior written approval, provided that third party contractors of the University having a need to know in order to perform their services to the University are permitted to use KPMG Technology to the extent necessary for such parties to perform such services, so long as the University exercises the same level of care to protect such KPMG Technology and KPMG confidential information as it uses to protect its own confidential information, but in no event less than reasonable care. Other than as expressly permitted hereby, the University agrees to keep KPMG Technology confidential, using no less than a reasonable standard of care to protect it from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing legal demand of confidential information which appear in this engagement letter with respect to which the KPMG Technology is being used, *mutatis mutandis*. If the KPMG Technology is subject to any third party license terms and conditions before being provided to the University, the University may be required to accept such terms and conditions before using the KPMG Technology, in which case KPMG will provide such license terms and conditions to the University in writing before the University elects to use the KPMG Technology.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Reports, Services and Associated Fees

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement and our fees for professional services to be performed under this Engagement Letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this Engagement Letter we will provide the services set forth in Appendix I as a single engagement for each of the University's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Ashley E Willson

Ashley E. Willson
Partner

(On the duplicate of the preceding letter, which should be signed in the same manner as the original, type the following):

ACCEPTED

University of South Alabama

Authorized Signature

Vice President for Finance & Administration
Title

7/10/2020
Date

Appendix I

Reports, Services and Associated Fees

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

	2020
Audits of financial statements and related notes to the financial statements of the University as of and for the years ended September 30, 2020 and other reports detailed below (includes KPMG performing the audit of two major programs in connection with the under Uniform Guidance)	$635,000

Other Reports:

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Report
Reports issued in connection with Uniform Guidance
Debt covenant compliance report
Debt agreed upon procedures report
South Alabama Medical Science Foundation
USA Research and Technology Corporation
NCAA agreed upon procedures report

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of appropriately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations and no significant increase in the purchase of additional alternative investments. The above fees do not consider any time associated with implementing any future GASB pronouncements. Any additional time associated with GASB pronouncements will be billed separately. The above fees also do not include any changes in the scope of KPMG's hours related to the NCAA agreed upon procedures report or Uniform Guidance procedures. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our audit report and associated consent.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

November 12, 2021

Mr. G. Scott Weldon
Vice President for Financial Affairs
University of South Alabama
307 University Boulevard North, AD 170
Mobile, Alabama 36688-0002

Attention: Mr. Weldon

This Engagement Letter (Engagement Letter) sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services KPMG LLP ("KPMG") will provide.

We will apply the following agreed-upon procedures to assist the board of trustees and management of the University of South Alabama (the University) in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Facilities Revenue Capital Improvement Bonds, Series 2012-A, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D, University Facilities Revenue Bonds, Series 2017, University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C, University Facilities Revenue Bonds, Series 2020, and University Facilities Revenue Bonds, Series 2021 and 2021-B, as of September 30, 2021 and for the year then ended. The University is responsible for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions. The University acknowledges that the procedures are appropriate for the intended purpose. Consequently, we make no representation regarding the appropriateness of the procedures either for the purpose for which our report has been requested or for any other purpose. Execution of this Engagement Letter will signify the University's agreement to the procedures and that the procedures are appropriate for the intended purpose of the engagement.

We will compare the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee, noting agreement.

We will compare the amounts shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee, noting agreement.

We will obtain a schedule of general student fees (tuition) earned during the year ended September 30, 2021, and compare that amount to the general student fees recorded in the University's general ledger, noting agreement.

At the conclusion of the engagement, the University agrees to supply us with a representation letter that will include:

a. a statement that it is responsible for the subject matter,

b. a statement that it agrees to the procedures performed and acknowledges that they are appropriate for the intended purpose of the engagement,

c. a statement that it obtained agreement to and acknowledgement of the procedures from all necessary parties and provided written acknowledgement from those parties to us, if applicable,

d. a statement that it has provided us with all relevant information and access, as applicable,

e. a statement that all known matters contradicting the subject matter and any communication from regulatory agencies or others affecting the subject matter have been disclosed to us, including communications received between the end of the period addressed by the subject matter and the date of our report,

f. a statement that it is not aware of any material misstatements in the subject matter,

g. a statement that it has disclosed to us all known events subsequent to the period of the subject matter being reported on that would have a material effect on the subject matter, and

h. other matters as we may deem appropriate.

If such a representation letter is not provided, it may be necessary for us to withdraw from the engagement.

Our engagement to apply agreed-upon procedures will be performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards.* Because the agreed-upon procedures referred to above do not constitute an examination or review, we will not express an opinion or conclusion on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions or the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions of the University. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our written independent accountants' agreed-upon procedures report will include a list of the procedures performed and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of the University and is not intended for use by those who have not agreed to and acknowledged the appropriateness of the procedures. If you request that additional specified parties of the report be added, we will require that they acknowledge, in writing, their agreement with the procedures and appropriateness of the procedures for their purpose.

Our report will include identification of the intended purpose of the engagement and a statement that the report may not be suitable for any other purpose. Our report may also include statements that the University has acknowledged that the procedures are appropriate for their purposes, that no other party acknowledged the appropriateness of the procedures, and that we make no representation regarding the appropriateness of the procedures either for the purpose for which our report has been requested or for any other purpose.

Professional standards require that we report all findings as a result of performing the procedures. Accordingly, if during our engagement we are provided with preliminary Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee

Pursuant to the Bond Resolutions are revised based on differences identified from our procedures, we will disclose that fact in our report.

If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with you during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

Because of the importance of management's representations to the effective performance of our services, the University hereby releases KPMG and its personnel from and against any and all claims, liabilities, costs, and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

The University will indemnify, defend, and hold KPMG and its personnel harmless from and against any and all claims, liabilities, costs, and expenses asserted against KPMG by any third party to the extent resulting from or attributable to (i) that party's use or possession of, or reliance upon, KPMG's report or reference to KPMG's services hereunder as a result of the University's disclosure of such report or reference thereto other than to the specified party(ies) or (ii) any misrepresentations in the representation letter referred to above. The foregoing indemnification obligation shall apply regardless of whether the third party claim alleges a breach of contract, violation of statute or tort (including without limitation negligence) by KPMG.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

All disputes between the parties (whether based in contract, tort, statute, regulation, or otherwise and whether pending in court or in an arbitral forum) shall be governed by and construed in accordance with the substantive and procedural laws of the State of New York, including without limitation, its statutes of limitations, without regard to the conflict of laws provisions of New York or any other state or jurisdiction. In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This Engagement Letter shall serve as the University's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the University and between KPMG and outside specialists or other entities engaged by either KPMG or the University. The University acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

In an effort to facilitate efficient communication between KPMG and the University related to the attest engagement and to track engagement progress, KPMG may provide the University with access to certain online tools. If such access is provided to the University, the University shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by the University's users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing KPMG when the University individuals' access should be removed. The University acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without KPMG's written consent, use such tools as a system of record, nor use such tools other than for purposes of the attest engagement. The KPMG online tools include technology licensed from Microsoft, and the University's use of such Microsoft technology is subject to the Microsoft End-User Terms available at http://www.kpmginfo.com/NDPPS/media/docs/144210-1A_NAS_MicrosoftEnd-UserTerms.pdf.

Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. The University agrees that KPMG may list the University as a client in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "the University is an attest client of KPMG LLP"). Further, for purposes of the services described in this Engagement Letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

The University and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its attest engagement, the University will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Control Reform Act of 2018, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from the University, the University shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter.

The documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University, the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. The KPMG Firms, together with the entities comprising KPMG International, shall be referred to herein as the "KPMG Parties." In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Parties and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. In particular, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Parties or such third party service providers. In addition, KPMG Parties may have access to certain of your information in respect to engagement acceptance and other professional responsibilities such as maintaining independence and performing conflict checks. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Parties, with the assistance of third parties as outlined above, may use all the University's information for other purposes consistent with our professional standards, such as improving the delivery or quality of attestation and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Parties or such third parties assisting them as outlined above, the University will not be identified as the source of the information.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

* * * * * * * *

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

Fees for these services are included in the engagement letter between KPMG and University of South Alabama dated February 19, 2021

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Ashley E Willson

Ashley Willson
Partner

<u>ACCEPTED</u>

University of South Alabama

Scott Weldon

Mr. G Scott Weldon

VP- Finance & Admin

Title

4/15/21

Date

UNIVERSITY OF SOUTH ALABAMA

November 15, 2021

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

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the basic 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, 2021 and 2020, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 15, 2021:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 19, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audits;

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

   d. All minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688–0002
TEL: (251) 460–6241 | FAX: (251) 460-6647 | southalabama.edu

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. There are no side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the University's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit.*
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the University involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.
16. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audits.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.

19. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, The Financial Reporting Entity, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the University is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

    The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

20. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

21. The University's reporting entity includes all entities that are component units of the University.

22. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University 's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

23. The University is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the University. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

24. There have been no:

    a. Instances of fraud that could have a material effect on the adjustments.

    b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the University's adjustments that have not been disclosed to you in writing.

    c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the University's adjustments that have not been disclosed to you in writing.

    d. False statements affecting the University's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.

25. The University's reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the University holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.

26. There have been no circumstances that have resulted in communications from the University's external legal counsel to the University reporting evidence of a material

violation of securities law or breach of fiduciary duty, or similar violation by the University or any agent thereof.

27. Significant relationships with affiliated organizations, and the financial statements of those organizations, where required, have been properly recorded or disclosed in the basic financial statements.

28. KPMG LLP assisted management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the financial statements and notes.

29. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

30. Billings to third-party payórs comply in all material respects with applicable coding guidelines (e.g., ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.

31. Amounts advanced to related organizations represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

32. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

33. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

34. The University has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

35. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

36. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the University's funding progress related to such benefits for financial reporting purposes are appropriate in the University's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

37. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 37-39 of GASB Statement No. 75.

38. The basis for our proportion of the collective pension and OPEB amounts is appropriate and consistent with the manner in which future contributions to the pension and OPEB plan are expected to be made.

39. For each defined benefit pension plan in which the University is a participating employer:

    a. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

    b. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

    c. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

    d. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.

e. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

40. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

41. We agree with the findings of specialists in evaluating the reserves related to the Professional Liability and General Liability Trust Funds and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

42. Provision, when material, has been made for:

    a. Losses to be sustained from inability to fulfill any sales commitments.

    b. Estimated loss to be sustained as a result of retroactive adjustments by third-party payors under reimbursement agreements that are subject to examination, including denied claims, changes to diagnosis-related group (DRG) assignments, or other classification criteria affecting reimbursement.

    c. Losses to be sustained as a result of adjustments resulting from review of Medicare or other payor claim data by the Professional Review Organization (PRO) or other payors' reviewers with which the University has agreements.

    d. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

    e. Losses to be sustained as a result of other-than-temporary declines in the fair value of investments

    f. Liabilities for physician and medical services provided to members covered under capitation arrangements. The recorded liability includes both claims received and unpaid as well as an estimate of the claims incurred but not reported and loss to be sustained for commitments to provide medical services to enrollees under capitation agreements.

43. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors. The reimbursement methodologies and principles employed in accordance with applicable

rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report. Recorded third party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

44. For investments in alternative investments (including hedge funds, real estate ventures, private equity funds, etc.), management has performed an evaluation to determine whether the investment should be consolidated or accounted for under the equity, fair value, or cost method. Such evaluation included the consideration of various factors, including the legal form of the investment (limited partnership, limited liability corporation, limited liability partnership, trust arrangements, etc.) The level of ownership in the investment, and the frequency with which the unit value is published and purchase and sale transactions are permitted.

45. There are no material unrecorded environmental remediation liabilities that must be recorded and/or disclosed in the University's financial statements.

46. The University has made a continuing pledge and will make necessary appropriations to fund all deficits of the University of South Alabama Health Care Authority.

47. If the USA Research and Technology Corporation debt coverage ratio is less than 1 to 1, the University will pay the Corporation's rent equal to the amount necessary to bring the ratio to 1 to 1.

48. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

49. We are planning to issue other information in documents that include the audited financial statements. The information is currently not available but the final version will be provided to you when available, and prior to its issuance.

50. In accordance with *Government Auditing Standards,* we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of these audits, including whether related recommendations have been implemented.

51. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis, the schedule of the

University's proportionate share of the net pension liability, the schedule of the University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

Very truly yours,

University of South Alabama

Dr. John Smith
University President

G. Scott Weldon
Vice President of Finance and Administration

Polly Stokley
Associate Vice President of Finance and Administration

University of South Alabama

Summary of Uncorrected Audit Misstatements

For Year Ended September 30, 2021

Amounts in Thousands

Correcting Entry Required at Current Period End						Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)		
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Investing Activities	Financing Activities
				A		B	C=A (Only Income Statement accounts)	C-B								
AM 2	Current year impact of correcting repayable scholarships liability balance as of September 30, 2020 with a total impact of $5,738.	Factual		0	0	(5,738)		5,738		0	0	0	0	0	0	0
	Aggregate effect of uncorrected audit misstatements (before tax):					**(5,738)**	**0**	**5,738**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Aggregate effect of uncorrected audit misstatements (after tax):					**(5,738)**	**0**	**5,738**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Financial statement amounts (per final financial statements) (after tax):							126,032	(342,310)	363,476	1,568,887	(241,038)	(1,349,015)	(50,941)	(37,578)	89,466
	Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):							4.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

UNIVERSITY OF SOUTH ALABAMA

November 16, 2021

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

Ladies and Gentlemen:

In connection with your engagement to perform agreed-upon procedures to the board of trustees and management University of South Alabama's Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the period ended September 30, 2021 and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions as of September 30, 2021, we confirm, to the best of our knowledge and belief, as of November 15, 2021 the following representations made to you during your agreed-upon procedures engagement:

1. We the board of trustees and management of the University of South Alabama acknowledge our responsibility for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions.
2. We agree to the procedures performed and acknowledge that they are appropriate for the intended purpose of the engagement to evaluate the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions.
3. We the board of trustees and management of the University of South Alabama obtained, from all necessary parties, agreement to the procedures and acknowledgement that the procedures are appropriate for their purposes and provided to you written acknowledgement from those parties.
4. We have provided you with access to all relevant information and access, as applicable, as agreed upon in the terms of the engagement.
5. There are no known matters contradicting the subject matter and there have been no communications from regulatory agencies or others affecting the subject matter, including between the end of the period addressed by the subject matter and the date of the agreed-upon procedures report.
6. We are not aware of any material misstatements in the subject matter.
7. There are no known subsequent events to the September 30, 2021 period that would have a material effect on the subject matter.

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688-0002
TEL: (251) 460-6241 | FAX: (251) 460-6647 | southalabama.edu

Very truly yours,

G. Scott Weldon

Vice President, Finance and Administration

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:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the business type activities and aggregately discretely presented component units of the University of South Alabama, a component unit of the State of Alabama (the University), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2021. We did not audit the financial statements of the University of South Alabama Foundation, which represent 92% of total assets and 98% of net assets or net position as of June 30, 2021, and 67% of total revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon, 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.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions of Article X of the Trust Indenture, as amended, on January 4, 2012, authorizing the issuance of $50,000,000 University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, as amended on March 14, 2014, authorizing the issuance of $41,245,000 University Facilities Revenue Refunding Bond, Series 2014-A, as amended on June 15, 2015, authorizing the issuance of $6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, as amended on September 14, 2016, authorizing the issuance of $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016-A, as amended on December 7, 2016 and on September 23, 2021, authorizing the issuance of $100,000,000 University Facilities Revenue Refunding Bonds, Series 2016-B, 2016-C, and 2016-D, as amended on June 15, 2017 and on September 23, 2021, authorizing the issuance of $38,105,000 University Facilities Revenue Bonds, Series 2017, as amended on February 7, 2019, authorizing the issuance of $66,190,000 University Facilities Revenue Bonds, Series 2019-A and 2019-B, as amended on December 12, 2019, authorizing the issuance of $19,086,000 University Facilities Revenue Bonds, Series 2019-C, as amended on March 10, 2020, authorizing the issuance of $37,005,000 University Facilities Revenue Bonds, Series 2020, as amended on March 10, 2021, authorizing the issuance of $40,555,000 University Facilities Bonds, Series 2021, and as amended on July 8, 2021, authorizing the issuance of $15,387,000 of University Facilities Bonds, Series 2021-B, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Trust Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees and management of the University of South Alabama and management of The Bank of New York Trust Company, N.A. and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Jackson, Mississippi
November 15, 2021

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

Independent Accountants' Agreed-Upon Procedures Report

The Board of Trustees and Management
University of South Alabama:

We have performed the procedures enumerated below on the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2021 and the accompanying Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions as of September 30, 2021, relating to the University Facilities Revenue Capital Improvement Bond, Series 2012-A, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D, University Facilities Revenue Bond, Series 2017, University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C, University Facilities Revenue Bond, Series 2020, and University Facilities Revenue Bonds, Series 2021 and 2021-B. The University of South Alabama (the University) is responsible for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by the Trustee Pursuant to the Bond Resolutions.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2021 and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions at September 30, 2021. This report may not be suitable for any other purpose. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are sufficient and appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

a) We compared the individual amounts shown on the Statement of Change in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2021 in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee, noting agreement.

b) We compared the amount shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions at September 30, 2021 in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee, noting agreement.

c) We obtained a schedule of general student fees (tuition) earned during the year ended September 30, 2021, and compare that amount to the general student fees recorded in the University's general ledger, noting agreement.

We were engaged by the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants, which involves the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of trustees and management of the University of South Alabama, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Jackson, Mississippi
November 16, 2021

Exhibit A

UNIVERSITY OF SOUTH ALABAMA

Statement of Changes in Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
University Facilities Revenue Capital Improvement Bond 2012-A
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C
University Facilities Revenue Refunding Bond, Series 2014-A
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016, 2016-B, 2016-C, and 2016-D
University Facilities Revenue Bond, Series 2017
University Facilities Revenue Bond, Series 2019-A, 2019-B, and 2019-C
University Facilities Revenue Bond, Series 2020
University Facilities Revenue Bond, Series 2021
University Facilities Revenue Bond, Series 2021-B

September 30, 2021
(In thousands)

Cash and investment transactions:		
Cash receipts:		
Deposits from University of South Alabama for interest and retirement of bonds	$	47,528
Interest income and realized investment gains		—
Proceeds from the issuance of bonds		65,603
		113,131
Cash disbursements:		
Principal payments		34,489
Interest payments		13,079
Other transfers		65,603
Purchase of investments		—
		113,171
Net change in cash and investments during the year		(40)
Total cash and investments held by trustee:		
Beginning of year		41
End of year	$	1

See accompanying independent accountants' agreed-upon procedures report.

Exhibit B

UNIVERSITY OF SOUTH ALABAMA

Statement of Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
University Facilities Revenue Capital Improvement Bond 2012-A
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C
University Facilities Revenue Refunding Bond, Series 2014-A
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016, 2016-B, 2016-C, and 2016-D
University Facilities Revenue, Series 2017
University Facilities Revenue Bond, Series 2019-A, 2019-B, and 2019-C
University Facilities Revenue Bond, Series 2020
University Facilities Revenue Bond, Series 2021
University Facilities Bond, Series 2021-B

September 30, 2021
(In thousands)

Cash and investments, at cost:	
Total cash and investments	$ 1

See accompanying independent accountants' agreed-upon procedures report.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Management’s Discussion and Analysis (Unaudited)	1
Independent Auditors’ Report	6
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11

Introduction

The following discussion presents an overview of the financial position and financial activities of USA Research and Technology Corporation (the Corporation) as of and for the years ended September 30, 2021 and 2020. This discussion was prepared by management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

The Corporation owns three buildings in the USA Technology & Research Park (the Park) on the campus of the University of South Alabama (the University), one building located on the premises of the USA University Hospital, and leases one floor of a University-owned, on-campus building. Housing both University and third-party tenants, the area available for lease totals 227,794 square feet of gross leasable space. At September 30, 2021 and 2020, total square feet under lease was 216,032 and 205,479, respectively. The land on which each building is located is leased from the University. The Corporation owns another building located on the University campus, which is supplied at no cost to the University for use as a faculty club.

At September 30, 2021 and 2020, the Corporation had total assets and deferred outflows of $22,788,527 and $22,066,700, respectively; total liabilities of $21,475,055 and $21,036,010, respectively; and net position of $1,313,472 and $1,030,690, respectively.

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

(Continued)

Condensed Financial Information

Condensed financial information for the Corporation as of and for the years ended September 30, 2021, 2020, and 2019 follows (in thousands):

Condensed Schedules of Net Position

	2021	2020	2019
Assets and deferred outflows:			
Current	$ 1,785	1,025	862
Capital assets – noncurrent	19,877	19,738	20,840
Other noncurrent assets	205	215	217
Deferred outflows	921	1,089	1,262
	$ 22,788	22,067	23,181

Condensed Schedules of Net Position

	2021	2020	2019
Liabilities:			
Current	$ 2,096	8,505	1,891
Noncurrent	19,379	12,531	20,569
	$ 21,475	21,036	22,460
Net position:			
Net investment in capital assets	$ 282	555	393
Unrestricted	1,031	476	328
	$ 1,313	1,031	721

(Continued)

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

		2021	2020	2019
Operating revenues	$	3,795	3,961	3,607
Operating expenses:				
Depreciation and amortization		1,173	1,161	1,125
Other		1,345	1,413	1,410
Net operating expenses		2,518	2,574	2,535
Operating income		1,277	1,387	1,072
Nonoperating (expenses) revenues:				
Interest expense		(998)	(1,085)	(1,123)
Other		3	8	(32)
Net nonoperating expenses		(995)	(1,077)	(1,155)
Change in net position		282	310	(83)
Beginning net position		1,031	721	804
Ending net position	$	1,313	1,031	721

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets and deferred outflows, liabilities, and net position of the Corporation. The net position is displayed in two parts; net investment in capital assets and unrestricted. Unrestricted net position is available for use by the Corporation to meet current expenses for any purpose. The statements of net position, along with all of the Corporation's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

Current assets consist of cash and cash equivalents, rent receivable, prepaid expenses, and other current assets at September 30, 2021 and 2020. Noncurrent assets at September 30, 2021 and 2020 consist primarily of capital assets.

The decrease in deferred outflows between 2019 and 2021 resulted from amortization of the swap termination fee.

Current liabilities primarily consist of unrecognized rent revenue, accrued expenses, and the current portion of long-term debt at September 30, 2021 and 2020. Noncurrent liabilities consist of notes payable at September 30, 2021 and 2020.

(Continued)

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

Net investment in capital assets, represents the Corporation's capital assets less accumulated depreciation and the outstanding principal balance of long-term debt attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total Corporation net position as reported in the statements of 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 change in net position resulting from revenues earned and expenses incurred by the Corporation.

For the years ended September 30, 2021 and 2020, the Corporation reported a change in net position of $282,782 and $309,865, respectively.

