

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

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2007-2010

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Mr. J. Cecil Gardner
Mr. Donald L. Langham
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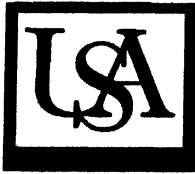
**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**SEPTEMBER 11, 2008
10:00 A.M.**

**FREDERICK P. WHIDDON ADMINISTRATION BUILDING
AD 122, BOARD ROOM**

REVISED AGENDA

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*	Approve: Revised Agenda	<i>i</i>
1	Approve: Minutes.	1, 12, and 16
2	Report: President's Report	<i>Presentation at Meeting</i>
 HEALTH AFFAIRS:		
3	Approve: USA Hospitals Credentials for May, June, July, and August 21, 2008	1
4	Approve: USA Hospitals Medical Staff Rules and Regulations Addition, Meeting of August 5, 2008 ...	6
* 5	Report: Architect for Children's and Women's Hospital Expansion	<i>Presentation at Meeting</i>
* 6	Report: Health System and Health Sciences	<i>Presentation at Meeting</i>
7	Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>
 ACADEMIC AND STUDENT AFFAIRS:		
8	Report: Academic Affairs	<i>Presentation at Meeting</i>
9	Approve: Professors Emeriti	1
10	Approve: Report to ACHE on State Plan for Alabama Higher Education	3
11	Report: Student Affairs	<i>Presentation at Meeting</i>
 BUDGET AND FINANCE:		
12	Report: Monthly Fund Financial Reports for April, May, and June 2008	1, 18, and 35
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13	Approve: Election of Directors for the USA Research and Technology Corporation Board	83
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MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

August 29, 2008

TO: USA Board of Trustees

FROM: Bettye R. Maye *BRM*
Secretary, USA Board of Trustees

Enclosed are the unapproved minutes for the June 5, 2008, Annual Meeting of the USA Board of Trustees. Please review them for amendment or approval during the September 11 meeting of the Board.

BRM:mgc

Enclosure

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETING**

**June 5, 2008
10:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steven H. Stokes, Chair Pro Tempore, on Thursday, June 5, 2008, at 10:00 a.m. at the USA Baldwin County Classroom and College of Nursing Complex.

Members Present: Trustees Scott Charlton, Steven Furr, Samuel Jones, Donald Langham, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, James Nix, John Peek, Steven Stokes, Larry Striplin, and James Yance.

Members Absent: Trustees J. L. Chestnut, Cecil Gardner, Joseph Morton, and Bob Riley.

Administration and Others: President Gordon Moulton; Drs. Michael Boyd, Barbara Broome, Joseph Busta, Debra Davis, Lamar Duffy (COM Alumni Assn.), Ron Franks, Jason Guynes, Michael Jacobs, David Johnson, Russ Lea, Carl Moore, Eddie Reed, Robert Shearer, John Smith, David Stearns, Tom Wells, and Cynthia Wilson; Messrs. Terry Albano, Ken Davis, Wayne Davis, John Goodroe, Stan Hammack, Jason Shepard (SGA), and Landon Sykora; and Mss. Robyn Andrews, Beth Schiavoni, Tampa Sykora, and Jean Tucker.

Press: Mr. Russ Henderson (*Press-Register*).

Upon the call to order, Chairman Stokes called for adoption of the revised agenda. On motion by Mayor Nix, seconded by Mr. Peek, the revised agenda was unanimously approved.

Chairman Stokes called for consideration of **ITEM 1**, the minutes of the March 13, 2008, meeting of the Board of Trustees, as well as the minutes of the March 12, 2008, meeting of the Committee of the Whole. On motion by Ms. Miree, seconded by Mr. Peek, the minutes