Statements of Cash Flows

The statements of cash flows present information related to the cash flows of the Corporation. This statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Capital Assets and Debt Administration

Total capital asset additions during the years ended September 30, 2021 and 2020 were $1,258,153 and $16,923, respectively, due to the tenant improvement costs incurred for new leases. During the year ended September 30, 2020, a significant amount of the payable to the University was converted into a promissory note payable over four years. In fiscal year 2021, the Corporation entered into an agreement with Hancock Whitney Bank to refinance the PNC promissory note bearing interest at 4.50% with a new promissory note payable over ten years. See notes 3, 5, and 6 to the basic financial statements for further information related to capital assets and debt.

Economic Outlook

Based on leases in effect at September 30, 2021 and estimates of future operating expenses, it is expected that fiscal year 2022 financial performance will be comparable to fiscal year 2021 results. Corporation management is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the Corporation's financial position or results of operations during fiscal year 2022 beyond the unknown variables, including the current coronavirus pandemic, having a global effect on virtually all types of business operations.

(Continued)

Requests for Information

These basic financial statements are designed to provide a general overview of the Corporation and to demonstrate the Corporation's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Polly Stokley, Senior Associate Vice President, Finance and Administration University of South Alabama – Suite 170; Mobile, Alabama 36688.

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

Independent Auditors' Report

The Board of Directors
USA Research and Technology Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the USA Research and Technology Corporation (the Corporation), a component unit of the University of South Alabama, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 15, 2021

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

Statements of Net Position

September 30, 2021 and 2020

		2021	2020
Assets:			
Current assets:			
Cash and cash equivalents	$	1,564,963	819,258
Rent receivable		197,865	186,658
Prepaid expenses and other current assets		21,923	19,546
Total current assets		1,784,751	1,025,462
Noncurrent assets:			
Intangible assets, net		205,419	214,998
Capital assets, net		19,876,963	19,737,600
Total noncurrent assets		20,082,382	19,952,598
Deferred outflows		921,395	1,088,640
Total assets and deferred outflows		22,788,528	22,066,700
Liabilities:			
Current liabilities:			
Deposits, other current liabilities, and accrued expenses		322,825	202,028
Unrecognized rent revenue		430,775	352,957
Current portion of notes payable		1,342,176	7,950,313
Total current liabilities		2,095,776	8,505,298
Noncurrent liabilities:			
Notes payable, excluding current portion		19,379,279	12,530,712
Total noncurrent liabilities		19,379,279	12,530,712
Total liabilities		21,475,055	21,036,010
Net position:			
Net investment in capital assets		282,499	554,497
Unrestricted		1,030,973	476,193
Total net position	$	1,313,472	1,030,690

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

		2021	2020
Operating revenues	$	3,794,860	3,961,282
Operating expenses:			
Building management and operating expenses		1,089,707	1,163,717
Depreciation and amortization		1,173,293	1,161,032
Legal and administrative fees		218,520	220,810
Insurance		36,057	28,918
Total operating expenses		2,517,577	2,574,477
Operating income		1,277,283	1,386,805
Nonoperating revenues (expenses):			
Interest expense		(997,511)	(1,085,042)
Other		3,011	8,102
Net nonoperating expenses		(994,500)	(1,076,940)
Change in net position		282,783	309,865
Net position:			
Beginning of year		1,030,690	720,825
End of year	$	1,313,473	1,030,690

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended September 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Collections from lessees for rent and operating expense reimbursement	$	3,862,337	3,929,992
Payments for expenses of leasing activity		(1,120,177)	(1,128,552)
Payments to service providers and vendors for general corporate operating expenses		(244,205)	(221,847)
Payment of leasing commissions		(48,203)	(52,840)
Refund of leasing commission overpayment		5,665	—
Security deposits collected (refunded)		10,997	(10,707)
Net cash provided by operating activities		2,466,414	2,516,046
Cash flows from noncapital financing activities:			
Vending commissions		4,375	5,047
Net cash provided by noncapital financing activities		4,375	5,047
Cash flows from capital and related financing activities:			
Proceeds from issuance of notes payable		8,500,000	—
Interest paid on notes payable		(824,255)	(913,679)
Principal repaid on notes payable		(8,259,570)	(1,130,829)
Purchases of capital assets		(1,141,789)	(16,923)
Payment on payable to vendor for capital assets		—	(292,944)
Net cash used in capital and related financing activities		(1,725,614)	(2,354,375)
Cash flows from investing activities:			
Investment income		644	3,215
Sales of investments		494,662	—
Purchases of investments		(494,776)	—
Net cash used in investing activities		530	3,215
Net change in cash and cash equivalents		745,705	169,933
Cash and cash equivalents:			
Beginning of year		819,258	649,325
End of year	$	1,564,963	819,258
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	1,277,282	1,386,805
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		1,173,293	1,161,032
Decrease in operating expense payable to the University of South Alabama		(22,878)	(1,038)
Decrease in rent receivables and prepaid expenses		(13,748)	(19,710)
Increase (decrease) in unrecognized rent revenue		77,818	(39,884)
Increase in other current liabilities, excluding items that are not components of operating income		17,186	81,681
Net cash provided by operating activities	$	2,508,953	2,568,886
Noncash investing and capital and related financing transactions:			
Increase in notes payable from conversion of payable to University of South Alabama to promissory note	$	—	368,151
Interest expense from amortization of deferred cash flows related to debt refinancing		(167,245)	(173,578)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying basic financial statements present the financial position and activities of the USA Research and Technology Corporation (the Corporation), which is a component unit of the University of South Alabama (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 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, the basic financial statements include the accounts of the Corporation, as the primary government.

The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, and by virtue of its affiliation with the University, the Corporation 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*. Accordingly, the Corporation'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.

(c) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are defined as demand accounts, certificates of deposit and any short-term investments that take on the character of cash, such as a money market account, with original maturities of 90 days or less.

(Continued)

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 Corporation funds on deposit with QPD institutions. At September 30, 2021 and 2020, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $16.5 billion and $14.2 billion, respectively. The Corporation had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $1,565,000 and $819,000 at September 30, 2021 and 2020, respectively.

(e) Rent receivable

Rent receivable is recorded net of estimated uncollectible amounts.

(f) Capital Assets

All capital expenditures with a cost of $1,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and infrastructure, 20 years for land improvements, 10 years for furniture and fixtures, and 5 years for other equipment. Tenant improvements are amortized over the shorter of the asset’s useful life or the term of the related lease. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

(g) Intangible Assets

Leasing commissions are capitalized and amortized over the term of the related lease. Capitalized software is amortized over an estimated useful life of three years. Amortization for these assets is calculated using the straight-line method.

(h) Derivatives

The Corporation has adopted the provisions of GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the financial statements. As of and for the year ended September 30, 2021 and 2020, the Corporation did not hold any derivative instruments.

(i) Classification of Net Position

The Corporation’s net position is classified as follows:

Net investment in capital assets, reflects the Corporation’s total investment in capital assets, net of accumulated depreciation and outstanding capital related debt obligations (including the payable to University of South Alabama related to building renovations) and accrued construction costs related to those capital assets.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

(j) Classification of Revenues

The Corporation has classified its rental revenues as operating revenues, as these activities have the characteristics of exchange transactions. Rental revenues are recognized in accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*.

(k) Recently Adopted Accounting Pronouncements

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

(2) Income Taxes

The Corporation is classified as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

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

	September 30, 2021				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223,290	—	—	—	223,290
Land improvements	1,985,207	—	—	—	1,985,207
Buildings	28,464,342	88,217	—	(34,144)	28,518,415
Tenant improvements	1,974,652	437,514	596,258	(520,084)	2,488,340
Other equipment	381,340	19,800	—	(10,540)	390,600
Construction in progress	—	712,622	(596,258)	—	116,364
	33,028,831	1,258,153	—	(564,768)	33,722,216
Less accumulated depreciation for:					
Land improvements	(1,500,205)	(94,469)	—	—	(1,594,674)
Buildings	(10,249,751)	(748,767)	—	34,144	(10,964,374)
Tenant improvements	(1,232,441)	(241,358)	—	520,084	(953,715)
Other equipment	(308,834)	(32,258)	—	8,602	(332,490)
	(13,291,231)	(1,116,852)	—	562,830	(13,845,253)
Capital assets, net	$ 19,737,600	141,301	—	(1,938)	19,876,963

	September 30, 2020				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223,290	—	—	—	223,290
Land improvements	1,985,207	—	—	—	1,985,207
Buildings	28,451,636	12,706	—	—	28,464,342
Tenant improvements	1,974,147	4,217	—	(3,712)	1,974,652
Other equipment	387,055	—	—	(5,715)	381,340
Construction in progress	9,442	—	—	(9,442)	—
	33,030,777	16,923	—	(18,869)	33,028,831
Less accumulated depreciation for:					
Land improvements	(1,405,736)	(94,469)	—	—	(1,500,205)
Buildings	(9,502,700)	(747,051)	—	—	(10,249,751)
Tenant improvements	(1,000,290)	(232,151)	—	—	(1,232,441)
Other equipment	(282,419)	(32,130)	—	5,715	(308,834)
	(12,191,145)	(1,105,801)	—	5,715	(13,291,231)
Capital assets, net	$ 20,839,632	(1,088,878)	—	(13,154)	19,737,600

Depreciation expense totaled $1,116,852 and $1,105,801 for the years ended September 30, 2021 and 2020, respectively.

(4) Property Taxes

The Corporation has received notice from the Mobile County Revenue Commissioner that the property of the Corporation is exempt from property taxes. Accordingly, property taxes have not been recorded in the accompanying basic financial statements.

(5) Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended September 30, 2021 and 2020 are as follows:

		September 30, 2021					
		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$	20,481,025	8,500,000	(8,259,570)	20,721,455	1,342,176	19,379,279

		September 30, 2020					
		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$	21,243,703	368,151	(1,130,829)	20,481,025	7,950,313	12,530,712
Payable to University of South Alabama		368,151	—	(368,151)	—	—	—
Total	$	21,611,854	368,151	(1,498,980)	20,481,025	7,950,313	12,530,712

(6) Notes Payable

(a) Notes Payable

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

		2021	2020
PNC Bank promissory note, 4.38%, payable through 2028	$	11,730,352	12,195,035
PNC Bank promissory note, 4.50%, payable through 2021		—	7,103,082
University of South Alabama, 3.00%, payable through 2023		800,359	1,182,908
Hancock Whitney promissory note, 3.08%, payable through 2031		8,190,744	—
	$	20,721,455	20,481,025

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

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

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

In connection with the PNC notes and the Hancock Whitney note, the University entered into an agreement with the lender providing that for any year in which the Corporation’s debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2021, the Corporation’s debt service coverage ratio was 1.55 to 1.

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

(b) Debt Service on Long-Term Obligations

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

		Debt service on notes payable		
		Principal	**Interest**	**Total**
2022	$	1,342,176	768,523	2,110,699
2023		1,390,310	720,389	2,110,699
2024		1,021,700	676,194	1,697,894
2025		1,060,742	637,151	1,697,893
2026		1,101,324	596,570	1,697,894
2027-2031		14,805,203	1,264,104	16,069,307
Total	$	20,721,455	4,662,931	25,384,386

(c) Derivative Transaction

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

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was $1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At September 30, 2021 and 2020, the unamortized balance in deferred outflows was $921,395 and $1,088,640, respectively.

(7) Leases

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

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

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

Space under lease to the University was 73,487 and 64,385 square feet at September 30, 2021 and 2020, respectively.

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

The Corporation, as lessor, had three ground leases in place at September 30, 2021. One lease is for a 40-year initial term expiring in October 2046 with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term expiring in October 2036 with four 5-year renewal options. The third lease has a 38.5-year initial term expiring in September 2046 with 20-year and 15-year renewal options.

Minimum future rental revenues by fiscal year are as follows:

2022	$	3,508,946
2023		2,673,681
2024		2,007,227
2025		1,193,275
2026		789,248
2027–2049		6,569,689
Total	$	16,742,066

(8) Related Parties

University of South Alabama

The Corporation was formed exclusively for the purpose of supporting the educational and scientific research missions of the University. To ensure this relationship continues, the Corporation's bylaws require its directors to be either University trustees or employees, or approved by the University board of trustees.

During fiscal 2021 and 2020, the Corporation engaged in several transactions with the University. The University was charged $1,050,489 and $1,042,311 during the years ended September 30, 2021 and 2020, respectively, for rental space as described in note 7. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged $540,927 and $765,179 for such services during fiscal years 2021 and 2020, respectively. These charges are reflected in the Corporation's building management and operating expenses as well as legal and administrative fees on the statements of net position.

(Continued)

Prior to fiscal 2015, the Corporation entered into four ground leases with the University for approximately 39 acres of land for $1.00 per year in connection with the acquisition or construction of buildings held for lease.

(9) Recently Issued Accounting Pronouncements

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

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the Corporation 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 the fiscal year ending September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

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

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

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* This statement, effective for periods ending after December 31, 2021, addresses financial reporting implications related to the replacement of LIBOR, which is expected to cease to exist in its current form at the end of 2021. It is not anticipated that these statements will impact the Corporation.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* effective beginning with the fiscal year ending September 30, 2023 and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, effective beginning with the fiscal year ending September 30, 2022. Statement No. 96 requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITA. The objective of Statement No. 97 is to improve consistency and comparability of reporting for those entities who rely on the government to perform the duties of a governing board in its absence, mitigate the costs of reporting for defined contribution plans, and improve relevance, consistency, and comparability of accounting and financial reporting of Section 457 plans that meet the definition of a pension plan.

In October 2021, the GASB issued statement No. 98, The Annual Comprehensive Financial Report and its acronym ACFR. This statement, effective for periods after December 15, 2021, replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The effect of the implementation of GASB Statement Nos. 87, 91, 92, 96, 97, and 98 on the Corporation has not yet been determined. Statement 89 will not impact RTC.

KPMG

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Management's Discussion and Analysis (Unaudited)	1
Independent Auditors' Report	6
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Basic Financial Statements	11

Introduction

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

Financial Highlights

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA was formed by the University of South Alabama (University) as an Alabama public corporation pursuant to the University Authority Act of 2016. The University's Board of Trustees controls HCA through its appointment of HCA's board of directors (board). The board is composed of five ex-officio members and six other members. The ex-officio members are the chair pro tempore of the University's Board of Trustees, and the President and University employees holding the following University positions: Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University's Board of Trustees.

At September 30, 2021 and 2020, HCA had total assets of $13,785,000 and $6,706,000; total liabilities of $6,975,000 and $6,475,000; and net position of $6,810,000 and $231,000, respectively.

The annual change in net position for HCA is primarily the result of the timing of support payments from the University, which are largely made based on cash flow needs. During the year ended September 30, 2021 support payments were made at an accelerated rate resulting in an increase in net position. In the year ended September 30, 2020, the cash position of HCA was such that University support payments were made subsequent to year end.

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

An overview of each financial statement is presented herein along with a financial analysis of the transactions impacting the financial statements.

(Continued)

Condensed Financial Information

Condensed financial information for HCA as of September 30, 2021, 2020 and 2019 and for the years ended September 30, 2021, 2020 and 2019 is as follows (in thousands):

Condensed Schedule of Net Position
(In thousands)

		2021	2020	2019
Assets:				
Current	$	8,437	4,774	4,216
Capital assets		5,348	1,932	1,602
Total assets	$	13,785	6,706	5,818
Liabilities:				
Current	$	6,771	6,451	2,887
Noncurrent		204	24	—
Total liabilities	$	6,975	6,475	2,887
Net position:				
Net investment in capital assets	$	5,165	1,889	1,602
Unrestricted (deficit)		1,645	(1,658)	1,329
Total net position	$	6,810	231	2,931

Condensed Schedule of Revenues, Expenses, and Changes in Net Position
(In thousands)

		2021	2020	2019
Operating revenues:				
Net patient service revenues	$	27,906	18,581	22,470
Other operating revenues		2,208	1,196	1,098
Total operating revenues		30,114	19,777	23,568
Operating expenses:				
Salaries and benefits		33,283	22,992	18,133
Other operating expenses		16,488	10,165	13,127
Total operating expenses		49,771	33,157	31,260
Operating loss		(19,657)	(13,380)	(7,692)
Nonoperating revenues:				
Support from affiliate		25,765	10,478	9,395
Other nonoperating revenues and expenses		471	202	8
(Decrease) increase in net position		6,579	(2,700)	1,711
Net position at beginning of year		231	2,931	1,220
Net position at end of year	$	6,810	231	2,931

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position presents the assets, liabilities, and net position of HCA at September 30, 2021 and 2020. Net position is displayed in two parts: net investment in capital assets and unrestricted. Net investment in capital assets represents HCA's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position is available for use by HCA to meet current expenses for any purpose. The statements of net position, along with all of HCA's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by HCA, 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, and net patient receivables. Of these amounts, cash and cash equivalents comprise approximately 42% and 54% of current assets at September 30, 2021 and 2020, respectively. Patient receivables comprise approximately 31% and 32% of current assets at September 30, 2021 and 2020, respectively. Current assets consist of cash and cash equivalents of approximately $3,524,000 and $2,576,000, patient accounts receivable of approximately $2,641,000 and $1,552,000, inventories of approximately $74,000 and $33,000, and other current assets in the amount of approximately $2,199,000 and

$615,000 at September 30, 2021 and 2020, respectively. Noncurrent assets consist of capital assets of approximately $5,348,000 and $1,932,000 at September 30, 2021 and 2020, respectively.

Current liabilities at September 30, 2021 consist of accounts payable of approximately $3,923,000, accrued salaries and wages of approximately $2,064,000, unrecognized revenue of approximately $770,000, and current portion of capital lease obligations of approximately $14,000. Current liabilities at September 30, 2020 consist of accounts payable of approximately $2,258,000, accrued salaries and wages of approximately $2,535,000, unrecognized revenue of approximately $1,640,000, and current portion of capital lease obligations of approximately $18,000.

Statements of Revenues, Expenses, and Changes in Net Position

The change in total HCA net position is based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the change in net position resulting from revenues earned and expenses incurred by HCA.

For the year ended September 30, 2021, HCA reported an increase in net position of approximately $6,579,000, and for the year ended September 30, 2020, HCA reported a decrease in net position of approximately $2,700,000.

Statements of Cash Flows

The statements of cash flows presents information related to cash flows of HCA. The statement presents cash flows by category: operating activities, noncapital financing activities, and capital and related financing activities.

Capital Assets and Debt Administration

Total capital asset additions for HCA were approximately $4,000,000 and $745,000 in 2021 and 2020, respectively. Significant construction projects that remain in progress at September 30, 2021 include a freestanding Emergency Department and a Physicians' Office Building. A major project that was completed and placed into service in fiscal year 2021 include a renovation to the Semmes Primary Care Clinic. At September 30, 2021, HCA had outstanding commitments of approximately $134,000 for various capital projects. Additional information regarding HCA's capital assets is included in note 3.

Economic Outlook

The financial outlook for HCA is stable. HCA continues to grow by acquiring local physician practices and expanding existing practices.

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"). The Crisis impacted the operations of HCA as most elective procedures were cancelled or postponed resulting in a decline in revenues. While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of HCA could be significant both from an operational and financial standpoint.

Requests for Information

These basic financial statements are designed to provide a general overview of HCA and to demonstrate HCA's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Benny Stover; Chief Financial Officer; University Health; 2451 USA Medical Center Drive, Administration Suite, Mobile, AL 36604.

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

Independent Auditors' Report

The Board of Directors
University of South Alabama Health Care Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama Health Care Authority (HCA), a component unit of the University of South Alabama, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise HCA'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 an opinion on these financial statements based on our audits. 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of South Alabama Health Care Authority as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of HCA'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 HCA'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 HCA's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 15, 2021

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2021 and 2020

		2021	2020
Current assets:			
Cash and cash equivalents	$	3,523,935	2,575,579
Patient receivables (net of allowance for doubtful accounts of approximately $2,117,000 and $450,000, respectively)		2,640,591	1,551,637
Inventories		73,906	32,559
Other current assets		2,199,058	614,670
Total current assets		8,437,490	4,774,445
Noncurrent assets:			
Capital assets, net		5,347,919	1,931,616
Total assets	$	13,785,409	6,706,061
Current liabilities:			
Accounts payable and accrued liabilities	$	3,922,787	2,257,892
Accrued salaries and wages		2,064,097	2,535,115
Unrecognized revenue		769,571	1,639,873
Current portion of capital lease obligations		14,360	18,436
Total current liabilities		6,770,815	6,451,316
Noncurrent liabilities:			
Other noncurrent liabilities		194,995	—
Capital lease obligations, less current portion		9,836	24,196
Total liabilities	$	6,975,646	6,475,512
Net position:			
Net investment in capital assets	$	5,164,509	1,888,984
Unrestricted (deficit)		1,645,254	(1,658,435)
Total net position	$	6,809,763	230,549

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Patient service revenues (net of provision for bad debts of $2,064,724 and $642,988, respectively)	$ 27,906,160	18,581,112
Other operating revenues	2,207,823	1,196,012
Total operating revenues	30,113,983	19,777,124
Operating expenses:		
Salaries and benefits	33,283,266	22,992,174
Building and equipment expenses	5,316,690	2,786,545
Medical and surgical supplies	3,921,672	2,193,723
Other expenses	6,665,578	4,769,497
Depreciation and amortization	583,435	415,455
Total operating expenses	49,770,641	33,157,394
Operating loss	(19,656,658)	(13,380,270)
Nonoperating revenues (expenses):		
Investment income	1,812	5,506
Support from University of South Alabama	25,765,000	10,477,916
Interest expense	(1,476)	—
Other nonoperating revenues	470,536	196,736
Total nonoperating revenues, net	26,235,872	10,680,158
Increase (decrease) in net position	6,579,214	(2,700,112)
Net position at beginning of period	230,549	2,930,661
Net position at end of period	$ 6,809,763	230,549

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended September 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Receipts from and on behalf of patients and third-party payors	$	26,386,895	20,424,806
Payments to suppliers and vendors		(14,673,846)	(9,405,053)
Payments to employees and related benefits		(33,254,051)	(21,245,719)
Other operating receipts		711,650	1,196,012
Net cash used in operating activities		(20,829,352)	(9,029,954)
Cash flows from noncapital financing activities:			
Support from University of South Alabama		25,765,000	10,477,916
Receipts from grants and contracts		—	439,990
Other nonoperating revenue received		30,546	196,736
Net cash provided by noncapital financing activities		25,795,546	11,114,642
Cash flows from capital and related financing activities:			
Purchases of capital assets		(3,999,738)	(702,556)
Principal payments on capital debt		(18,436)	—
Interest payments on capital debt		(1,476)	—
Net cash used in capital and related financing activities		(4,019,650)	(702,556)
Cash flows from investing activities:			
Interest and dividends on investments		1,812	5,506
Net increase in cash and cash equivalents		948,356	1,387,638
Cash and cash equivalents:			
Beginning of year		2,575,579	1,187,941
End of year	$	3,523,935	2,575,579
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(19,656,658)	(13,380,270)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization		583,435	415,455
Changes in assets and liabilities, net:			
Net patient receivables		(1,088,954)	643,812
Inventories and other current assets		(1,625,735)	185,632
Accounts payable and accrued liabilities		1,388,872	1,905,534
Unrecognized revenue		(430,312)	1,199,883
Net cash used in operating activities	$	(20,829,352)	(9,029,954)
Noncash capital and related financing transactions:			
Addition of capital lease obligations	$	—	42,632

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying basic financial statements present the financial position and activities of the University of South Alabama Health Care Authority (HCA), which is a component unit of the University of South Alabama (the University).

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA enhances the University's provision of patient care by providing it with a corporate structure, which allows for greater flexibility and options to achieve goals consistent with the public health mission of the University. HCA provides group medical practices for physicians who strive to make a difference in the lives of those they serve through promoting excellence in healthcare.

HCA was formed by the University as an Alabama public corporation pursuant to the provisions of the State of Alabama University Authority Act of 2016. The University's Board of Trustees controls HCA through its control of HCA's board of directors (board). The board is composed of five ex-officio members and six other members. The ex-officio members are the chair pro tempore of the University's Board of Trustees, and the President and University employees holding the following University positions – Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University's Board of Trustees.

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. During fiscal year 2021, two additional not-for-profit limited liability companies were formed. There was no financial activity for these entities during fiscal year 2021. HCA is a sole member of these limited liability companies. Based on these requirements, HCA reports Mobile Heart USA, LLC, USA HCA OBGYN Services, LLC, USA HCA PBC, LLC, USA Health Industrial Medicine, LLC, USA Health IPA, LLC and USA Health, LLC as blended component units. The majority owned limited liability company, USA BC ASC Holdco, LLC, is anticipated to be an equity method investment. USA BC ASC Holdco, LLC also 100% owns USA Baldwin County ASC, LLC. There has been no financial activity to date for USA BC ASC Holdco, LLC or USA Baldwin County ASC, LLC.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, HCA is considered a special-purpose governmental agency engaged only in business-type activities, as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, HCA'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.

(c) Statements of Revenues, Expenses, and Changes in Net Position

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenues.

(d) 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.

(e) 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 when purchased and include repurchase agreements and money market accounts.

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 HCA funds on deposit with QPD institutions. At September 30, 2021 and 2020, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $16.5 billion and $14.2 billion, respectively. HCA had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $3,524,000 and $2,576,000 at September 30, 2021 and 2020, respectively.

(f) Patient Receivables

Patient receivables primarily result from ambulatory patient service revenues. Patient receivables are recorded net of an allowance for estimated uncollectible amounts.

(g) Inventories

Inventories consist of medical supplies and pharmaceuticals, which are stated at the lower of cost (first-in, first-out method) or market.

(Continued)

(h) Capital Assets

Capital assets are recorded at cost. 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:

Leasehold improvements	10–20 years
Equipment	4–20 years
Computer software	3–5 years

(i) Classification of Net Position

HCA's net position is classified as follows:

Net investment in capital assets represents HCA's total investment in capital assets less related debt.

Unrestricted net position represents resources derived from operations and support from the University. While unrestricted net position may be designated for specific purposes, neither management nor the board of directors have designated any part of unrestricted net position for such purposes.

(j) Patient Service Revenues

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and include estimated retroactive revenue adjustments (if necessary) 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.

HCA provides a standard discount from gross charges for uninsured patients. Such discounts are subtracted from gross patient service charges to determine net patient service revenues.

For uninsured patients, HCA recognizes revenue based on established rates, subject to certain discounts as determined by HCA. An estimated provision for uncollectible accounts is recorded that results in net patient service revenues being reported at the net amount expected to be received. HCA has determined that patient service revenues are primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient revenues are recorded as a deduction from patient service revenues in the accompanying statements of revenues, expenses, and changes in net position.

Patient receivables are reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance, HCA follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by HCA.

(k) Recently Adopted Accounting Pronouncements

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

(2) Income Taxes

HCA was incorporated in Alabama as a public corporation. HCA is an instrumentality of the State of Alabama by virtue of its control by the University. As an integral part of the State of Alabama, the income of HCA is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

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

	2021				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Construction in progress	$ 394,637	2,245,479	(394,637)	—	2,245,479
Works of art	1,400	—	—	—	1,400
	396,037	2,245,479	(394,637)	—	2,246,879
Capital assets being depreciated:					
Leasehold improvements	271,231	347,830	394,637	—	1,013,698
Equipment	2,038,633	1,328,619	—	—	3,367,252
Computer software	50,868	77,810	—	—	128,678
	2,360,732	1,754,259	394,637	—	4,509,628
Less accumulated depreciation for:					
Leasehold improvements	(34,614)	(51,194)	—	—	(85,808)
Equipment	(789,974)	(517,001)	—	—	(1,306,975)
Computer software	(565)	(15,240)	—	—	(15,805)
	(825,153)	(583,435)	—	—	(1,408,588)
Capital assets being depreciated, net	1,535,579	1,170,824	394,637	—	3,101,040
Capital assets, net	$ 1,931,616	3,416,303	—	—	5,347,919

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

	2020				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Capital assets not being depreciated:					
Construction in progress	$ 239,914	154,723	—	—	394,637
Works of art	—	1,400	—	—	1,400
	239,914	156,123	—	—	396,037
Capital assets being depreciated:					
Leasehold improvements	56,147	215,084	—	—	271,231
Equipment	1,715,520	323,113	—	—	2,038,633
Computer software	—	50,868	—	—	50,868
	1,771,667	589,065	—	—	2,360,732
Less accumulated depreciation for:					
Leasehold improvements	(12,632)	(21,982)	—	—	(34,614)
Equipment	(397,066)	(392,908)	—	—	(789,974)
Computer software	—	(565)	—	—	(565)
	(409,698)	(415,455)	—	—	(825,153)
Capital assets being depreciated, net	1,361,969	173,610	—	—	1,535,579
Capital assets, net	$ 1,601,883	329,733	—	—	1,931,616

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

(4) Capital Lease Obligation

During 2020, HCA has entered into a capital lease as a method of financing medical equipment.

Future minimum capital lease payments at September 30, 2021 are as follows:

Year ending September 30:	
2022	$ 14,934
2023	9,956
	24,890
Less amounts representing interest	(694)
Net minimum lease payments	$ 24,196

A summary of HCA's noncurrent liability activity for the year ended September 30, 2021 is as follows:

		2021				
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Capital lease obligations	$ 42,632	—	(18,436)	24,196	14,360	9,836
Total noncurrent liabilities	$ 42,632	—	(18,436)	24,196	14,360	9,836

These amounts are included in capital lease obligations (and current portion thereof) in the accompanying statements of net position.

(5) Patient Service Revenues

HCA has agreements with governmental and other third-party payors that provide for reimbursement to HCA at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between HCA's billings at established rates and amounts reimbursed by third-party payors. Third-party payor activity for HCA principally involves Blue Cross, Medicare, and Medicaid programs. Services rendered to beneficiaries under these programs are generally paid at prospectively determined procedural rates.

For patient accounts receivables associated with self-pay or uninsured patients, including patients with deductibles and copayment balances for third-party coverage, HCA records an estimated allowance for doubtful accounts. The allowance for doubtful accounts is approximately $2,117,000 and $450,000, respectively, at September 30, 2021 and 2020.

The composition of net patient service revenues for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
Gross patient service revenues	$ 49,447,176	32,026,193
Provision for contractual and other adjustments	(19,476,292)	(12,802,093)
Provision for bad debts	(2,064,724)	(642,988)
Net patient service revenues	$ 27,906,160	18,581,112

The composition of gross patient service revenues before the provision for contractual and other adjustments and the provision for bad debts by major payor source is as follows for the years ended September 30, 2021 and 2020:

	2021		2020	
	Gross patient service revenues	Percentage	Gross patient service revenues	Percentage
Medicare managed care	$ 18,466,812	37 %	11,870,916	37 %
Medicare	8,861,095	18	7,323,937	23
Blue Cross	15,545,108	32	8,792,303	27
Medicaid	3,375,326	7	2,202,262	8
Other	2,091,847	4	1,104,687	3
Self-pay	1,106,988	2	732,088	2
	$ 49,447,176	100 %	32,026,193	100 %

(6) Related Party Transactions

During the years ended September 30, 2021 and 2020, the University provided support of $25,765,000 and $10,477,916, respectively, to HCA. That amount is reflected on the accompanying statements of revenue, expenses, and changes in net position as nonoperating revenues.

(7) Business and Credit Concentrations

HCA grants credit to patients, substantially all of whom reside in HCA's service area. HCA generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies).

The mix of receivables from patients and third-party payors as of September 30, 2021 and 2020 is as follows:

	2021	2020
Medicare	11 %	14 %
Medicare managed care	26	28
Medicaid	10	6
Blue Cross	13	18
Other	8	12
Self-pay	32	22
	100 %	100 %

(Continued)

(8) Employee Benefits

(a) Pension Plans

Employees of HCA participate in a combined deferred compensation plan/money purchase pension plan arrangement. The arrangement covers all eligible employees, and participation by eligible employees is optional. Under this plan, administered by HCA, contributions by eligible nonphysician employees are matched equally by HCA up to a maximum of 5% of current annual pay. Contributions by eligible physician employees up to the 457(b) deferred compensation plan limit are matched at a 25% rate by HCA. HCA contributed $640,201 and $433,407, respectively, for the years ended September 30, 2021 and 2020, representing 273 and 178 employees, respectively, in this plan.

Physician employees of HCA also have the option to participate in a second money purchase pension plan. This plan is funded entirely by pretax deductions from the participating physicians' salaries.

(b) Compensated Absences

Regular HCA employees accumulate paid time off (PTO). These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Employees that are hired by HCA directly from clinics where they were previously employed are grandfathered in with their date of hire. Employees hired before 1/1/2012 are eligible for payout of their PTO. Anyone hired after 1/1/2012 is not eligible for payment of PTO hours upon separation of employment. The accompanying statements of net position includes accruals for PTO of $213,110 and $155,314 at September 30, 2021 and 2020, respectively. The accrual is included in accrued salaries and wages in the accompanying basic financial statements.

(9) Risk Management

HCA, along with the University and other entities affiliated with the University, participates in the professional liability trust fund and the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the participating entities, together with earnings thereon, to pay liabilities arising from the performance of employees, trustees and other individuals acting on behalf of the participating entities. 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.

HCA, along with the University and other entities affiliated with the University, participates in a self-insured health plan, which is administered by an unaffiliated entity. Contributions by employees and assets of the participating entities, together with earnings thereon, are used to pay liabilities arising from healthcare claims. Any risk related to the payment of claims is the responsibility of the plan. It is the opinion of HCA management that plan assets are sufficient to meet future plan obligations.

(10) 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.

(Continued)

Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including HCA, 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 HCA's operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed, among other things, to provide provider relief funds (PRF) to healthcare 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 provide guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance. HCA received approximately $470,000 in CARES Act funding as of September 30, 2021 in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and is recognized as an increase in net position as nonoperating revenue once the applicable terms and conditions have been met. The recognition of amounts received that is reported in the increase in net position is 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. The funds were expended fully and therefore recognized as nonoperating revenues in the statement of revenues, expenses, and changes in net position as of September 30, 2021.

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 HCA'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. Increased infection rates in HCA's service area certainly have the ability to increase the impact of these factors. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on HCA.

HCA has not received any CARES Act funding subsequent to September 30, 2021.

(11) Recently Issued Accounting Pronouncements

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

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

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

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

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 Nos. 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*. Statement No. 93 addresses accounting and financial reporting implications related to LIBOR ceasing existence as of December 31, 2021. Statement No. 94 provides guidance for accounting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

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 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. Statement No. 96 provides guidance on the accounting for and financial reporting of subscription-based information technology arrangements. Statement No. 96 requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITA. The objective of Statement No. 97 is to improve consistency and comparability of reporting for those entities that rely on the government to perform the duties of a governing board in its absence, mitigate the costs of reporting for defined contribution plans, and improve relevance, consistency, and comparability of accounting and financial reporting of Section 457 plans that meet the definition of a pension plan.

(Continued)

In October 2021, the GASB issued statement No. 98, *The Annual Comprehensive Financial Report* and its acronym *ACFR*. This statement, effective for periods after December 15, 2021, replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The effect of the implementation of GASB Statement Nos. 87, 89, 91, 92, 96, 97, and 98 on HCA has not yet been determined. Statement Nos. 93 and 94 will not impact HCA.

UNIVERSITY OF SOUTH ALABAMA

2021

Office of Internal Audit Annual Report

Performance, Activities & Disclosures

Prepared for the:

University of South Alabama Board of Trustees Audit Committee

Issued: 12/2021

TABLE OF CONTENTS

TABLE OF CONTENTS 1
EXECUTIVE SUMMARY 2
INTERNAL AUDIT PROJECT SUMMARY 2
KEY PERFORMANCE INDICATORS 2
OUTSTANDING ISSUED RECOMMENDATIONS 7
IIA STANDARDS REPORTING 7

EXECUTIVE SUMMARY

The Fiscal 2021 (FY21) Office of Internal Audit (OIA) Annual Report provides quantitative and qualitative data for benchmarking key departmental operational factors, a summary of audits and projects completed, an update on outstanding recommendations and the Quality Assessment and Improvement Process (QAIP), as well as other mandatory reporting.

OIA has budgeted staffing of six full-time employees (Director, Manager, 3 Senior Level, 1 Staff Level), in addition to a part-time student intern. During FY21, OIA was able to fill 2 previously open positions, however due to 2 resignations, was only fully staffed for approximately 3 months.

The global COVID-19 pandemic continued to created challenges, however, to a lesser extent than in FY20. At times USA Health or University departmental staff were understandably busy with other priority issues. During FY21, OIA staff worked to complete the below projects and achieve a number of KPIs.

INTERNAL AUDIT PROJECT SUMMARY

The below table provides a summary of the major internal audit engagements completed during FY21.

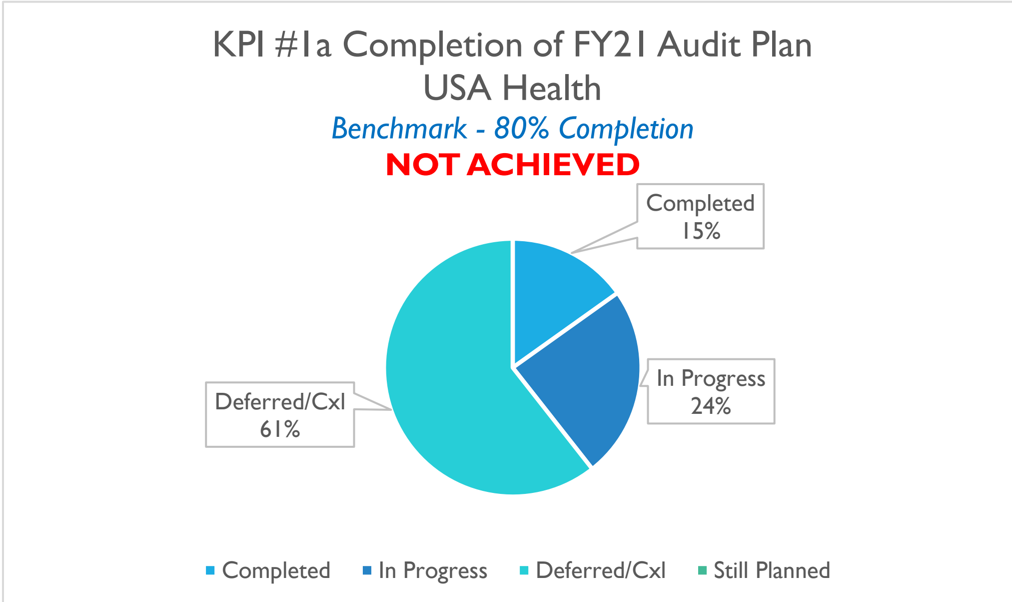
Project Type	Area
Audit	Sponsored Projects
Audit	USA Health Clinic
Follow-up	Vanguard Student Newspaper
Follow-up	Master of Science-Physical Therapy
Follow-up	OBGYN Clinic
Follow-up	USA Health Employee Drug Testing
Follow-up	International Student Admissions
Consultation	NSSLA Student Organization
Consultation	School of Computing Process
Investigation	Student Media
Investigation	School of Computing Grants & Contracts
External Assist	KPMG Expense & Payroll testing for the annual financial audit
External Assist	NCAA Agreed Upon Procedures
Annual Activity	Risk Assessment process (USA Health & University) & FY22 Audit Plan
Department Enhancement	Developed a Quality Assurance & Improvement Plan (QAIP)
Department Enhancement	Completed an Internal Quality Assurance Review as part of the QAIP
Department Enhancement	Developed an Internship Program

Six additional audits, started in FY21, are still in progress. One was completed in October 2021 (Pharmacy) and five are wrapping up in FY22Q1, (Operating Room, Health Badge Access, Course Fee Follow-up, Gastrointestinal Lab & Anesthesia).

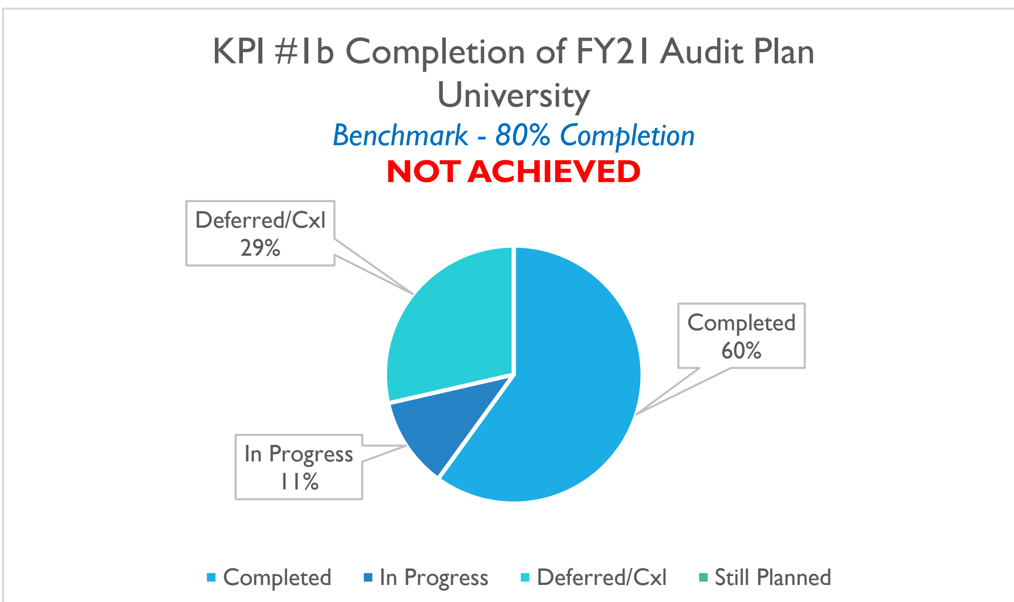
KEY PERFORMANCE INDICATORS

In accordance with the Institute of Internal Auditors (IIA) Standards included as part of the *International Professional Practices Framework (IPPF),* OIA developed performance measurements designed to evaluate the effectiveness and efficiency of the internal audit function. Five Key Performance Indicator (KPI) areas were reported on during FY21; Completion of the Audit Plan, Client Satisfaction, Staff Qualifications, Stakeholder Communication and Implementation of 2019 Warren Averett QAR Recommendations. A chart or table indicating performance to the established benchmark is included for each of these KPI as well as an indication of **ACHIEVED** or **NOT ACHIEVED**. All data is as of 9/30/2021.

KPI #1 – Completion of the Audit Plan

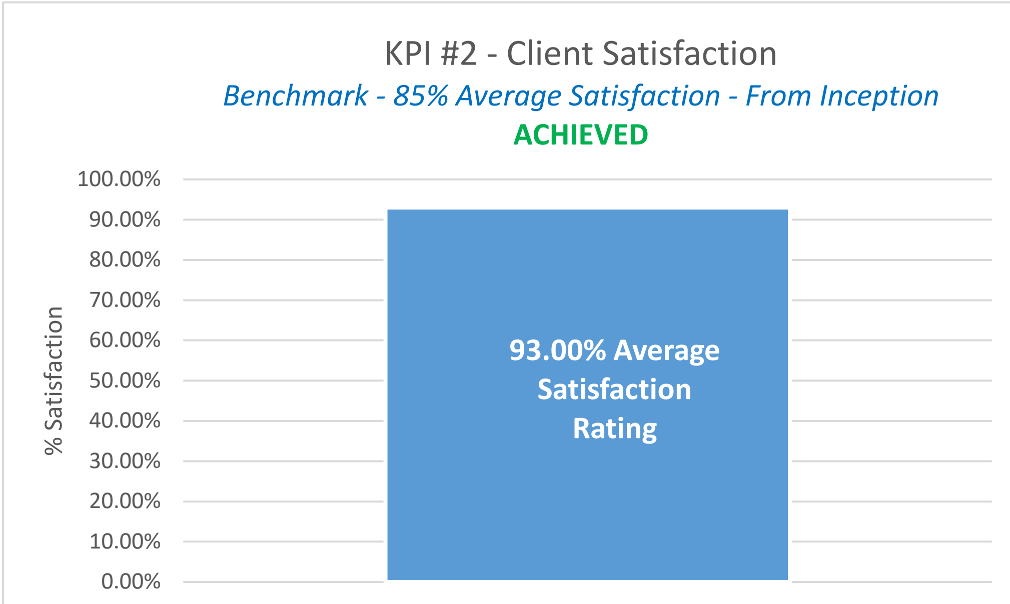


**Note: Eight USA Health audits, included on the FY21 audit plan, have been deferred to FY22.*

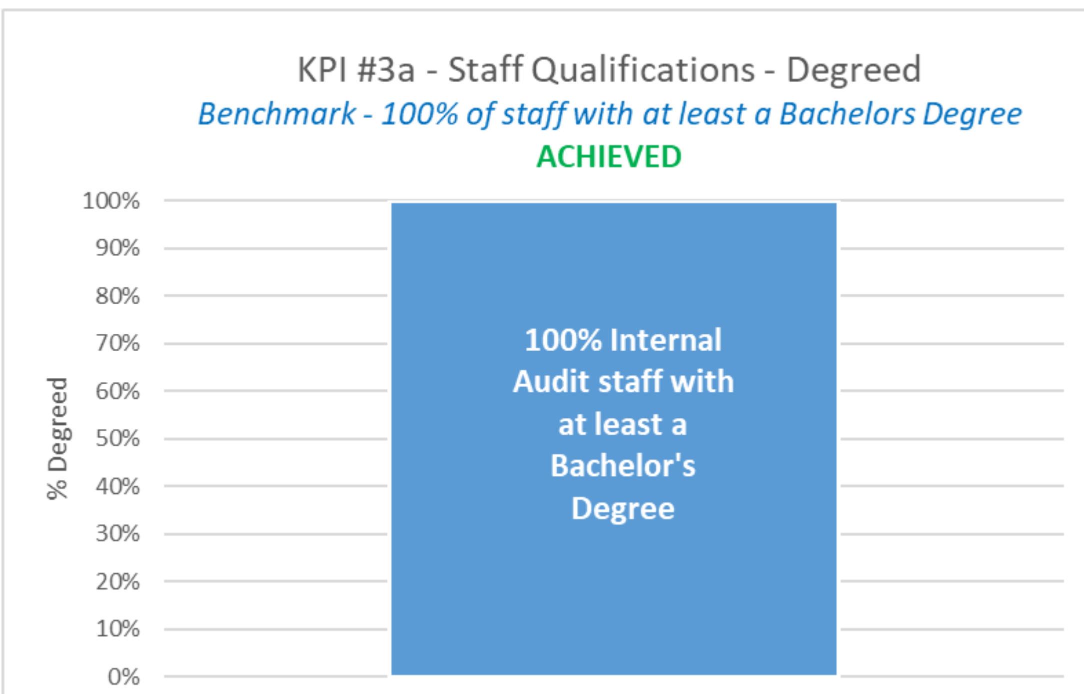


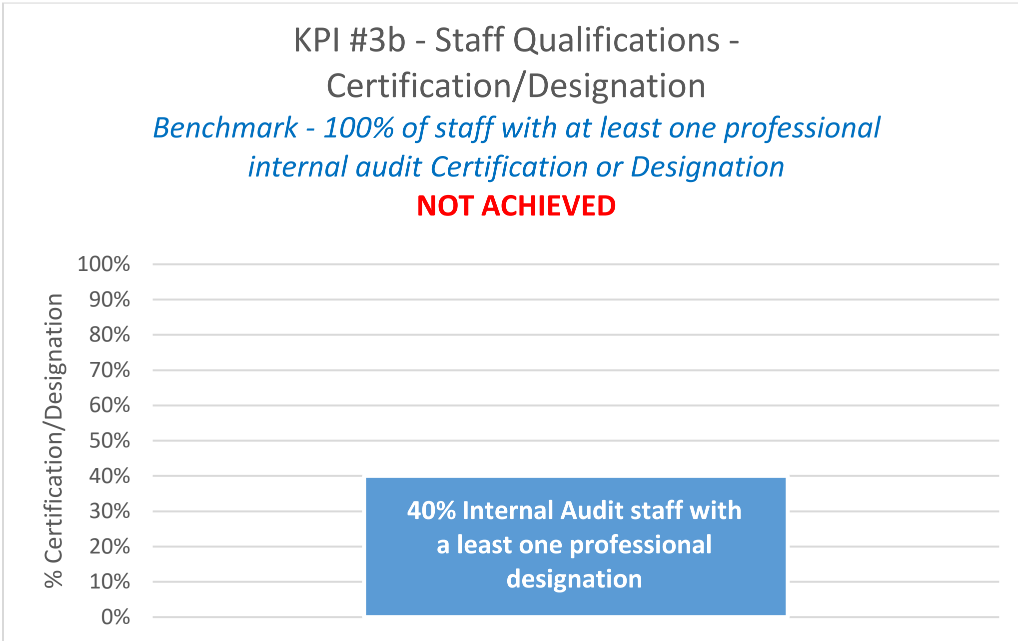
**Note: Three NCAA related audits, included on the FY21 audit plan, have been cancelled (Cxl) due to COVID-19 related waivers, temporary regulation changes, or lack of associated activity.*

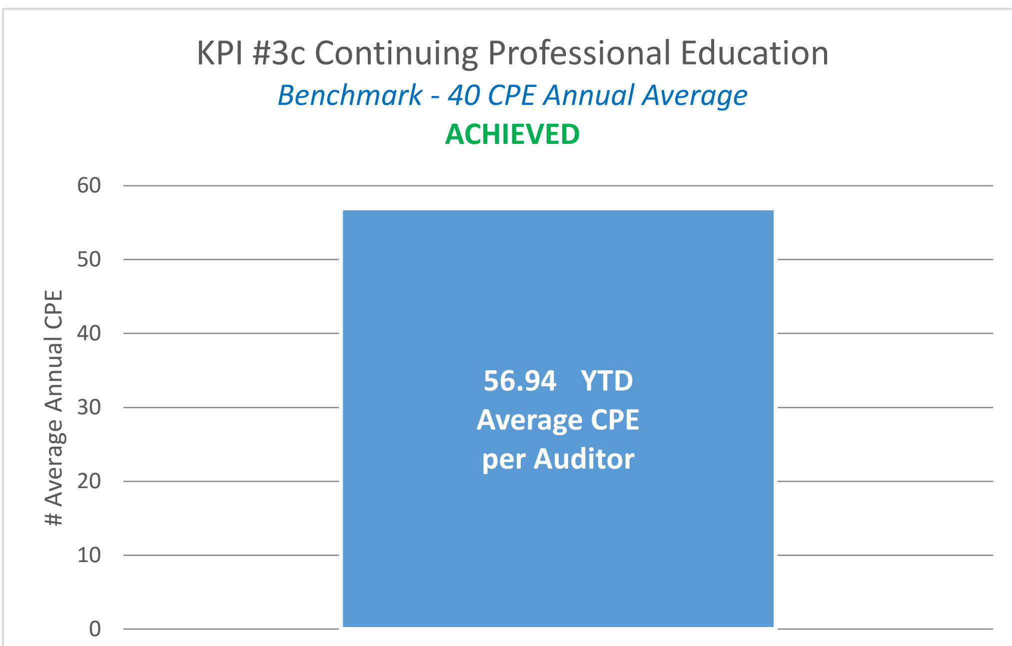
KPI # 2 – Client Satisfaction



KPI #3 – Staff Qualifications







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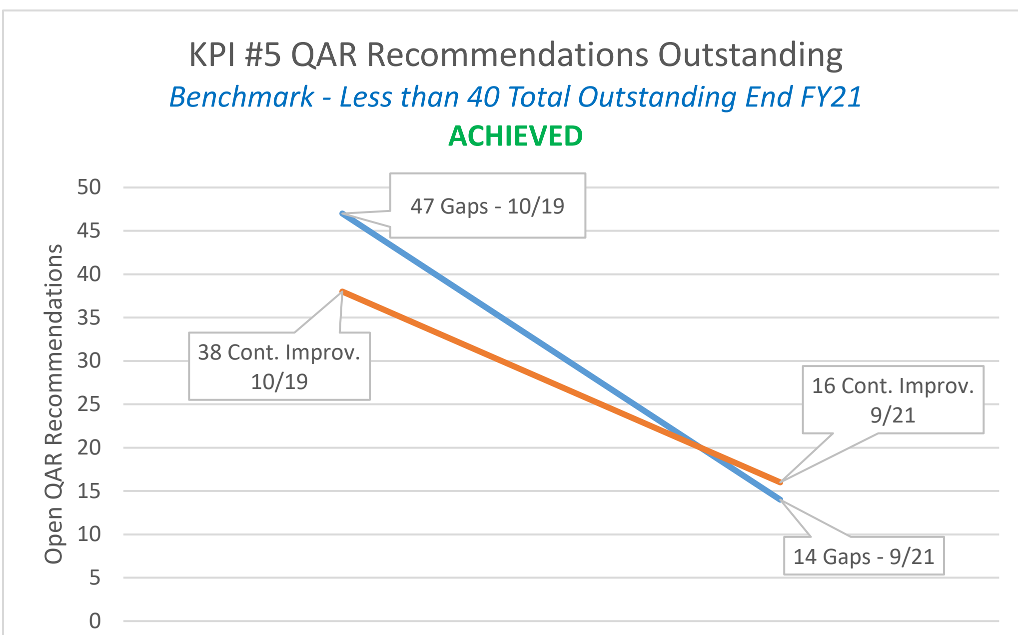
KPI #4 – Stakeholder Communication

**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

In accordance with the IIA *Standard 2500 Monitoring Progress: The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*

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 FY21Q4.

Description	Period	# of Recommendations
Outstanding Recommendations	Beginning FY21Q4	11
LESS: Management Noted as Implemented	During FY21Q4	(6)
LESS: IA Closed (due to follow-up/other)	During FY21Q4	(1)
LESS: Management Accepted Risk	During FY21Q4	0
ADD: Newly Issued OIA Recommendations	During FY21Q4	3
Outstanding Recommendations	End FY21Q4	7

IIA STANDARDS REPORTING

Organizational Independence: In accordance with the IIA *Standard 1110 Organizational Independence: The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.*

USA's OIA reports administratively to the President and functionally to the USA Board of Trustees Audit Committee. Reporting functionally to the Board of Trustees Audit Committee promotes the independence necessary for OIA to adequately perform duties and be incompliance with the standards.

Impairment to Independence or Objectivity: In accordance with the IIA *Standard 1130 Impairment to Independence or Objectivity: If independence or objectivity is impaired in fact or appearance [including personal conflict of interest, scope limitations, restrictions on access], the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.*

USA's OIA staff complete a Conflict of Interest form for all audits to enable identification of potential independence or objectivity impairments. If identified, these are evaluated and disclosed as appropriate. OIA noted no scope limitations or restrictions on access during Fiscal 2021.

Communicating Management's Acceptance of Risks: In accordance with the IIA *Standard 2600 Communicating the Acceptance of Risks: When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.*

USA's OIA noted no such instances during Fiscal 2021.

<u>External Assessments:</u> In accordance with the IIA *Standard 1312 External Assessments: External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.*

USA engaged Warren Averett to complete an external Quality Assessment Review (QAR) in 2019. The resulting overall assessment was that USA's OIA "Partially Conforms" with the Standards and the IIA Code of Ethics, noting 47 conformance gaps and 38 conformance improvement items. The status of outstanding QAR conformance items are included in the quarterly Audit Committee updates. The next external assessment will be in 2024.

<u>Reporting on the Quality Assurance & Improvement Program:</u> In accordance with the IIA *Standard 1320 Reporting on the Quality Assurance & Improvement Program: The chief audit executive must communicate the results of the quality assurance & improvement program to senior management and the board.*

USA's OIA received approval from the Board of Trustees Audit Committee for the Quality Assurance & Improvement Program in June 2021. Additionally, OIA presented results of the internal QAR to the Board of Trustees Audit Committee in September 2021.

<u>Disclosure of Non-Conformance</u>: In accordance with the IIA *Standard 1322 – Disclosure of Nonconformance: When nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.*

USA's OIA noted no instances of non-conformance, other than those detailed in the Warren Averett QAR report, during Fiscal 2021.

For further information regarding this report, please contact:

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UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT
AND INVESTMENTS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Development, Endowment and Investments Committee

September 2, 2021
1:53 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, September 2, 2021, at 1:53 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, Scott Charlton, Arlene Mitchell, Mike Windom and Jim Yance were present, and Margie Tuckson participated remotely.
Member Absent:	Steve Stokes.
Other Trustees:	Alexis Atkins, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock and Ken Simon.
Administration & Guests:	Terry Albano, Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Mike Haskins, Andi Kent, Doug Lane (Douglas C. Lane & Associates), 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 8**. Mr. Yance called for consideration of the minutes of the meeting held on June 3, 2021, **Item 9**. On motion by Judge Windom, seconded by Dr. Charlton, the committee voted unanimously to adopt the minutes.

Mr. Yance called on Mr. Albano to present **Item 10**, a report on endowment and investment performance. Mr. Albano shared the performance results for the period October 1, 2020, through June 30, 2021, as well as the annualized long-term performance results.

Mr. Albano introduced Mr. Doug Lane of the management firm of Douglas C. Lane & Associates. Mr. Lane provided an update on the University's investment portfolio and shared insights on the economy and financial markets.

Mr. Yance called on Ms. Sullivan, who presented **Item 11**, a resolution extending the Board's gratitude to College of Engineering Professor and Dean Emeritus Dr. John Steadman and Engineering Instructor and student advisor Dr. Sally Steadman for their recent $3.8 million estate gift for the support of College of Engineering students and faculty. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on September 3, 2021.) On motion by Judge Windom, seconded by Dr. Charlton, the committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Ms. Sullivan shared on an update on the activities of the Division of Development and Alumni Relations, **Item 12**, discussing fundraising results for the 2021 fiscal year through August 25, 2021; the kick-off of the 2021 United Way of Southwest Alabama employee/retiree campaign; and upcoming events, such as the inaugural Alumni Reunion Weekend planned for September 30 through October 3, 2021.

There being no further business, the meeting was adjourned at 2:13 p.m.

Respectfully submitted:

James A. Yance, Chair

University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2020

USA Endowment Total Fund Performance and Activity (FY20)

October 1, 2019 to September 30, 2020

Total USA Fund versus Blended Benchmark Performance:

- Fiscal year to date: USA returned 9.00% versus its blended benchmark return of 9.14%, underperforming by -0.14%.

Total USA Fund Activity:

- Beginning market value: $160,938,835
- Net additions (withdrawals): ($2,869,113)
- Ending market value: $172,410,204
- Investment earning and appreciation: $14,340,482

USA Endowment Individual Manager Performance (FY20)

October 1, 2019 to September 30, 2020

- Commonfund returned 6.81% versus its benchmark return of 8.70%.
- Charles Schwab returned 7.64% versus its benchmark return of 8.09%.
- Douglas Lane returned 8.51% versus its benchmark return of 15.16%.
- Gerber Taylor returned 13.62% versus its benchmark return of 8.35%.
- Forester Diversified returned 5.06% versus its benchmark return of 8.35%.
- Gerber Taylor International returned 7.29% versus its benchmark return of 0.48%.
- Hancock Whitney returned 8.31% versus its benchmark return of 8.94%.
- JP Morgan returned 20.61% versus its benchmark return of 10.15%.

USA Endowment Annualized Fund Performance

As of September 30, 2020

- Five Year Return: USA annualized return of 7.83%. Blended benchmark return of 7.56%.
- Ten Year Return: USA annualized return of 7.62%. Blended benchmark return of 6.73%.
- Inception Return: USA annualized return of 5.45%. Blended benchmark return of 4.36%.

USA Endowment Activity (Since Inception)

March 31, 2000 to September 30, 2020

- Beginning market value: $5,700,000
- Net additions (withdrawals): $66,934,366
- Ending market value: $172,410,204
- Investment earning and appreciation: $99,775,838

December 2, 2021

RESOLUTION

EVALUATION OF THE UNIVERSITY'S ENDOWMENT AND NON-ENDOWMENT INVESTMENT POLICIES

WHEREAS, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) requires that investment policies be evaluated regularly, and

WHEREAS, the Board of Trustees has previously approved the University's endowment funds policies and guidelines and the University's non-endowment cash pool investment policy,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby acknowledges and accepts the current year annual evaluation of both policies by the Development, Endowment and Investments Committee and the Committee's recommendation that no changes be made to either policy at this time.

Endowment Funds Investment Policies and Guidelines

The Endowment Committee of the Board of Trustees of the University of South Alabama shall be responsible for recommending investment policies and guidelines for approval by the Board of Trustees, implementation of such policies and guidelines and selection of qualified investment professionals including Investment Consultant(s), Investment Manager(s), and Funds Custodian(s). The Endowment Committee will oversee investment activities, monitor investment performance and ensure the prudent control of the Endowment Funds of the University. The Endowment Committee will make periodic reports to the Board of Trustees.

I. Purpose of the Endowment Funds

The University of South Alabama Endowment Funds exist to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes, i.e., scholarships, professorships, program enhancements, student loans, etc.

II. Purpose of the Investment Policy

This investment policy is set forth by the Board of Trustees of the University of South Alabama in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding of all involved parties of the investment goals and objectives of Endowment Funds assets.

3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Endowment Funds assets.

4. Establish a basis of evaluating investment results.

5. Manage Endowment Funds assets according to prudent standards as established in the laws of the State of Alabama.

6. Establish the relevant investment horizon for which the Endowment Funds assets will be managed.

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

III. Delegation of Authority

The Board of Trustees of the University of South Alabama is responsible for directing and monitoring the investment management of the University's Endowment Funds assets. As such, the Board of Trustees is authorized to delegate certain authority to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant(s). The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager(s). The investment manager has discretion to purchase or sell, in the University's name, the specific securities that will be used to meet the Endowment Funds investment objectives.

3. Funds Custodian(s). The custodian will physically (or through securities owned by the Fund) collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets, owned, purchased or sold as well as movement of assets into and out of the Endowment Funds accounts.

With the exception of specific limitations described in these statements, managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate. All expenses for such experts must be customary and reasonable, and will be borne by the Endowment Funds as deemed appropriate and necessary.

IV. Assignment of Responsibility

A. Responsibility of the Board of Trustees of the University of South Alabama

The Board of Trustees is responsible for the management of the assets of the Endowment Funds. The Board of Trustees shall discharge its duties in good faith like an ordinary prudent person in a like position would exercise under similar circumstances and in a manner the Trustees reasonably believe to be in the best interest of the University. The Board of Trustees will supervise the Endowment Committee and assigns the following authority and responsibilities to the Endowment Committee on behalf of the Board of Trustees.

B. Responsibility of the Endowment Committee

The specific authority and responsibilities of the Endowment Committee relating to the investment management of Endowment Funds assets include:

1. Projecting the Endowment Funds financial needs, and communicating such needs to the Investment Manger(s) on a timely basis.

2. Determining the Endowment Funds risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies, time frames and guidelines which will direct the investment of the Endowment Funds assets.

4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objectives progress.

6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental changes in the investment management process, or failure to comply with established guidelines.

7. Making direct investments in cases in which selection of an investment manager is not appropriate.

8. Recommending an endowment spending policy to the Board of Trustees for approval.

9. Reporting periodically to the Board of Trustees Endowment Committee actions and recommendations and investment performance of the Endowment Funds.

C. Responsibility of the Investment Manager(s)

The Endowment Funds will be managed primarily by external investment advisory organizations; both commingled vehicles and separate accounts may be used. The investment manager(s) have discretion, within the guidelines set forth in this policy statement and any additional guidelines provided them, to manage the assets in each portfolio to achieve the investment objectives. Managers will normally manage only one type of investment in each fund. For example, equities and fixed income will not be combined in a balanced fund with one manager.

Each Investment Manager must acknowledge, in writing, their acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under their jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Each Investment Manager will be provided with a copy of this statement of investment objectives and policies. In turn, as part of the investment management contract that will govern their portfolio, the Investment Manager is expected to provide a written statement of the firm’s expectations, stated in terms of the objectives and comparative benchmarks that will be used to evaluate performance and the allowable securities that can be used to achieve these objectives. These statements will be consistent with the statement of investment objectives and policies and will be incorporated as appendices. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation with the annual guidelines established by the Endowment Committee.

2. Reporting, on a timely basis, quarterly investment performance results.

3. Providing monthly valuation of the investment portfolio based on the previous month's closing prices.

4. Communicating any major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objectives progress of the Endowment Funds investment management.

5. Informing the Endowment Committee regarding any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

6. Providing the Endowment Committee with proof of liability and fiduciary insurance coverage.

7. Acknowledging in writing an ability and agreement to invest within the guidelines set forth in the investment policy.

8. Meeting with the Endowment Committee at least annually.

9. Voting proxies on behalf of the Endowment Funds and communicating such voting records on a timely basis. In cases in which the University desires to vote proxies related to specific topics, it will so notify Manager(s).

10. The Board of Trustees may from time to time request that the Investment Manager(s) allocate commissions to those brokerage firms providing other investment management services to the University. Good execution and commission prices are primary considerations in routing business to the said brokerage firms. If at any time any Investment Manager believes that any policy guideline inhibits investment performance, it is their responsibility to communicate this to the Endowment Committee.

V. General Investment Principles

1. Investments shall be made solely in the interest of the purposes of the University of South Alabama.

2. The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances in a manner the Board of Trustees reasonably believe to be in the best interest of the University.

3. Investment of the Endowment Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Endowment Funds objectives.

5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

VI. Investment Objectives

In order to meet its needs, the investment strategy of the University of South Alabama Endowment Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The total Endowment Funds shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk. The Endowment Funds results shall be evaluated on a rolling five-year basis against a market benchmark weighted 40 percent in favor of the S&P 500 Index, 5% Russell 2000 Index, 12% MSCI EAFE (US Dollar) Index, 23 percent toward the Barclay's Capital US Aggregate Bond Index, 10% HFRI Fund of Funds Conservative Index and 10% HFRI Fund of Funds Strategic Index.

VII. Portfolio Composition and Risk

A. To achieve its investment objective, the Endowment Funds assets are considered as divided into three parts a fixed income component, a fixed income alternative component, an equity component and a private equity component. The Endowment Funds long-term commitment to these funds shall be as follows:

Asset Class	Range	Long-Term Neutral
Fixed Income	15-35%	25%
Equity	35-75%	50%
Private Equity	0-10%	5%
Fixed Income Alternative	10-30%	20%
Cash	0-10%	0%

The purpose of dividing the Endowment Funds in this manner is to ensure that the overall asset allocation among major asset classes remains under the regular scrutiny of the Endowment Committee and is not allowed to become the residual of separate manager decisions. Over the long run, the allocation among the major asset classes may be the single most important determinant of the endowment funds investment performance.

The purpose of the fixed income fund is to provide a hedge against deflation, to reduce the overall volatility of returns of the Endowment Funds, in order to produce current income in support of spending needs.

The percentage of total Endowment Funds assets allocated to the fixed-income fund at any time should be sufficient to provide that neither the current income nor the capital value or the total Endowment Funds declines by an intolerable amount during an extended period of deflation. The fixed-income fund should normally represent approximately 15-35 percent of total Endowment Funds assets at market value. Although the actual percentage will fluctuate with market conditions, levels outside this range should be closely monitored by the Endowment Committee.

The purpose of the equity fund is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, private equity, venture capital, leveraged buyout investments, equity real estate, reorganization securities, exchange traded index funds, etc. Investments made in such less liquid equity investments should be made through funds offered by professional investment managers.

The purpose of the fixed income alternative component is to provide the Endowment a source of returns with low correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The Fixed Income Alternative should normally represent approximately 10-30 percent of total Endowment Funds.

Any assets not committed to the fixed-income fund or fixed income alternative shall be allocated to the equity fund and the private equity fund. The equity fund should normally represent approximately 35-75 percent of total Endowment Funds assets at market value. The private equity fund should normally represent approximately 0-10 percent of total Endowment Fund assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside these ranges should be closely monitored by the Investment Committee.

The Endowment includes investments in several categories, and the Endowment Committee targets allocations for the following:

Asset Class	Long-Term Strategic Target (%) of Endowed Funds	Range
Domestic Equity	**42%**	**30-60%**
Large/Mid-Cap	35%	25-55%
Small Cap	5%	3-8%
High Yield Debt	2%	0-5%
International Stocks	**10%**	**5-15%**
Developed Markets	6%	3-10%
Emerging Markets	4%	0-6%
Private Equity	**5%**	**0-10%**
TOTAL EQUITY COMPONENT	**57%**	**35-75%**
Alternative Investments	**20%**	**10-30%**
Absolute Return	15%	12-20%
Long/Short Equity	5%	0-10%
TOTAL ALTERNATIVE COMPONENT	**20%**	**10-30%**
Fixed Income	**23%**	**15-35%**
U.S. Core Bonds	16%	12-20%
Global Bonds	4%	0-7%

Asset Class	Long-Term Strategic Target (%) of Endowed Funds	Range
TIPS	2%	0-5%
Emerging Market Debt	1%	0-2%
TOTAL FIXED INCOME COMPONENT	**23%**	**15-35%**
Cash and Equivalents	**0%**	**0-10%**

Within the equity fund, certain investments can be included, with Endowment Committee approval, to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments. While the Endowment Committee recognizes the argument for having a separate allocation to inflation-hedging assets, at this time, these investments are evaluated primarily as equity-substitutes. The Endowment Committee will periodically review the adoption of an inflation-hedging fund allocation separate from the equity allocation.

Within the equity fund, in addition to cash reserves held by managers, there is normally an investment in cash or short-term instruments. Although the Endowment Committee has not adopted a cash allocation, new gifts to the endowment and endowment income in excess of budgetary distributions generate cash inflow to the Endowment Fund. The level of cash should be closely monitored by the committee.

The Endowment committee may change any of the above ratios; however, it is anticipated that these changes will be infrequent.

The Endowment Funds investments shall be diversified both by asset class (e.g., equities and fixed-income securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

VIII. Spending Policy

It shall be the policy of the University of South Alabama Board of Trustees to preserve and maintain the real purchasing power of the principal of the Endowment Funds. The current spending policy of the University will be determined annually by the President and the Endowment Committee and approved by the Board of Trustees. The spending guideline is based on an expected total return over the long-term less expected inflation.

IX. Volatility of Returns

The Board of Trustees understands that in order to achieve its objectives for Endowment Funds assets, the Funds will experience volatility of returns and fluctuations of market value. The Board will tolerate volatility as measured against the risk/return analysis of the appropriate market indices. The indices used as a measure of an investment manger's performance will be used to measure the allowable volatility (risk).

X. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Vice President for Financial Affairs will periodically provide Investment Manager(s) with an estimate of expected net cash flow. The Vice President will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves. Because of the infrequency of cash outflows and overall marketability of Endowment Funds assets, the Board of Trustees does not require the maintenance of a dedicated cash or cash equivalent reserve.

XI. Marketability of Assets

The Board of Trustees requires that all Endowment Funds allocated to cash equivalents, fixed income securities or equity securities be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment Funds, with minimal impact on market price. The Board of Trustees recognizes that opportunities may exist in illiquid assets and will allow Investment Managers overseeing Private Equity or Fixed Income Alternatives to invest in securities that may be less liquid and could present a risk of illiquidity.

XII. Investment Guidelines

A. Allowable Assets

1. Cash Equivalents

    - Treasury Bills
    - Money Market Funds
    - Common Fund Short Term Investment Fund
    - Commercial Paper
    - Banker's Acceptance
    - Repurchase Agreements
    - Certificates of Deposits

2. Fixed Income Securities

    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stock
    - Fixed Income Securities of Foreign Governments and Corporations
    - Collateralized Mortgage Obligations

3. Fixed Income Alternatives

    - Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
    - Event investing (restructurings, spin-offs, etc.)
    - Distressed securities
    - Long Short equities (U.S., global and sector funds)
    - Market neutral equities

- Short-biased equities
- Macro investing

4. Equity Securities

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Exchange traded index funds

5. Private Equity

6. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

Other Assets:

Derivative Securities: options and future contracts
In general, the use of derivative securities by the Investment Manager shall be discouraged, unless such an opportunity presents itself that the use of the sophisticated securities would provide substantial opportunity to increase investment returns at an appropriately equivalent level of risk to the remainder of the total portfolio. Also, derivative securities may be used by the Investment Manager in order to hedge certain risks to the portfolio. The approval and use of derivative securities will not be allowed unless the Endowment Committee is confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of derivatives.

Real Estate: Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed, income producing commercial and residential property. Such investments may not exceed 10% of the total endowment fund. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven track records of superior performance over time.

(Is now covered under the derivative section)
The Endowment will avoid highly leveraged strategies and managers who provide insufficient transparency of their actions for adequate monitoring of the risks they are taking.

B. Guidelines for Fixed Income Investments and Cash Equivalents

1. Investment in fixed income securities shall be restricted to only investment grade bonds rated BAA or higher.

2. 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.

3. 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.

C. Guidelines for Fixed Income Alternatives

1. Fixed Income alternative investments will be defined as any strategy using a partnership or offshore investment company structure that may or may not be subject to SEC registration, investing primarily in marketable securities and/or subject to a performance fee. These strategies would generally have absolute, as opposed to relative, return objectives driven more by manager skill and market inefficiency than market direction. Use of leverage, short selling and/or derivatives may or may not be employed as part of the investment approach. The endowment will employ a manager of manager's approach to investing in fixed income alternative investments.

D. Limitations on Manager Allocations

1. No more than 5% of the Endowment Fund assets shall be allocated to an individual Investment Manager.

2. No more than 25% of the Endowment Fund assets shall be allocated to a "Fund of Funds" or multi-manager fund.

XIII. Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated, given the discipline employed and risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

XIV. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Trustees will review investment policy at least annually.

Investment Manager Selection

1. The Endowment Committee will decide on guidelines for the desired investment philosophy, asset mix, and performance objectives of the new manager.

2. The Endowment Committee will employ, if appropriate, Investment Consultant(s) to identify potential managers.

3. Potential managers will be reviewed by the Endowment Committee in some or all of the following areas with the importance of each category determined by the Endowment Committee:

Organization
- Experience of firm
- Assets under management
- Ownership
- Number of professionals
- Fees and minimum account size

Performance
- One, three and five-year comparisons
- Up/down market comparisons
- Risk/return graphs

Securities Summary – Equities
- Yield
- Profit/earnings
- Quality
- Growth
- Beta

Securities Summary – Fixed Income
- Quality
- Maturity
- Duration
- Government/non-government
- Investment decision-making process
- Top down/bottom up
- Quantitative/qualitative/traditional
- Expected performance characteristics

Securities Summary – Fixed Income Alternative

- Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
- Event investing (restructurings, spin-offs, etc.)
- Distressed securities
- Long Short equities (U.S., global and sector funds)
- Market neutral equities
- Short-biased equities
- Macro investing

Skill Set Analysis

- Market timing
- Sector diversification
- Security selection
- Security consideration

4. Final selection of a new manager resides with the Endowment Committee.

UNIVERSITY OF SOUTH ALABAMA
NON-ENDOWMENT CASH POOL INVESTMENT POLICIES

Purpose

The purpose of this Investment Policy is to provide a guideline by which the pooled funds (the current, loan, agency and plant fund groups) not otherwise needed to meet the daily operational cash flows for the University can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflow of funds from revenues, tuition payments and state appropriations.

The policies and practiced hereinafter set forth separate funds into three investment categories: (1) Short-term funds (2) Intermediate-term funds (3) Long-term funds.

INVESTMENT OBJECTIVES

The investment objectives for Operational Funds Investments are: (1) to maximize current investment returns consistent with the liquidity needs of the University. In keeping with the investment objectives noted above, it is acknowledged that there are Operational Funds which require short-term, intermediate-term and long-term investment strategies.

It is expected that the maturities of the investments in the Operational Funds will be matched against the cash flow needs of each campus to maximize yields consistent with the liquidity needs of the University.

Maintenance of Adequate Liquidity

The investment portfolio must be structured in such a manner that will provide sufficient liquidity to pay obligations such as normal operating expenses and debt service payments as they become due. A liquidity base will be maintained by the use of securities with active secondary markets, certificates of deposit, or repurchase agreements. These investments could be converted to cash prior to their maturities should the need for cash arise.

Return on Investments

The University seeks to optimize return on investments within the constraints of each investment objective. The portfolio strives to provide a return consistent with each investment category. The cash pool portfolio rate of return will be compared with the returns of broad indices representing the investment and maturity structure of the Pool.

DELEGATION OF AUTHORITY

The Board of Trustees is ultimately responsible for investment policy. By Board Resolution the Board of Trustees is delegating investment authority to the President or Vice President for Financial Affairs or other such persons as may be authorized to act on their behalf.

The Investment Policy is established to provide guidance in the management of the University's Non-Endowment Cash Pool to insure compliance with the laws of the State of Alabama and investment objectives. The Vice President for Financial Affairs or his designee is accorded full discretion, within policy limits, to select individual investments and to diversify the portfolio by applying their own judgments concerning relative investment values.

IMPLEMENTATION OF THE INVESTMENT POLICY

The Vice President for Financial Affairs or his designee is authorized to execute security transactions for the University investment portfolio. Reports of investments shall be presented to the Endowment and Investment Committee of the Board of Trustees.

AUTHORIZED INVESTMENT INSTRUMENTS

Short-Term Operational Funds

Safety of Capital

Preservation of capital is regarded as the highest priority in the handling of investments for the University of South Alabama. All other investment objectives are secondary to the safety of capital.

It is assumed that all investments will be suitable to be held to maturity. However, sale prior to maturity is warranted in some cases. For example, investments may be sold if daily operational funds are needed or if the need to change the maturity structure of the portfolio arises.

All investments will be restricted to fixed income securities with the maturity range to be consistent with the liquidity needs of the pooled fund groups. It is essential that cyclical cash flow be offset by liquid investments. Permissible investment instruments may include:

1. Checking and Money Market deposit accounts in banks. These funds are subject to full collateralization for the amounts above the FDIC $250,000.00 coverage limit, or participation by the Bank in the State of Alabama's Security for Alabama Funds Enforcement Program.

2. Certificates of Deposit issued by banks and fully collateralized for the amounts above the FDIC $250,000.00 coverage limit or participation by the bank in the State of Alabama's Security for Alabama Funds Enforcement Program. Negotiable Certificates of Deposit or

Deposit Notes issued by credit worthy U.S. Banks in amounts not to exceed the FDIC $250,000.00 coverage limit.

3. Direct obligations of the United States or obligations unconditionally guaranteed as to principal and interest by the Unites States.

4. Obligations of a Federal Agency (including mortgage backed securities) or a sponsored instrumentality of the United States including but not limited to the following:

   - Federal Home Loan Bank (FHLB)
   - Federal Home Loan Mortgage Corporation (FHLMC)
   - Federal Farm Credit Banks (FFCB)
   - Government National Mortgage Association (GNMA)
   - Federal National Mortgage Association (FNMA)
   - Student Loan Marketing Association (SLMA)
   - Financing Corp (FICO)
   - Tennessee Valley Authority (TVA)
   - Government Trust Certificates (GTC)

5. Commercial paper of corporate issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 rating by Fitch. Corporate bonds will maintain a minimum "A" rating by both Moody's and Standard and Poor's at the time of purchase. No more than ten percent (10%) of the Total Cash and Investments shall be invested in a single corporation for Commercial Paper/Short-term Corporate Bonds and thirty-five percent (35%) per Federal Agency Obligation as described above. There will be no limit on U.S. Treasury Obligations. All such securities must have an active secondary market.

The maturity range of Short-Term Operational Funds Investments shall be consistent with liquidity requirements of the funds category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Typical maturity will range from one day to one year.

Intermediate-Term Investment of Operational Funds

Investments for those Operational Funds designated by the President as benefiting from investment over a one- to three-year period.

Permissible investments are consistent with all investments approved under short-term operational funds within a one- and three- year investment period. It is expected that the maturities of the investments within the intermediate-term funds will match against the cash flow needs of the University and to maximize yields consistent with the liquidity needs of the University.

Long-Term Investment of Operational Funds

From time to time management may have the opportunity to invest Operational Funds designated by the President to achieve higher earnings over a longer time horizon. These funds will be invested based on the Non-endowment Equity and Alternative Investment Pool Guidelines referenced in Appendix A.

PASS THROUGH OR DESIGNATED FUNDS

This policy shall also cover pass through funds (endowment funds to be forwarded to external endowment fund managers) and any funds managed by the University and designated for specific purposes and not covered by individual investment restrictions (i.e. endowment funds that may not be co-mingled, bond proceeds during construction, USA Health Plan, etc.)

PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Persons performing the investment functions, acting in accordance with these written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations and appropriate recommendations to control adverse developments are reported in a timely fashion. The "prudent person" standard is understood to mean:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

EFFECTIVE DATE

This policy shall become effective immediately upon its adoption by the Board of Trustees. Further, this policy shall be reviewed at least annually and updated whenever changing market conditions or investment objectives warrant.

Appendix A

University of South Alabama

Non-Endowment
Equity and Alternative Investment Pool Guidelines

Purpose

The purpose of the University's Non-Endowment Equity and Alternative Investment Pool (Equity and Alternative Pool) is to maximize returns for those operating funds that are not utilized for day to day cash management needs. These funds will have a seven- to ten- year time horizon. The goal of the Equity and Alternative Pool is to provide revenue while preserving principal to fund University projects as set forth by the University President.

Return on Investments

The University seeks to optimize return on these investments within the constraints of the Equity and Alternative Pool guidelines. The portfolio strives to provide a return consistent with each investment category.

Oversight and Delegation of Authority

The Equity and Alternative Pool will be governed by the Non-Endowment Cash Pool Investment Policy. The Board of Trustees is ultimately responsible for the Non-Endowment Cash Pool Investment Policy. Investment oversight will be delegated to the President or Vice President for Finance and Administration or other such persons as may be authorized to act on their behalf.

Investment Objectives

In order to meet its needs, the investment strategy of the Equity and Alternative Pool is to emphasize long-term growth; that is, the aggregate return from capital appreciation. The Equity and Alternative Pool shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk.

Portfolio Composition and Risk

A. To achieve its investment objective, the Equity and Alternative Pool assets are considered as divided into two parts; an alternative investment component or hedged strategy and an equity component. Total Equity and Alternative Pool assets should not exceed 25% of all non-endowment cash and cash-equivalents of the University as of September 30th of the prior fiscal year. This percentage will be reassessed periodically and any changes will be communicated to the Board. The Equity and Alternative Pool commitment to these funds shall be as follows:

	Range	Long-term neutral
Equity	45-85%	70%
Alternative Investment	10-35%	30%

B. The purpose of the equity component is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of capital appreciation and current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, venture capital, leveraged buyout investments, equity real estate, exchange traded index funds, etc.

C. The purpose of the alternative investment component is to provide the Equity and Alternative Pool a source of returns with low to negative correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The alternative investment component should normally represent approximately 10-35 percent of the total Equity and Alternative Pool.

D. Any assets not committed to the alternative investment component shall be allocated to the equity fund. The equity fund should normally represent approximately 45-85 percent of total the Equity and Alternative Pool assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside this range should be closely monitored.

E. The Equity and Alternative Pool includes investments in several categories:

Asset Class	Long-Term Strategic Target (%) of Funds	Range
DOMESTIC EQUITY	**55%**	**40-70%**
Large Cap	40%	30-65%
Mid Cap	10%	5-15%
Small Cap	5%	3-10%
INTERNATIONAL STOCKS	**15%**	**5-25%**
Developed Markets	10%	3-20%
Emerging Markets	5%	0-10%
TOTAL EQUITY COMPONENT	**70%**	**45-85%**
ALTERNATIVE INVESTMENTS	**30%**	**10-35%**
Absolute Return	30%	10-35%
TOTAL ALTERNATIVE COMPONENT	**30%**	**10-35%**
TOTAL	**100%**	

F. Within the equity fund, certain investments can be included to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments.

G. The Equity and Alternative Pool investments shall be diversified both by asset class (e.g., equities and alternative investment securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

Spending Policy

It shall be the policy of the Equity and Alternative Pool to preserve and maintain the real purchasing power of the principal of the Fund. The current spending policy of the Equity and Alternative Pool will be determined annually by the University President. The spending guideline is based on an expected total return over the long-term less expected inflation and will use the excess return over the inflation adjusted principal using a 3 year moving average to help fund the operating needs of the University.

Line of Credit

At times of extreme volatility related to the Equity and Alternative Pool a Line of Credit (LOC) will be utilized to meet day to day management of the University's operating needs. A LOC of up to $30,000,000 will be established and available to meet those periods when operating cash is low due to seasonal tuition revenue. The LOC will be repaid in full as soon as sufficient cash is available. The Investment Manager will be required to inform the Vice-President for Finance and Administration, Treasurer and President and obtain appropriate approval of any draws and repayments on the LOC and will be required to provide them with balance reports throughout the year.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

HEALTH AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Health Affairs Committee

September 2, 2021
2:13 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, September 2, 2021, at 2:13 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, Scott Charlton, Steve Furr, Arlene Mitchell and Jim Yance were present, and Margie Tuckson participated remotely.
Member Absent:	Steve Stokes.
Other Trustees:	Alexis Atkins, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Ken Simon and Mike Windom.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Benjamin Estrada, Monica Ezell, Natalie Fox, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt, Beth Shepard (Faculty Senate), John Smith, Margaret Sullivan, Scott Weldon and Alan Whaley.

The meeting came to order and the attendance roll was called, **Item 13**. Dr. Charlton called for consideration of the minutes of the meeting held on June 3, 2021, **Item 14**. On motion by Dr. Furr, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Dr. Charlton called for consideration of a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for May, June and July 2021, **Item 15**. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on September 3, 2021.) On motion by Dr. Furr, seconded by Ms. Brown Stewart, 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 (COM), **ITEM 16**. Dr. Marymont advised of the interim appointment of Dr. Alan Whaley, USA Health's Chief Strategy Officer, as Chief Operating Officer (COO) at University Hospital, filling the role formerly held by Mr. Sam Dean. He stated that a search to fill the COO position was underway. Dr. Whaley made brief remarks.

Dr. Marymont presented a report on the characteristics of the COM class of 2025; shared the positive results from the Association Academic of Medical Center's graduate survey, for which the class of 2021 participated; and gave an update on USA Health's COVID-19 vaccination program. He introduced USA Health Physicians Group Assistant Administrator/Chief of Nursing Operations Dr. Natalie Fox and Professor of Pediatrics and infectious disease expert Dr. Benjamin Estrada to address questions.

There being no further business, the meeting was adjourned at 2:43 p.m.

Respectfully submitted:

Scott A. Charlton, M.D., Chair

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

DATE: November 4, 2021

TO: John W. Smith, EdD
Interim President

FROM: Owen Bailey, Chief Executive Officer

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 August, September and October 2021

- Medical Staff Appointments/Reappointments Board of Trustees Report

Resolution - USA Health Hospitals Medical Staff Bylaws/Rules and Regulations Revisions

- Proposed Bylaw/Rules and Regulations Revisions

Resolution – USA Health Hospitals Nomination of Medical Executive Committee Chair-Elect Officers

- Calendar Years 2022 - 2023

OB/kh

Attachments

December 2, 2021

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2021

WHEREAS, the Medical Staff appointments and reappointments for August, September and October 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 TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 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
Adair, Jennifer G., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Agagan, Caesar C., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Almalouf, Philip, MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	New Appt.	Court./Act. USA	Internal Medicine
Altun, Osman, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Archibald, Aston G., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Aschkenasi, Carl J., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Ashton, Joshua A., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Bacon, William R., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Bedsole, Rhonda R., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Bell, Kelsey L., PA	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Bender, Stephanie M., MD	Reappt.	Courtesy HCA/JAG	Internal Medicine	Reappt.	Active HCA/JAG	Internal Medicine	Reappt.	Court./Act. HCA/JAG	Internal Medicine
Berry, Michael A., MD	NA	NA	NA	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Billett, William J., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Boone, Lucas S., MD	New Appt.	Consulting	Psychiatry	New Appt.	Consulting	Psychiatry	NA	NA	NA
Boyd, Jr., William M., DO	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Bradley, Ryan A., CNIM	New Appt.	APP	Neurosurgery	New Appt.	APP	Neurosurgery	NA	NA	NA
Bright, Karen L., RN	New Appt.	APP	Internal Medicine	New Appt.	APP	Internal Medicine	NA	NA	NA
Broughton, William A., MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court/Act. USA	Internal Medicine
Bustin, Emily F., MD	NA	NA	NA	New Appt.	Active HCA/JAG	Family Medicine	NA	NA	NA
Carnahan, Gary E., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Cepeda, Matthew E., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Cohen, Michael V., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Cons/Court. USA	Internal Medicine
Cole-Guerrero, Kimberly A., DO	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Cole-Guerrero, Kimberly A., DO	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Cornelius, Emily Drew, CRNP	New Appt.	APP USA	Surgery Oncology	New Appt.	APP USA	Surgery Oncology	New Appt.	APP USA	Surgery Oncology
Dany, Mary M., CRNA	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	NA	NA	NA
de Andres, Kweni C., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
DeLaney, Wilson C., MD	New Appt.	Active USA	Ped. Emerg. Med.	New Appt.	Active USA	Emergency Med.	NA	NA	NA
DeShazo, Megan E., MD	New Appt.	Active HCA/JAG	Pediatrics	NA	NA	NA	New Appt.	Active HCA/JAG	Pediatrics
Donahoe, David K., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Consulting	Orthopaedics	NA	NA	NA
Donnellan, Kimberly A., MD	Reappt.	Active HCA/JAG	Surgery	Reappt.	Active HCA/JAG	Surgery	Reappt.	Active HCA/JAG	Surgery
Drummond, Paula S., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Dutton, Kelsey A., CRNP	New Appt.	APP HCA	Family Medicine	New Appt.	APP HCA	Family Medicine	New Appt.	APP HCA	Family Medicine
Dyess, Donna L., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Eichold, II, Bernard H., MD	Reappt.	Consulting	Internal Medicine	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Ellis, Blesilda Q., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Everett, Kevin L., MD	Reappt.	Courtesy USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 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
Franklin, Tiffany, CRNP	NA	NA	NA	New Appt.	APP HCA/JAG	Internal Medicine	New Appt.	APP HCA/JAG	Internal Medicine
Franks, Ronald D., MD	Reappt.	Academic	Psychiatry	Reappt.	Academic	Psychiatry	NA	NA	NA
Galliani, Carlos A., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Gillespie, John C., CNIM	New Appt.	APP	Neurosurgery	New Appt.	APP	Neurosurgery	NA	NA	NA
Griffiths, Kelli A., PA	NA	NA	NA	New Appt.	APP HCA/JAG	Internal Medicine	New Appt.	APP HCA/JAG	Internal Medicine
Hagan, Philip M., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Hanjar, Abrahim, MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Hanlon, Melissa L., CRNP	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Hansell, Morgan N., CRNP	New Appt.	APP USA	Emergency Med.	New Appt.	APP USA	Emergency Med.	NA	NA	NA
Hastings, Matthew M., MD	New Appt.	Consulting	Neurology	New Appt.	Consulting	Neurology	NA	NA	NA
Hellmich, Alexandria, CRNP	Reappt.	APP HCA	Internal Medicine	Reappt.	APP HCA	Internal Medicine	Reappt.	APP HCA	Internal Medicine
Henderson, Bret T., MD	Reappt.	Consulting	OB/GYN	NA	NA	NA	NA	NA	NA
Hixson, Troy S., CNIM	New Appt.	APP	Neurosurgery	New Appt.	APP	Neurosurgery	NA	NA	NA
Holliday, Candice P., MD	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Holman, Logan, MD	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Houston, Jessica L., DO	New Appt.	Active HCA/JAG	Internal Medicine	New Appt.	Active HCA/JAG	Internal Medicine	New Appt.	Active HCA/JAG	Internal Medicine
Huettemann, Catherine W., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Huettemann, Richard E., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Hujier, Fares, MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Hussein, Mohamed R., MD	New Appt.	Contract/Locums	Internal Medicine	New Appt.	Contract/Locums	Internal Medicine	New Appt.	Contract/Locums	Internal Medicine
Ikeri, Kelechi C., MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Imran, Hamayun, MD	Reappt.	Active USA	Pediatrics	Reappt.	Courtesy USA	Pediatrics	Reappt.	Active/Court. USA	Pediatrics
Imran, Hamayun, MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Kimbrell, Kara, CRNP	NA	NA	NA	New Appt.	APP HCA/JAG	Internal Medicine	New Appt.	APP HCA/JAG	Internal Medicine
Kirkland, II, Charles E., MD	Reappt.	Community Staff	Family Medicine	NA	NA	NA	NA	NA	NA
Kleinmann, Michael C., DO	Reappt.	Community Staff	Internal Medicine	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Knight, Parath, CRNP	New Appt.	APP USA	Emergency Med.	New Appt.	APP USA	Emergency Med.	NA	NA	NA
Lambert, Dana R., CRNA	Reappt.	APP Contr./Locums	Anesthesiology	Reappt.	APP Contr./Locums	Anesthesiology	NA	NA	NA
Lane, Clayton G., MD	Reappt.	Consulting	Orthopaedics	Reappt.	Consulting	Orthopaedics	NA	NA	NA
Little, Jr., Michael E., DO	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Marri, Preethi R., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act/Cons. USA	Pediatrics
Martino, Anthony M., MD	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery	Reappt.	Active USA	Neurosurgery
Mauldin, Teresa L., RN	Reappt.	APP	OBGYN	Reappt.	APP	OBGYN	NA	NA	NA
McCreary, D'Arco R., MD	New Appt.	Comm. Staff HCA	Internal Medicine	New Appt.	Comm. Staff HCA	Internal Medicine	NA	NA	NA
McDonald, Tyler C., MD	New Appt.	Active USA	Orthopaedics	New Appt.	Active USA	Orthopaedics	New Appt.	Active USA	Orthopaedics
McDonough, Lisa H., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Mehta, Ragini B., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
Mitchell, Jason W., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 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
Mock, Brittany A., DO	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Mock, Brittany A., DO	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Mohammad, Dunya, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Montgomery, Andrew, CRNP	New Appt.	APP USA	Emergency Medicine	New Appt.	APP USA	Emergency Medicine	NA	NA	NA
Moore, Margaret T., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Mullens, Jess H., MD	New Appt.	Active USA	Orthopaedics	New Appt.	Active USA	Orthopaedics	New Appt.	Active USA	Orthopaedics
Munn, Mary B., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Nagaraddi, Venkatsh N., MD	New Appt.	Consulting	Neurology	New Appt.	Consulting	Neurology	NA	NA	NA
Nichols, Amy C., CCCA, Ph.D.	Reappt.	APP USA	Surgery	NA	NA	NA	Reappt.	APP USA	Surgery
Nichols, Brandon W., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Norman, Cindy L., CRNP	Reappt.	Non-Priv. APP	Family Medicine	Reappt.	Non-Priv. APP	Family Medicine	NA	NA	NA
Obiaka, Uzoma, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Outlaw, Kitti, MD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Paladugu, Rajesh, MD	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Parcha, Siva P., MD	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Court./Act. USA	Internal Medicine
Parker, Sandra K., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Parsell, Karen E., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Payne, Keegan M., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
Payne-Johnson, Ann I., MD	New Appt.	Active USA	Family Medicine	New Appt.	Active USA	Family Medicine	New Appt.	Active USA	Family Medicine
Pelekanos, Sharon F., PA	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery
Perez-Garcia, Eliana M., MD	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Perez, William M., MD	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Perkins, Robert A., MD	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine
Pickard, Paul W., MD	New Appt.	Active USA	Anesthesiology	New Appt.	Active USA	Anesthesiology	NA	NA	NA
Pierce, Allyson J., CRNP	New Appt.	APP USA	Surgery	NA	NA	NA	New Appt.	APP USA	Surgery
Polska, Urszula A., CRNP	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Ponnambalam, Ananthasekar, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Porr, William H., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Prodduturvar, Pranitha, MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Reece, Lauren P., CRNA	New Appt.	APP Contr./Locums	Anesthesiology	New Appt.	APP Contr./Locums	Anesthesiology	New Appt.	APP Contr./Locums	Anesthesiology
Roberts, Norma Faye D., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Rogers, IV, Charles M., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Rogers, Helen H., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Sanchez, Jose Alfredo, MD	New Appt.	Active USA	Neurology	New Appt.	Active USA	Neurology	New Appt.	Active USA	Neurology
Savani, Sonia I., MD	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine
Savani, Sonia I., MD	New Appt.	Active HCA	Pediatrics	New Appt.	Active HCA	Pediatrics	New Appt.	Active HCA	Pediatrics
Schneider, Robert A., MD	New Appt.	Active USA	Ped. Emerg. Med.	New Appt.	Active USA	Emergency Medicine	NA	NA	NA
Schrubbe, Benjamin P., MD	Reappt.	Community Staff	Family Medicine	NA	NA	NA	NA	NA	NA

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 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
Shrestha, Diksha, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Standley, Todd B., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Steffler, Brad A., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Thompson, Laura H., MD	Reappt.	Community Staff	Family Medicine	Reappt.	Community Staff	Family Medicine	NA	NA	NA
Tidwell, Jonathan D., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
Tindle, Hope R., CRNP	New Appt.	APP USA	Orthopaedics	New Appt.	APP USA	Orthopaedics	New Appt.	APP USA	Orthopaedics
Toshniwal, Gokul R., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
Waldrop, Ronnie D., MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Walker, Marshall K., MD.	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Warner, Andrew M., MD	New Appt.	Active USA	Ped. Emerg. Med.	New Appt.	Active USA	Emergency Medicine	NA	NA	NA
Weinacker, Elizabeth S., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Weller, Suzanne H., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Wilburn, Jesse D., DO	NA	NA	NA	New Appt.	Active HCA/JAG	Internal Medicine	New Appt.	APP HCA/JAG	Internal Medicine
Wiley, Saqoria B., PCT	New Appt.	APP	Internal Medicine	New Appt.	APP	Internal Medicine	NA	NA	NA
Williams, Ashley Y., MD	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery
Yoder, Dwight A., MD	Reappt.	Community Staff	Pediatrics	Reappt.	Community Staff	Pediatrics	NA	NA	NA
Zacharias, Claudia, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Zelaya, Mario E., MD	New Appt.	Contract/Locums	Anesthesiology	New Appt.	Contract/Locums	Anesthesiology	NA	NA	NA
NAME	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Change Requests	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**
Agagan, Caesar C., MD	NA	NA	NA	Added Priv.	Consulting	Internal Medicine	NA	NA	NA
Added additional Bronchoscopy privileges needed for MCI.									
Brantley, Kaitlin, CRNP	Added Priv.	APP USA	Pediatrics	NA	NA	NA	Added Priv.	APP USA	Pediatrics
Added Controlled Substance Prescibing privileges: DEA, QACSC, and LPSP.									
Convey, Kathryn M. Kings, PA	Name Change	APP USA	Neurosurgery	Name	APP USA	Neurosurgery	Name	APP USA	Neurosurgery
Changed last name from Kings to Convey.									
Cunningham, Erin B., CRNP	Added Priv.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Added privileges at CW.									
DeAndrade, Kevin B., MD	NA	NA	NA	Del. Priv.	Active	Internal Medicine	NA	NA	NA
Deleted the privilege Transcatheter Aortic Valve Replacement.									
de Andres, Kweni C., RN	Added Priv.	APP	Internal Medicine	NA	NA	NA	NA	NA	NA
Added all privileges at CW.									
Dudley, William T., CRNP	NA	NA	NA	Added Priv.	APP USA	Family Medicine	Added Priv.	APP USA	Family Medicine
Added CRNP privileges at University Hospital.									
Ellis, Blesilda Q., MD	NA	NA	NA	Added Priv.	Consulting	Internal Medicine	NA	NA	NA
Added additional Bronchoscopy privileges needed for MCI.									

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 2021

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Change Requests	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**
Franks, Ronald D., MD	Chg. Status	Academic	Psychiatry	Chg. Status	Academic	Psychiatry	NA	NA	NA
Changing status from Consulting USA to Academic.									
Hudson, Devin W., CRNP	Deleting Priv.	APP USA	Neurosurgery	Various Chgs.	APP USA	Surgery	Various Chgs.	APP USA	Surgery
Changing from Neurosurgery to Surgery/Trauma Department. Changing Collaborative Physician. Adding four privileges at UH. Deleting all privileges at CW.									
Ledbetter, Kate L., RN	Added Priv.	APP USA	Surgery	NA	NA	NA	Added Priv.	APP USA	Surgery
Added CRNP privileges at Children's & Women's Hospital.									
Lutz, Peter O., MD	NA	NA	NA	Added Priv.	Consulting	Internal Medicine	NA	NA	NA
Added additional Bronchoscopy privileges needed for MCI.									
Pitts, Denise M., RN	Added Priv.	APP	Internal Medicine	NA	NA	NA	NA	NA	NA
Added all privileges at CW.									
Quick, Felicia D., CRNP	Added Priv.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Added privileges at CW.									
Radcliff, Virginia S., MD	NA	NA	NA	Added Priv.	Consulting	Internal Medicine	NA	NA	NA
Added additional Bronchoscopy privileges needed for MCI.									
Tisdale, Timothy S., PA	NA	NA	NA	See Below	APP HCA	Anesthesiology	NA	NA	NA
Changing from Internal Medicine to Anesthesiology Department. Changing collaborative physician.									
Williams, Ashley, MD	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery
Added Trauma Privileges at CW & UH.									
NAME	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Resigned/Retired	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**
Alexander, Kaitlin A., PHARM D	NA	NA	NA	Resigned	8/17/2021	Surgery	Resigned	8/17/2021	Surgery
Barker, Jr., Michael P., MD	NA	NA	NA	Resigned	9/24/2021	Internal Medicine	Resigned	9/24/2021	Internal Medicine
Bertolla, Stacee B., CRNP	Resigned	8/9/2021	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Bentley, James R., MD	Retired	9/8/2021	OBGYN	NA	NA	NA	NA	NA	NA
Cordina, Steve M., MD	Resigned	8/31/2021	Neurology	Resigned	8/31/2021	Neurology	Resigned	8/31/2021	Neurology
Cox, Karen F., PA	Resigned	9/24/2021	Anesthesiology	Resigned	9/24/2021	Anesthesiology	Resigned	9/24/2021	Anesthesiology
Dal Zotto, Valeria L., MD	Resigned	8/23/2021	Pathology	Resigned	8/23/2021	Pathology	Resigned	8/23/2021	Pathology
Dees, Wesley K., CRNP	NA	NA	NA	Resigned	8/16/2021	Surgery	Resigned	8/16/2021	Surgery
Gaither, Myra E., CRNA	Resigned	7/19/2021	Anesthesiology	Resigned	7/19/2021	Anesthesiology	NA	NA	NA
Gaston, Adrian H., DA	Resigned	9/13/2021	Surgery	Resigned	9/13/2021	Surgery	NA	NA	NA
Gaudet, Allyssa B., CRNA	Resigned	8/30/2021	Anesthesiology	Resigned	8/30/2021	Anesthesiology	NA	NA	NA
Hall, David A., MD	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine
Harris, Laura T., PA	Resigned	9/15/2021	Orthopaedics	Resigned	9/15/2021	Orthopaedics	NA	NA	NA
Holleyman, Daniel M., MD	Resigned	9/30/2021	Emergency Medicine	Resigned	9/30/2021	Emergency Medicine	Resigned	9/30/2021	Emergency
Hood, Nicole M., CNIM	Resigned	8/25/2021	Neurosurgery	Resigned	8/25/2021	Neurosurgery	NA	NA	NA

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
AUGUST, SEPTEMBER, AND OCTOBER 2021

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Resigned/Retired	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**
Hughes, Bethany C., PA	Resigned	9/13/2021	Pediatrics	NA	NA	NA	Resigned	9/13/2021	Pediatrics
Hults, Kayla P. ,CRNP	Resigned	8/27/2021	OBGYN	Resigned	8/27/2021	OBGYN	Resigned	8/27/2021	OBGYN
Ilonze, Chibuzo C., MD	Resigned	7/29/2021	Pediatrics	Resigned	7/29/2021	Pediatrics	Resigned	7/29/2021	Pediatrics
Jamison, Glendora B., CRNP	NA	NA	NA	Resigned	9/17/2021	Internal Medicine	NA	NA	NA
Juersivich, Adam P., MD	Resigned	9/9/2021	Neurology	Resigned	9/9/2021	Neurology	NA	NA	NA
Makino, Akiko I., CRNP	NA	NA	NA	Resigned	9/21/2021	Internal Medicine	Resigned	9/21/2021	Internal Medicine
Malcolm, Ian G., MD	Resigned	9/1/2021	Radiology	Resigned	9/1/2021	Radiology	Resigned	9/1/2021	Radiology
McLaughlin, Jr., Leon D., MD	Retired	9/28/2021	Family Medicine	NA	NA	NA	NA	NA	NA
McMahon, Jr., John M., MD	NA	NA	NA	Retired	7/31/2021	Emergency Med.	NA	NA	NA
McPherson, Regina K., MD	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine
Mehta, Anita D., MD	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine	Resigned	6/30/2021	Internal Medicine
Miller, Jennifer, CRNP	NA	NA	NA	Resigned	9/27/2021	Internal Medicine	Resigned	9/27/2021	Internal Medicine
Mirza, Asadullah B., MD	NA	NA	NA	Resigned	9/27/2021	Internal Medicine	Resigned	9/27/2021	Internal Medicine
Murray, Kelly M., PA	Resigned	9/1/2021	Family Medicine	Resigned	9/1/2021	Family Medicine	Resigned	9/1/2021	Family Medicine
Obiaka, Uzoma C., MD	Resigned	8/25/2021	Pediatrics	Resigned	8/25/2021	Pediatrics	Resigned	8/25/2021	Pediatrics
Parlee, Brandi L., CRNP	NA	NA	NA	Resigned	6/25/2021	Surgery	Resigned	6/25/2021	Surgery
Ready, Shannon L., RN	Resigned	8/12/2021	OBGYN	Resigned	8/12/2021	OBGYN	NA	NA	NA
Saville, Skylar G., MD	Resigned	8/31/2021	Family Medicine	Resigned	8/31/2021	Family Medicine	Resigned	8/31/2021	Family Medicine
Sheppard, Erin C., CRNP	Resigned	8/11/2021	Famly Medicine	Resigned	8/11/2021	Famly Medicine	Resigned	8/11/2021	Famly Medicine
Slater, Nicole A., PHARM D	Resigned	8/12/2021	Family Medicine	Resigned	8/12/2021	Family Medicine	Resigned	8/12/2021	Family Medicine
Snider, John M., CNIM	Resigned	9/8/2021	Neurosurgery	Resigned	9/8/2021	Neurosurgery	NA	NA	NA
Stokes, Justin B., CRNP	NA	NA	NA	Resigned	9/19/2021	Surgery	Resigned	9/19/2021	Surgery
Weinstein, Leonard S., MD	Retired	7/31/2021	Surgery	Retired	7/31/2021	Surgery	NA	NA	NA

December 2, 2021

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS

WHEREAS, revisions to USA Health Hospitals Medical Staff Bylaws and associated documents, approved November 1, 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 the USA Health Hospitals,

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

Proposed Changes to USA Health Hospitals Medical Staff Bylaws/Rules and Regulations
Approved by the USA Health Hospitals Active Medical Staff on November 1, 2021
Approved by the Executive Committee on November 3, 2021

<u>Bold and Underlined</u> -New Wording ~~Strikethrough~~ –Deletion

BYLAWS

ARTICLE 5- MEDICAL STAFF COMMITTEES AND PERFORMANCE IMPROVEMENT FUNCTIONS
5.C.1. Composition:

(a) Each Hospital shall maintain its own MEC.

(b) The individual MECs shall consist of the following voting members:

- Chair of the MEC;
- Chair-Elect/Secretary of the MEC;
- Immediate Past Chair of the MEC;
- Department chairs or service line chairs, as applicable;
- four at-large members of the Medical Staff to serve two-year terms, who shall be selected by the Nominating Committee as defined in Section 3.D.1 in a manner to be representative of the specialties of the Medical Staff as well as the relationships that Medical Staff members have with the Hospitals (i.e., employed, contracted, or independent);
- Chair of the Combined Credentials Committee;
- **<u>Graduate Medical Education Designated Institutional Official;</u>** and
- For USA Health Children's and Women's Hospital MEC only, the Residency Program Directors (Primary Service).

(c) The Hospital Administrator, CMO, CNO, College of Medicine Dean/Vice President of Medical Affairs, resident physicians, and Quality Management representatives shall serve as ex officio, non-voting members.

(d) The Chair of the MEC will chair the MEC.

(e) Other Medical Staff members or Hospital personnel may be invited to attend a particular MEC meeting (as guests, without vote) in order to assist the MEC in its discussions and deliberations regarding an issue on its agenda. These individuals shall be present only for the relevant agenda item and shall be excused for all others. Such individuals are an integral part of the committee's functioning and are bound by the same confidentiality requirements as the standing members of the MEC.

ORGANIZATION MANUAL

ARTICLE 2- CLINICAL DEPARTMENTS AND SERVICE LINES
2.B. LIST OF CLINICAL DEPARTMENTS AND SERVICE LINES

2.B.1. University Hospital Departments:
The following clinical departments are established: Anesthesiology, Emergency Medicine, Family Medicine, Internal Medicine, Neurology, Neurosurgery, Obstetrics and Gynecology, **<u>Oncology</u>**, Orthopedic Surgery, Pathology, Pediatrics, Psychiatry, Radiology, and Surgery

2.B.2. Children's & Women's Hospital Service Lines: The following service lines are established:
Family Medicine, Obstetrics and Gynecology, Pediatrics, **<u>Oncology</u>** and Neonatology and Hospital Based Services (Anesthesia, Pathology, Radiology, Surgery)

RULES AND REGULATIONS

2.0 GENERAL CONDUCT OF CARE
2.4 Surgical Care:
2.4.10 Operative, **<u>Invasive diagnostic or invasive therapeutic procedure</u>** record

<u>2.4.10.1 After any operation or any invasive diagnostic or invasive therapeutic procedure involving moderate or deep sedation or general, spinal, or regional anesthesia a note must be entered into the electronic medical record as either:</u>

- **<u>A full, detailed operative/procedure note by the responsible surgeon/proceduralist; or</u>**
- **<u>A brief post-operative/procedure note by a member of the operative/procedural team (ex., Attending Physician, Advance Practice Provider, or House Staff).</u>**

2.4.10.2 One of these notes must be entered into the electronic medical record (with date and times of surgery) and signed prior to the patient moving from the operative/procedure area to the next level of care (e.g., PACU, IR recovery area or ICU)

2.4.10.3 A brief post-operative/procedure note must contain the following eight (8) elements:

- **Name(s) of surgeon/proceduralist and assistant(s)**
- **Pre-operative diagnosis**
- **Post-operative or post procedure diagnosis**
- **Name of the specific operation/procedure performed**
- **Brief description of the operation/procedure findings**
- **Estimated blood loss, as applicable to the procedure**
- **Specimen(s) removed, as applicable to the procedure**
- **any unexpected events**

2.4.10.4 A more detailed final operative/procedure note containing the eight bullet points above, as well as:

- **Full description of the operation/procedure, detailed account of findings,**
- **Type of anesthesia administered,**
- **Complications if any,**
- **Prosthetic devices, grafts, tissues, transplants, or devices implanted, if any,**
- **the name of the primary surgeon and any assistants with a description of the specific significant surgical tasks that were conducted by the assistants,**

The full final report must be completed in a timely fashion, preferably within twenty-four (24) hours by the responsible Surgeon/Proceduralist.

2.4.10.5 A brief post-operative/procedure note does not suffice for the final operative/procedure report.

3.0 Medical Records

3.3 Delinquent Records

3.3 Timeliness of Documentation ~~Delinquent Records~~

3.3.1 General Requirements.

Medical records shall be completed within 30 days following discharge. A medical record is considered complete when all patient information has been entered and signed. It is the responsibility of any Medical Staff member or Advance Practice Professional involved in the care of a patient to prepare and complete medical records in accordance with this time frame, as well as the other provisions of these Rules and Regulations and any other relevant policies of the Hospital.

3.3.2 Notification.

If a medical record is incomplete 15 days after discharge, the Medical Staff member or Advance Practice Professional will be given notice via email, mail, or other written reasonable means. If the medical record remains incomplete 30 days following a patient's discharge, the Medical Staff member or Advance Practice Professional will be notified of the continuing delinquency and that his or her clinical privileges have been automatically relinquished in accordance with (3) below. If the medical record remains incomplete 60 days following a patient's discharge, the Medical Staff member or Advance Practice Professional will be notified that his or her Medical Staff appointment and/or all clinical privileges have been automatically resigned in accordance with (4) below.

3.3.3 Automatic Relinquishment Procedures.

In the event that an automatic relinquishment occurs, Health Information Management will notify the Practitioner that his or her clinical privileges have been relinquished. The Chair of the MEC, Emergency Department and nursing administration will also be notified. The relinquishment will take effect immediately and the Medical Staff member will be responsible for cancelling any cases scheduled at the Hospital(s) and for transferring the care of any patients in the Hospital(s) to a Medical Staff member who has appropriate clinical privileges. The relinquishment will remain in effect until the delinquent records are completed or until his or her appointment and clinical privileges are resigned in accordance with (4) below. Automatic relinquishments are administrative in nature and therefore are not reportable to the state board, nor to the National Practitioner Data Bank, and they do not give the individual the right to request a hearing or an appeal in accordance with the Medical Staff Credentialing Policy or APP policy.

3.3.4 Automatic Resignation Procedures.
A Medical Staff member or Advance Practice Professional who automatically relinquishes his or her privileges must complete delinquent medical records within 30 days of relinquishment of clinical privileges. Failure to do so indicates an inability or unwillingness to fulfill the standards in these Rules and Regulations. Accordingly, that individual will automatically resign his or her Medical Staff appointment and/or all clinical privileges. Such automatic resignations are administrative in nature and therefore are not reportable to the state board, nor to the National Practitioner Data Bank, and they do not give the individual the right to request a hearing or an appeal in accordance with the Medical Staff Credentials Policy or APP Policy.

3.3.5 Rejoining the Medical Staff or Renewing Practice as an Advance Practice Professional After Resignation.
Any Medical Staff member or Advance Practice Professional who resigns his or her appointment (or permission to practice) and clinical privileges as a result of medical record delinquencies may subsequently apply as an initial applicant, provided that all delinquent medical records have been completed. The individual may not be granted any temporary privileges while the application is being processed until all records are completed and must pay any fees associated with new applicants.

3.3.6 Former Members of the Medical Staff or Advance Practice Professionals.
When a Medical Staff member or Advance Practice Professional is no longer affiliated with the Hospital as a result of the process set forth above and his or her medical records are filed as permanently inadequate, this will be recorded in the individual's credentials file and divulged in response to any future credentialing inquiry concerning the Medical Staff member or Advance Practice Professional.

3.3.7 Exceptions.
Any requests for special exceptions to the above requirements will be submitted by the Medical Staff member or Advance Practice Professional and considered by the MEC.

Note: This approval will allow any other editorial changes necessary or desirable to carry out the intent of these amendments.

December 2, 2021

RESOLUTION

USA HEALTH HOSPITALS NOMINATION OF MEDICAL EXECUTIVE COMMITTEE CHAIR-ELECT OFFICERS FOR 2022 AND 2023

WHEREAS, the following slate of officers approved by the active voting General Medical Staff members via email are recommended for approval by the Medical Executive Committees and the Executive Committee of the USA Health Hospitals,

USA Health Children's & Women's Hospital

- Chair-Elect/Secretary, Medical Executive Committee — Jennifer Scalici, M.D.
- Moving to Chair, Medical Executive Committee — Richard M. Whitehurst, Jr., M.D.

USA Health University Hospital

- Chair-Elect/Secretary, Medical Executive Committee — Jon Simmons, M.D.
- Moving to Chair, Medical Executive Committee — William H. Barber, IV, M.D.,

and

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

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS
COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Academic and Student Affairs Committee

September 2, 2021
2:43 p.m.

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Judge Mike Windom, Chair, on Thursday, September 2, 2021, at 2:43 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members:	Scott Charlton, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins and Mike Windom were present, and Margie Tuckson participated remotely.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Arlene Mitchell, Jimmy Shumock, Ken Simon and Jim Yance.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, John Friend, Heather Hall, Mike Haskins, Andi Kent, Nick Lawkis, Sal Liberto, 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 17**. Judge Windom called for consideration of the minutes of the meeting held on June 3, 2021, **Item 18**. On motion by Dr. Charlton, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Judge Windom called on Dr. Kent for an update on the activities of the Division of Academic Affairs, **Item 19**. Dr. Kent introduced Interim Associate Vice President for Enrollment Services Mr. Sal Liberto, who presented an overview on fall enrollment. Mr. Liberto reported that, despite an overall decrease in enrollment by 1.6 percent, first-time freshman and new transfer student enrollment had increased by 13 percent and 11 percent, respectively.

Dr. Kent called on College of Nursing (CON) Dean Dr. Heather Hall, who discussed a federal grant award received from the Health Resources and Services Administration totaling close to $2 million that would aid in the development of an academic and student success program called EMPOWER. Dr. Hall described that the goals for the program centered on the recruitment, retention and graduation of nursing students from underrepresented backgrounds.

Judge Windom called on Dr. Mitchell for a report on the activities of the Division of Student Affairs, **Item 20**. Dr. Mitchell introduced USA Counseling & Testing Services Director Dr. John Friend. Dr. Friend provided information on the Jag Student Support Network, a peer-to-peer mentoring program through which select students receive training to prepare them to serve as mental health advocates to help fellow students.

Dr. Mitchell discussed an inaugural report pertaining to speech, expressive activities, and use of University space, facilities, and grounds in 2020-2021 that he recently submitted to the Alabama Commission on Higher Education on behalf of the Board in compliance with Alabama Code revisions involving free speech, **Item 21**.

Judge Windom asked Ms. Chronister for an update on the activities of the Division of Research and Economic Development, **Item 22**. Ms. Chronister introduced Interim Director of the Office of Diversity, Equity and Inclusion Dr. Joél Billingsley for a report. Dr. Billingsley, who was selected as a recipient for South's Social Justice Initiative grant award program, discussed the success of a project to teach children from disadvantaged backgrounds coding basics.

There being no further business, the meeting was adjourned at 3:18 p.m.

Respectfully submitted:

Michael P. Windom, Chair

December 2, 2021

RESOLUTION

SABBATICAL AWARDS

WHEREAS, in accordance with University policy, proposals for sabbatical awards from the following faculty have been reviewed and recommended by the respective faculty committees, departmental chair, college dean, the Provost and Senior Vice President for Academic Affairs, and by the President,

- Audi Byrne, Associate Professor of Mathematics & Statistics
- Philip Carr, Professor of Anthropology
- Charlene Dadzie, Assistant Professor of Marketing and Quantitative Methods
- Annmarie Guzy, Associate Professor of English
- John Halbrooks, Associate Professor of English
- Ryan Littlefield, Assistant Professor of Biology
- Madhuri Mulekar, Professor of Mathematics & Statistics
- Elena Pavelescu, Associate Professor of Mathematics & Statistics
- Christine Rinne, Associate Professor of Modern & Classical Languages & Literature
- Thomas Shaw, Associate Professor of Political Science & Criminal Justice
- Brian Whitener, Assistant Professor of Modern & Classical Languages & Literature

Peter Wood, Professor of Music

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves said sabbatical awards for Fall 2022 – Spring 2023.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

DATE: November 2, 2021

TO: John Smith, Interim President

AKent

FROM: Andrea Kent, Interim Provost and Senior Vice President, Academic Affairs

SUBJECT: Sabbatical Recommendations for Fall 2022 – Spring 2023

I recommend that the individuals whose names are listed below be granted a sabbatical for the period of time as indicated.

NAME	**DISCIPLINE**	**TIME PERIOD**
Audi Byrne	Mathematics & Statistics	Fall 2022
Philip Carr	Anthropology	Spring 2023
Charlene Dadzie	Marketing and Quantitative Methods	Fall 2022 & Spring 2023
Annmarie Guzy	English	Spring 2023
John Halbrooks	English	Fall 2022
Ryan Littlefield	Biology	Fall 2022
Madhuri Mulekar	Mathematics & Statistics	Fall 2022
Elena Pavelescu	Mathematics & Statistics	Spring 2023
Christine Rinne	Modern & Classical Languages & Literature	Spring 2023
Thomas Shaw	Political Science & Criminal Justice	Fall 2022
Brian Whitener	Modern & Classical Languages & Literature	Fall 2022 & Spring 2023
Peter Wood	Music	Spring 2023

Teaching coverage has been addressed in a satisfactory manner for all recommended proposals. Proposals have been reviewed and recommended at the department and college level. Full applications and supporting materials are available in the Office of Academic Affairs. A brief summary of each request is attached.

SABBATICAL RECOMMENDATIONS
Fall 2022 – Spring 2023

College of Arts and Sciences

1) Philip Carr, Professor of Anthropology
   Sabbatical Request: Spring 2023 at full pay

   Dr. Carr is requesting time to work on a large-scale project involving the archeological mitigation of the Mobile River Bridge Project in collaboration with the Alabama Department of Transportation. The archaeological mitigation must be completed prior to the start of bridge and roadway construction. There are 15 sites involved that are eligible for listing on the National Register of Historic Places (NRHP). The primary academic product he proposes is an edited volume with a university press. In addition to potential for enhancing Dr. Carr's career, the production of such an academic work will help to establish the USA Center for Archaeological Studies (CAS) as an entity that can meet community needs as well as University priorities for research. The proposed research will enhance the academic reputation of the CAS and should make that unit even more competitive for external funding.

2) Christine Rinne, Professor of Modern & Classical Languages & Literature
   Sabbatical Request: Spring 2023 at full pay

   Dr. Rinne would use this sabbatical to write her first book *Soldiers Writing in Uncertainty: German POWs Prepare to Return Home*. This project focuses on German POWs who were held in camps in Alabama during World War II. Dr. Rinne has uncovered a cache of newspapers published by German prisoners of war who were held in camps in the state of Alabama during the Second World War. Her book will explore the themes treated by these soldier/prisoner/authors in the context of their local confinement and their global defeat. It will have a broad appeal outside of the field of German studies, touching on the related fields of war literature, memoir, and trauma studies.

3) Brian Whitener, Professor of Modern & Classical Languages & Literature
   Sabbatical Request: Fall 2022 and Spring 2023 at half pay

   Whitener's proposed sabbatical project, a monograph tentatively titled, *After Abolition: Crisis and Representation in the Americas*, builds on his earlier work and expands it both geographically and conceptually. He will use the sabbatical to undertake research trips to Mexico and Brazil that will allow him to complete this second book. If published by a major press it will cement Whitener's reputation as one of the leading figures in contemporary Latin American studies.

4) Annmarie Guzy, Professor of English
   Sabbatical Request: Spring 2023 at full pay

   Dr. Guzy’s sabbatical would focus on developing courses in a new area of young adult fiction and also submitting a manuscript for publication in this new area of study. In her sabbatical project, she will maintain her focus on pedagogy, researching and planning a new course in this emerging area in English Studies, as well as using this project as a springboard to scholarship, including a proposed article in English Journal.

5) Audi Byrne, Professor of Mathematics & Statistics
Sabbatical Request: Fall 2022 at full pay

One of two projects that Dr. Byrne will be working on during the proposed sabbatical is to continue the development of a novel framework for modeling disease dynamics in populations based on the dynamics of contagion on social networks. This is part of an established collaboration with Gerardo Chowell-Puente in the School of Public Health at Georgia State University. The second of two projects that she will be working on during the proposed sabbatical is animal color patterning, a collaboration with Tilmann Glimm, a mathematician at Western Washington University and Ylenia Chiari, a biologist at George Mason University.

6) Ryan Littlefield, Professor of Biology
Sabbatical Request: Fall 2022 at full pay

Dr. Littlefield is non-tenure track faculty however his application for sabbatical has been approved by his chair and department head. This proposal for a fall 2022 sabbatical would enable Dr. Littlefield to publish research data he has collected to enable him to apply for NSF grants. He plans to publish four manuscripts. The subject of the research focuses on the contractile bundles in muscle (myofibrils) which are composed of highly-organized actin filaments and myosin motors that interact to generate force and shorten. Dr. Littlefield's research laboratory has been extremely productive at generating data on myofibril assembly and structure in the roundworm Caenorhabditis elegans by developing novel techniques for generating transgenic strains and observing them during development.

7) Madhuri Mulekar, Professor of Mathematics & Statistics
Sabbatical Request: Fall 2022 at full pay

Dr. Mulekar would use this to engage in collaborative research about overlap coefficients and selection theory with Dr. Hokwon Cho from University of Nevada - Las Vegas (UNLV). She plans to travel to Las Vegas for this collaboration. This sabbatical will allow Dr. Mulekar further communications with UNLV faculty and students resulting in more ideas about expansions of current research projects and possibly new collaborations.

8) John Halbrooks, Professor of English
Sabbatical Request: Fall 2022 at full pay

Dr. Halbrooks plans to use his expertise in medieval and early modern literature to shift his focus into the study of historical fiction. He will complete his monograph, *Historical Fiction and the*

Reconstruction of Medieval and Early-Modern Bodies, representing a major career accomplishment that will shape his scholarly reputation moving forward.

9) Peter Wood, Professor of Music
Sabbatical Request: Spring 2023 at full pay

Dr. Wood's sabbatical would focus on developing videos related to playing the trumpet courses and development of YouTube videos for trumpeting. Dr. Wood also plans to travel to three different universities to work with other trumpeters. The series of videos will demonstrate teaching techniques for all levels of trumpet pedagogy, which would be beneficial for other teachers at all experience levels, including band directors who are working with beginning players.

10) Elena Pavelescu, Professor of Mathematics & Statistics
Sabbatical Request: Spring 2023 at full pay

Dr. Pavelescu plans to focus on research in spatial graph theory during her sabbatical. She will work on research projects with her collaborators, and she will participate in seminars and in regional and national conferences, helping maintain a name recognition for South. The research done by Dr. Pavelescu during her sabbatical will be published in highly ranked journals and will generate projects suitable for student research. During Dr. Pavelescu's sabbatical, she will work with collaborators on two projects, 1) improving the edge-to-vertex ratio for maxnil graphs and 2) solving a conjecture on the number of edges and triangles in a linklessly embeddable graph.

11) Thomas Shaw, Professor of Political Science & Criminal Justice
Sabbatical Request: Fall 2022 at full pay

Dr. Shaw would use this sabbatical to work on a co-authored book project titled *Intergovernmental Realities in Healthcare*. This project builds on his research in healthcare administration. Dr. Shaw's sabbatical would further his work in public health policy and would facilitate and promote association with collaborators in his field, such as NEMSIS, by allowing flexibility in scheduling to meet with them, attend their meetings, and thus develop a more complete analysis.

<u>Mitchell College of Business</u>

1) Charlene Dadzie, Assistant Professor of Marketing
Sabbatical Request: Fall 2022 and Spring 2023 at half pay

SABBATICAL RECOMMENDATIONS
Fall 2022 – Spring 2023

During Dr. Dadzie's sabbatical, she will conduct a mixed methods research project that investigates how marginalized consumers and various subsistence consumer/producers (also referred to as micro-entrepreneurs) use digital technologies to overcome marketplace inequalities and seek justice. At least one conference paper and one journal article will result from the research undertaken during this sabbatical. Concomitantly, she has applied for a Fulbright Fellowship in Ghana for the same period.

December 2, 2021

RESOLUTION

FACULTY EMERITUS

WHEREAS, the following faculty members have retired from the University of South Alabama:

ACADEMIC AFFAIRS:

- Gayle Davidson-Shivers, Professor of Counseling and Instructional Sciences
- Ronald Eastburn, Assistant Professor of Management
- Zohair Husain, Professor of Political Science
- G. David Johnson, Professor of Sociology
- Husam Omar, Associate Professor of Civil Engineering
- Nicholas Sylvester, Professor of Chemical and Biomolecular Engineering
- Richard Ward, Professor of Communications
- Kevin White, Professor of Civil, Coastal and Environmental Engineering

COLLEGE OF MEDICINE:

- Carole Boudreaux, M.D., Associate Professor of the Department of Pathology
- Ronald Franks, M.D., Professor of the Department of Psychiatry
- Anthony Gard, Ph.D., Professor of the Division of Medical Education,

and,

WHEREAS, in recognition of their contributions to the University through extraordinary accomplishments in teaching and in the generation of new knowledge through research and scholarship; in serving to positively inspire students; and, regarding those with clinical backgrounds, for dedication to the treatment and healing of patients; all for which, in accordance with University policy, the respective faculty committees, departmental chair and college dean, the Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus, Associate Professor Emeritus or Assistant Professor Emeritus,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby appoints these individuals to the rank of Professor Emeritus, Associate Professor Emeritus or Assistant Professor Emeritus with the rights and privileges thereunto appertaining, and

BE IT FURTHER RESOLVED that the Board of Trustees conveys its deep appreciation to these individuals in recognition of their significant contributions and dedicated service to the University of South Alabama.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

DATE: November 2, 2021

TO: John Smith, Interim President

A Kent

FROM: Andrea Kent, Interim Provost and Senior Vice President, Academic Affairs

SUBJECT: Emeritus Recommendations

In accordance with recommendations by the faculty, chairs and deans of the respective disciplines and colleges I recommend that the retired University of South Alabama faculty members listed below be granted the status of Professor Emeritus, Associate Professor Emeritus, and Senior Instructor Emeritus appropriate for their respective rank at retirement effective upon approval by you and the Board of Trustees.

- Gayle Davidson-Shivers, Professor of Counseling and Instructional Sciences (Professor Emeritus)
- Ronald Eastburn, Assistant Professor of Management (Assistant Professor Emeritus)
- Zohair Husain, Professor of Political Science (Professor Emeritus)
- G. David Johnson, Professor of Sociology (Professor Emeritus)
- Husam Omar, Associate Professor of Civil Engineering (Associate Professor Emeritus)
- Nicholas Sylvester, Professor of Chemical and Biomolecular Engineering (Professor Emeritus)
- Richard Ward, Professor of Communications (Professor Emeritus)
- Kevin White, Professor of Civil, Coastal and Environmental Engineering (Professor Emeritus)

Approved: John Smith

Disapproved:

AMK/rmh

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

VP Medical Affairs/Dean's Office/College of Medicine

DATE: November 1, 2021

TO: John W. Smith
Interim President, University of South Alabama

FROM: Dr. John V. Marymont
Vice-President for Medical Affairs and Dean of the College of Medicine

SUBJECT: College of Medicine Emeritus Recommendations, 2021

I recommend awarding the rank of professor emeritus and associate professor emeritus to retired College of Medicine faculty members appropriate for their respective rank at retirement as specified below. Information for each faculty member has been forwarded for your review. With your approval, I request presentation of the recommendation to the Board of Trustees at the December meeting.

- Carole Boudreaux, Associate Professor of Pathology (Associate Professor Emeritus)
- Ronald Franks, Professor of Psychiatry (Professor Emeritus)
- Anthony Gard, Professor of Medical Education (Professor Emeritus)

Approved:

Disapproved:

JVM/afn

December 2, 2021

RESOLUTION

HONORARY DOCTORATE DEGREE FOR GOVERNOR KAY ELLEN IVEY

WHEREAS, the University of South Alabama seeks to honor exceptional individuals who have devoted a substantial part of their lives to the service of others and who have distinguished themselves throughout their professional careers, and

WHEREAS, Governor Kay Ellen Ivey is a native of the state of Alabama and grew up attending schools in Wilcox county, and

WHEREAS, in 2010, Governor Ivey was the first woman in Alabama's history to hold the office of Lieutenant Governor and sworn in as the 54th Governor in 2017, and

WHEREAS, Governor Ivey has been honored to receive numerous awards for her service to the State of Alabama, including the 2015 Alabama Farmers Federation (ALFA) Service to Agriculture Award, Newsmax's 50 Most Influential Female Republicans, the American Institute of Aeronautics and Astronautics (AIAA) 2016 Public Service Award, and the 2017 Citizen of the Year by River Region Living Magazine, and

WHEREAS, in September 2019, the Alabama-Florida Council of the Boy Scouts of America distinguished Governor Ivey as a Golden Eagle for her 'scout like service' and for being a trailblazer for women, and

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

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

THEREFORE, BE IT RESOLVED, for her dedication and for her many contributions to the State of Alabama and support for the University, the Board of Trustees of the University of South Alabama is proud to bestow upon Governor Kay Ellen Ivey, this day, the degree of Doctor of Humane Letters (L.H.D.), honoris causa.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of Academic Affairs

DATE: August 19, 2021

TO: John Smith, Interim President

FROM: Andrea M. Kent, Ph.D., Interim Provost and Senior Vice President, Academic Affairs

SUBJECT: Honorary Doctorate Committee – Governor Kay Ivey

On behalf of the Honorary Doctorate Committee, I recommend support of the nomination by Dr. John Marymont of Governor Kay Ivey to receive an Honorary Doctorate from the University of South Alabama. The committee reviewed the criteria stated in the Faculty Handbook and unanimously agrees that Governor Ivey meets all of the following:

- Has achieved distinction in his/her profession;
- Has made an outstanding contribution or rendered an outstanding service to the University of South Alabama;
- Has made a significant public or scholarly contribution, or
- Has achieved personal status that will enhance the reputation of the University of South Alabama.

Thank you for your consideration.

Sincerely,

AKent

Andrea (Andi) M. Kent, Ph.D.

AMK:rmh

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE
COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Budget and Finance Committee

September 2, 2021
3:30 p.m.

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Lenus Perkins, Vice Chair, on behalf of Mr. Tom Corcoran, Chair, on Thursday, September 2, 2021, at 3:30 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, Ron Graham and Lenus Perkins were present, and Ken Simon participated remotely.
Members Absent:	Tom Corcoran 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, Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Mike Haskins, Rod Kanter (Bradley Arant), Andi Kent, Nick Lawkis, John Marymont, Josh McCoy (PFM), 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 23**. Mr. Perkins called for adoption of the revised agenda, **Item 23.A**. On motion by Ms. Atkins, seconded by Ms. Brown Stewart, the committee voted unanimously to adopt the revised agenda. Mr. Perkins called for consideration of the minutes of the meeting held on June 3, 2021, **Item 24**. On motion by Mr. Graham, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Mr. Perkins called on Mr. Weldon to discuss the quarterly financial statements for the nine months ended June 30, 2021, **Item 25**. Mr. Weldon reported an increase in net position of approximately $102 million for the third quarter of fiscal year 2021 compared to that of approximately $75 million for the same period in fiscal year 2020. He said this difference was due primarily to improved investment performance.

Mr. Perkins asked Mr. Weldon to address **Item 26**, a resolution authorizing the University President to execute documents to establish a 457(b) retirement plan for USA Health Care Management, LLC, (HCM) employees. Mr. Weldon noted that the proposed plan will allow HCM employees to contribute additional amounts to tax-sheltered accounts at no cost to the University. (For copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on September 3, 2021.) On motion by Ms. Atkins, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Weldon introduced Mr. Albano to discuss the results of the refunding of the University's 2012A bonds, **Item 27**. Mr. Albano stated that the bonds were refinanced with Hancock Whitney Bank at a rate of 1.398 percent, resulting in a net present value savings of $1.3 million.

Mr. Weldon presented a resolution authorizing the University President to execute documents to carry out the amendment and restatement of the University's 2016 B, C and D bonds, **Item 28**. Mr. Weldon stated the bonds would be amended to extend the put dates by five years each with minimal additional cost to the University. On motion by Mr. Graham, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval by the Board of Trustees.

Mr. Weldon discussed highlights of a balanced-budget proposal for the 2021-2022 fiscal year totaling approximately $1.24 billion, **Item 29.** Drs. Kent, Marymont and Smith shared insight on plans to address salary adjustments for main campus faculty and USA Health personnel in the future, and Mr. Weldon discussed the Administration's goal to provide a one-time salary supplement for University General Division employees funded from University reserves in fiscal year 2021-2022. Judge Windom expressed concern that an ongoing raise for faculty was not addressed in the budget proposal. Members of the Board and Administration engaged in an exchange on the complexities associated with funding ongoing raises, addressing the enrollment decline, and options pertaining to the salary supplement. Mr. Perkins and Chairman Shumock offered the suggestion that the Committee consider recommending Board approval of the budget as proposed with the condition that the resolution be amended with verbiage acknowledging the University's commitment to give a one-time salary supplement in fiscal years 2021-2022 and 2022-2023, and further suggested that the Administration set a goal to develop a plan to address funding of ongoing raises for faculty in the future. On motion by Ms. Atkins, seconded by Mr. Graham, the committee voted unanimously to recommend Board approval of the budget proposal and a resolution revised as recommended.

Mr. Perkins called on Dr. Marymont to present **Item 29.A**, a resolution authorizing the naming of the street that stretches through South's new USA Health Medical Campus located near the intersection of Old Shell Road and Hillcrest Road "USA Health Boulevard." On motion by Mr. Graham, seconded by Ms. Atkins, the Committee voted unanimously to recommend Board approval of the resolution.

There being no further business, the meeting was adjourned at 4:32 p.m.

Respectfully submitted:

Lenus M. Perkins, Vice Chair

On behalf of:

E. Thomas Corcoran, Chair

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Vice President for Research and Economic Development

DATE: October 21, 2021

TO: Dr. John Smith, Acting President

FROM: Lynne Chronister
Vice President, Research and Economic Development

SUBJECT: Agenda Items for December 2, 2021 University of South Alabama Board of Trustees Meeting

I recommend the attached resolution be presented to the USA Board of Trustees at the December 2, 2021, meeting. The USA Foundation for Research and Commercialization (USAFRC) Board of Directors met on October 21, 2021, and approved 1) Checks or demands for money and notes of the USAFRC shall be signed by any two of the following officers: Chair of the Board, President of the USAFRC, or Treasurer of the USAFRC, or another University employee designated by them in writing and communicated to the USAFRC Secretary, and 2) The Board shall adopt a Conflict of Interest Policy that applies to all board members and shall ensure that both current and new board members agree to its terms.

LC/bu

Attachment

RESOLUTION

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

WHEREAS, the Board of Directors of the University of South Alabama Foundation for Research and Commercialization ("USAFRAC") desires to synchronize the conflict of interest provisions set forth in Section 3.13 of its Bylaws, which were approved by the Board of Trustees of the University of South Alabama on June 7, 2013, and adopted by the Board of Directors of USAFRAC on March 6, 2014, with the provisions utilized by other University of South Alabama affiliates, and

WHEREAS, pursuant to Section 9.2 of the Bylaws of USAFRAC, only certain officers of USAFRAC are designated to sign checks, demands for money, and notes, and

WHEREAS, the Board of Directors of USAFRAC desires to amend Section 9.2 to provide greater flexibility in who might sign such instruments to ensure quick action, but nonetheless ensure that more than one person must sign all such instruments, and

WHEREAS, the Board of Directors of USAFRAC has presented to the University of South Alabama Board of Trustees for approval the Amended and Restated Bylaws of USAFRAC, attached hereto as Exhibit A and incorporated herein by reference (the "Amended and Restated Bylaws"), which amends Sections 3.13 and 9.2,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves the Amended and Restated Bylaws as submitted.

AMENDED AND RESTATED

BYLAWS OF THE

UNIVERSITY OF SOUTH ALABAMA FOUNDATION FOR RESEARCH AND COMMERCIALIZATION

an Alabama nonprofit corporation

Adopted October 21, 2021

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

ARTICLE I

Name and Location

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

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

ARTICLE II

Purposes and Scope of Activity

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

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

ARTICLE III

Board of Directors

Section 3.1 General Powers. The duly elected or appointed Board of Directors of the USAFRC (hereinafter referred to as the "Board") shall have control and management of the affairs, business, property, and funds of the USAFRC and shall have the authority to fashion and implement the policy, goals, and purposes of the USAFRC. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the USAFRC as the Board may deem appropriate, not inconsistent with federal or state law or these Bylaws. The Board, by resolution thereof, shall from time to time enumerate the duties, obligations, and responsibilities of the directors, including their attendance at meetings of the Board and their participation in the activities of the USAFRC.

Section 3.2 Number, Qualification, and Tenure.

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

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

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

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

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

Section 3.4 Vacancies. In the event of a vacancy in the Board of Directors resulting from a vacancy of any of the positions at the University described in Section 3.2(a)(i) through (iii), the vacancy in the Board shall be filled at such time as the vacancy of such position at the University is filled; provided; however, that persons appointed as "acting" positions described in Section 3.2(a)(i) through (iii) shall serve on this Board consistent with said "acting" appointment at the University. In the event of a vacancy in the Board with respect to either of the four directors elected by the Board of Trustees of the University in accordance with Section 3.2(b) above, such vacancy shall be filled using the procedures set forth therein with the replacing board member serving the remainder of the term associated with the vacant position.

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

Officers

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

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

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

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

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

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

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

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

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

(e) Secretary. The Secretary shall keep the minutes of the proceedings of the Board and any committees appointed by the Board in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the USAFRC: see that the seal of the USAFRC is affixed to all documents, the execution of which on behalf of the USAFRC under its seal is duly authorized; keep a register of the post office address of each member which shall be furnished to the Secretary by such member: and in general perform all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chair, the President or the Board. If there is no Treasurer of the USAFRC, the Secretary shall assume the authority and duties of Treasurer.

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

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

ARTICLE V

Committees

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

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

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

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

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

ARTICLE VI

Financial Reporting and Compensation

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

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

ARTICLE VII

Contracts: Commitments

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

ARTICLE VIII

Exculpation of Directors

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

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

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

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

ARTICLE IX
General

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

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

Section 9.3 Deposits. All funds of the USAFRC shall be deposited from time to time to the credit of the USAFRC in one or more banks, trust companies or other depositories as the Board or the Executive Committee may from time to time designate, upon such terms and conditions as shall be fixed by the Board or the

Executive Committee. The Board or the Executive Committee may from time to time authorize the opening and keeping, with any such depository as it may designate, of general and special bank accounts and may make such special rules and regulations with respect thereto, not inconsistent with the provisions of these Bylaws, as it may deem necessary.

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

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

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

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

Section 9.8 Additional Organizations. The Board may authorize the formation of such subsidiary, auxiliary, associated and affiliated organizations as will in the opinion of the Board assist in effecting the purposes of the USAFRC. The organizational and governing documents and instruments of any subsidiary, auxiliary, associated or affiliated organization so authorized shall be subject to the approval of the Board or the Executive Committee. Each such authorization shall, regardless of its terms, be revocable at any time in the sole discretion of the Board.

ARTICLE X Amendment of Bylaws

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

The foregoing were adopted as the Amended and Restated Bylaws of University of South Alabama Foundation for Research and Commercialization, a nonprofit corporation organized pursuant to the Alabama Nonprofit Corporation Act, at the meeting of its Board of Directors held on October 21, 2021.

Secretary/Treasurer

STATE OF LABAMA
COUNTY OF MOBILE

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

Given under my hand the day of ________, 2021.

NOTARY PUBLIC
My Commission Expires: ___________________

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION FOR RESEARCH & COMMERCIALIZATION
CONFLICT OF INTEREST POLICY

The Board of Directors of the University of South Alabama Foundation for Research & Commercialization (USAFRC) has adopted the following policy for its officers and those persons serving on its board of directors (hereafter "Board" and/or "Directors").

1. Directors have an affirmative obligation to act at all times in the best interests of the University of South Alabama, or any of its divisions, affiliates, or supporting organizations, including, but not limited to, USAFRC (the "University"). This policy serves to define the term "conflict of interest" to assist members of the Board in identifying and disclosing such conflicts and to minimize the impact of such conflicts on the actions of the University whenever possible.

2. *Fiduciary duty*. Each Director has a fiduciary duty to conduct himself or herself without conflict to the interests of the University. When acting within his or her capacity as a Director, he or she must subordinate personal, business, third-party, and other interests to the welfare and best interests of the University.

3. *Conflict of interest*. A "conflict of interest" is any transaction or relationship which presents, or may present, a conflict between a Director's obligations to the University and his or her personal, business, or other interests. A conflict of interest may arise in any circumstance that may compromise the ability of a Director to make unbiased and impartial decisions on behalf of the University. Such circumstances may involve family relationships,[1] business transactions, professional activities, or personal affiliations.

   Further, Alabama Code §13A-10-62 (1975) provides:

   (a) A public servant commits the crime of failing to disclose a conflict of interest if he exercises any substantial discretionary function in connection with a government contract, purchase, payment or other pecuniary transaction without advance public disclosure of a known potential conflicting interest in the transaction.

   (b) A "potential conflicting interest" exists, but is not limited to, when the public servant is a director, president, general manager or similar executive officer, or owns directly or indirectly a substantial portion of any non-governmental entity participating in the transaction.

   (c) Public disclosure includes public announcement or notification to a superior officer or the attorney general.

   (d) Failing to disclose a conflict of interest is a Class A misdemeanor.

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[1] Family relationships include spouse, child, grandchild, parent, grandparent, sibling, niece, nephew, aunt, uncle, cousin, in-laws and step relations, as well as any person living in the household of a Director.

4. *Disclosure.* The Board of Directors recognizes that conflicts of interest are not uncommon, and that not all conflicts of interest are necessarily harmful to the University. However, the Board requires full disclosure of all actual and potential conflicts of interest. Each Director shall disclose any and all facts that may be construed as a conflict of interest, both through an annual completion of a Statement of Disclosure, and completion of an amended Statement of Disclosure whenever such actual or potential conflict occurs.

5. *Process*. Any actual or potential conflicts which are presented in a Statement of Disclosure or amended Statement of Disclosure will be evaluated for action, as needed, by the Chair of the Board of Directors. The Vice Chair of the Board, if evaluating a possible conflict of the Chair, may either handle the evaluation on his or her own, or refer it to the Board for further consideration. Additional information from a Director may be sought at any time. A Director whose potential conflict is under review may not debate, vote, or otherwise participate in the evaluation of the conflict. If a conflict is being evaluated or has been found to exist, the Director shall recuse himself or herself from any discussion or voting regarding transactions involving the area of conflict.

6. *Resolution*. If it is determined that an actual or potential conflict of interest does exist, an appropriate remedy shall be determined. Such remedy may include, but is not limited to, the following:

   - Waive the conflict of interest as unlikely to affect the Director's ability to act in the best interests of the organization.

   - Determine that the Director should be recused from all deliberation and decision-making related to the particular transaction or relationship that gives rise to the conflict of interest.

7. *Policy regarding Directors doing business with the University.* A conflict of interest exists any time a Director seeks to enter into a business relationship with the University. Similar conflicts may arise through family members or through organizations in which a Director serves in a leadership, employment, or ownership capacity.

   Such conflicts do not necessarily preclude business relationships with the University. The following procedure is designed to resolve conflicts of interest whenever a Director or a member of his or her family (see footnote number 1) has an ownership interest in, is a director, officer, or key individual of an entity which intends to enter into a business relationship with the University:

     - The Director must promptly disclose the intent to enter into a business relationship with the University to the Chair of the Board of Directors.

     - The Director must recuse himself or herself from all deliberation, debate, and voting related to the contemplated business relationship.

- The Chair, or the Board if the issue is referred by the Chair, must determine without the presence or participation of the Director under review that the transaction is fair and in the best interest of the University.

- If the business relationship under consideration is approved, the Director may not participate in any process by which his or her performance as a vendor or recipient is evaluated, or in any such evaluation of a related party.

Notwithstanding the foregoing, contracts or proposals for purchases of goods, property, or services will not be awarded to organizations in which a Director either:

- Holds an interest of ten percent (10%) or greater, or

- Serves as a director or senior executive officer, if a substantial part of the contract or proposal involves the quality of performance (i.e., possibly requiring enforcement of a performance bond or filing suit for non-performance). Also, no Director shall advocate or attempt to influence the employment by the University of any member of his or her family.

December 2, 2021

RESOLUTION

NAMING OF HANCOCK WHITNEY STADIUM GATE #1 AS THE RANDY MOON MEMORIAL GATE

WHEREAS, Mr. Randy Moon came to the University of South Alabama in January of 2010 and ultimately served as Associate Vice President of Facilities Management, and

WHEREAS, during his time at the University, Mr. Moon oversaw numerous facility projects including renovations, new building construction and enhancement of the utilities infrastructure, and with his expertise, knowledge and leadership saved millions of dollars in project costs for the University and USA Health System, and

WHEREAS, Mr. Moon played a key leadership role in the construction of Hancock Whitney Stadium, a state-of-the-art, on-campus football stadium, coordinating various phases of planning, engineering, design and supervision of the construction process, and

WHEREAS, Mr. Moon's efforts resulted in the stadium project being completed on-budget and on-time despite a challenging construction environment impacted by the COVID-19 pandemic, and

WHEREAS, Mr. Moon's professional abilities were matched by his truly humble, gracious and kind personality, and his interactions with campus colleagues and external groups demonstrated pride in his craft and an authentic concern for those with whom he served,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes that Gate #1 of Hancock Whitney Stadium be named the *Randy Moon Memorial Gate.*

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Department of Athletics

DATE: November 16, 2021

TO: Dr. John Smith – Interim President

FROM: Joel Erdmann – Director of Athletics

SUBJECT: Randy Moon Memorial Gate at Hancock Whitney Stadium

Attached please find a resolution to name Gate #1 at Hancock Whitney Stadium the "Randy Moon Memorial Gate". I request consideration for this resolution to be included in the December 2, 2021 Board of Trustees meeting.

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES

LONG-RANGE PLANNING COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Long-Range Planning Committee

September 2, 2021
4:32 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, September 2, 2021, at 4:32 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, Mike Windom and Jim Yance.
Member Absent:	Steve Stokes.
Other Trustees:	Alexis Atkins, Scott Charlton, Steve Furr, Ron Graham, Arlene Mitchell, Jimmy Shumock, Ken Simon and Margie Tuckson.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Angela Coleman, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, 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 30**. Ms. Brown Stewart called for consideration of the minutes of the meeting held on June 3, 2021, **Item 31**. On motion by Mr. Yance, seconded by Judge Windom, the Committee voted unanimously to adopt the minutes.

Ms. Brown Stewart called for an update on the strategic planning process from Associate Vice President for Institutional Effectiveness Dr. Angela Coleman, **Item 32**. Dr. Coleman gave a recap of the progress made in developing the University's next strategic plan and advised of the activities planned for the fall semester, which would include a meeting of the Strategic Planning Committee later in the month to discuss a draft strategic plan and opportunities for the community to give feedback in October and November.

Dr. Coleman shared highlights from the 2021 Scorecard, **Item 33**, noting that, since the baseline year of 2016, the University experienced a 10 percent increase in the six-year graduation rate; increased the number of awards from external agencies; and increased the number of students who receive funding from external grants, gifts and contracts. She commented on the immediate and long-term impact of the COVID-19 pandemic on institutional outcomes as reflected in the scorecard.

There being no further business, the meeting was adjourned at 4:36 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Committee of the Whole

September 2, 2021
4:36 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, September 2, 2021, at 4:36 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, Scott Charlton, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Mike Windom and Jim Yance were present, and Ken Simon and Margie Tuckson participated remotely.
Members Absent:	Tom Corcoran, Kay Ivey and Steve Stokes.
Administration & Guests:	Joél Billingsley, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, 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 34**. Chairman Shumock called for consideration of the minutes of the meeting held on June 3, 2021, **Item 35**. On motion by Dr. Charlton, seconded by Mr. Yance, the Committee voted unanimously to adopt the minutes.

In accordance with the provisions of the Alabama Open Meetings Act, Chairman Shumock made a motion to convene an executive session for an anticipated duration of 45 minutes for the purpose of discussing good name and character 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. Mr. Yance seconded and, at 4:38 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
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Judge Simon
- Ms. Tuckson
- Judge Windom
- Mr. Yance

There being no further business, the meeting was adjourned at 5:26 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 September 2, 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.

Kristin Daniels Dukes

December 2, 2021

RESOLUTION

EXECUTIVE COMMITTEE APPOINTMENT

WHEREAS, the Bylaws of the University of South Alabama Board of Trustees provide for the appointment by the Chair pro tempore of an Executive Committee consisting of seven (7) members of the Board, subject to the approval of the Board, for terms concurrent with the term of the Chair pro tempore, who shall serve as Chair of the Executive Committee, and

WHEREAS, Mr. Kenneth O. Simon, who was serving a three-year term on the Executive Committee, recently retired from the USA Board of Trustees, and

WHEREAS, the Chair pro tempore has expressed a desire to appoint Mr. Lenus M. Perkins to replace Mr. Simon on the Executive Committee,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the appointment of Board of Trustees member Mr. Lenus M. Perkins to the Executive Committee to fill the remainder of the three-year term held previously by Mr. Simon.

December 2, 2021

RESOLUTION

COMMENDATION OF DR. G. DAVID JOHNSON

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

WHEREAS, Dr. G. David Johnson faithfully and honorably served the University of South Alabama during a career that began in 1984 with an appointment as instructor of sociology, and

WHEREAS, Dr. Johnson served in various roles, including those of professor, chair, graduate program coordinator and associate dean, before his appointment in 2002 as dean of the USA College of Arts and Sciences, and

WHEREAS, Dr. Johnson was appointed as senior vice president for academic affairs in 2009 and served as provost and senior vice president for academic affairs until 2020, and

WHEREAS, under Dr. Johnson's leadership as provost, South expanded its academic offerings with new undergraduate and graduate programs to meet the needs of its students and the Gulf Coast region, and

WHEREAS, the University during this time also had significant increases in retention, graduation rates and average ACT scores for entering freshmen, and

WHEREAS, Dr. Johnson facilitated the creation of several new academic centers, including the Center for Academic Service-Learning and Civic Engagement, the Innovation in Learning Center, and centers in STEM education, real estate, entrepreneurship and coastal resiliency, and

WHEREAS, Dr. Johnson oversaw a successful reaffirmation of the University's accreditation in 2013 and a fifth-year review by the Southern Association of Colleges and Schools Commission on Colleges, and

WHEREAS, Dr. Johnson served as a trustee of the Southern Association of Colleges and Schools Commission on Colleges and in 2020 served as its chair, the first time a University of South Alabama administrator held the position, and

WHEREAS, Dr. Johnson has had a distinguished career in teaching, research, administration and community service, fulfilling his roles with a deep knowledge, reliable aplomb and dry wit,

THEREFORE, BE IT RESOLVED, that the Board of Trustees expresses its heartfelt appreciation to Dr. G. David Johnson for his voluminous contributions to the University of South Alabama and offers its best wishes to him and his family in their future endeavors.

December 2, 2021

RESOLUTION

COMMENDATION OF MR. G. SCOTT WELDON

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

WHEREAS, Mr. G. Scott Weldon has faithfully and honorably served the University of South Alabama during a career spanning 32 years, and

WHEREAS, Mr. Weldon began his career as a secondary school educator and marching band director before returning to school to study accounting and working as a senior audit manager at a private firm, and

WHEREAS, Mr. Weldon began working at South in 1990 as an assistant controller, then as associate controller in 1993, and

WHEREAS, Mr. Weldon was named executive director of the Health Services Foundation in 1994 and spent the next six years supporting the healthcare mission of the University through management of the University's physicians network, and

WHEREAS, Mr. Weldon returned to campus as controller in 2000 and eventually was named assistant vice president for financial affairs and then, in 2015, was selected as vice president for finance and administration, and

WHEREAS, Mr. Weldon developed a strong team focused on conservative budgeting, customer service and regulatory compliance, and

WHEREAS, with detailed knowledge of financial operations in healthcare and academics, Mr. Weldon has consistently added a critically important dimension to the senior leadership of the University, and

WHEREAS, Mr. Weldon has been a valued friend to many at the University over his three-decade career, as well as a respected colleague,

THEREFORE, BE IT RESOLVED, that the Board of Trustees expresses its heartfelt appreciation to Mr. G. Scott Weldon for his voluminous contributions to the University of South Alabama and offers to him and his family its best wishes for their future endeavors.

December 2, 2021

RESOLUTION

COMMENDATION OF THE UNIVERSITY OF SOUTH ALABAMA PRESIDENT SEARCH COMMITTEE

WHEREAS, the University of South Alabama is a leading state and regional institution with nearly 14,000 students, nearly 7,000 employees, more than 85,000 alumni, an expanding healthcare system and an annual economic impact of more than $3 billion, and

WHEREAS, the USA Board of Trustees commenced a search for the fourth president of the University upon the retirement of Dr. Tony G. Waldrop, and

WHEREAS, the Board of Trustees sought an innovative and accomplished leader who would continue and build upon the University's history of excellence in academics, research, healthcare, student life and athletics, and

WHEREAS, that person would have a deep appreciation for the mission and history of the University and could understand the complexities of an institution with both academic and healthcare operations, and

WHEREAS, recognizing the need to conduct a thorough and inclusive search process, the Board of Trustees appointed an 18-member volunteer President Search Committee to recommend and review candidates, and

WHEREAS, the committee was composed of members representing undergraduate and graduate students, alumni, faculty, staff, administration and the community, and

WHEREAS, the committee met multiple times over a period of six months to review and interview a pool of qualified applicants, and

WHEREAS, the President Search Committee's work resulted in three finalists, and the search process culminated with the selection of Mr. Jo Bonner as the fourth president of the University of South Alabama,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees offers its sincere gratitude to the following individuals for their dedication and commitment to the University as demonstrated through their service on the President Search Committee:

- Mr. Zeke Aull
- Ms. Alexis Atkins
- Mr. Owen Bailey
- Mr. Robbie Baker
- Ms. Madeleine Boudreaux
- Ms. Chandra Brown Stewart
- Dr. Mike Chang
- Dr. John Cleary
- Mr. Sam Dean
- Mr. Cameron Grier-Shepperd
- Dr. Martin Heslin
- Dr. Andi Kent
- Ms. Kim Lawkis
- Ms. Alexandria Lee
- Dr. Todd McDonald
- Ms. Tia Nickens
- Ms. Grace Sekaya
- Ms. Beth Shepard
- Mr. Jim Yance
- Mr. Lenus Perkins
- Mr. Jimmy Shumock
- Dr. Alvin Williams

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

December 2, 2021

RESOLUTION

PRESIDENT'S EMPLOYMENT CONTRACT

WHEREAS, the Board of Trustees of the University of South Alabama voted to hire Josiah R. Bonner, Jr. as the next president of the University of South Alabama, and

WHEREAS, the Board of Trustees will offer Mr. Bonner certain terms of employment in the form of a contract of employment, and

WHEREAS, terms are being discussed with Mr. Bonner,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees delegates its authority to finalize the terms of Mr. Bonner's employment as President of the University of South Alabama and to sign the contract evidencing such terms to its Chair *pro tempore*, Mr. Jimmy Shumock, in consultation with the chair of the Compensation Committee.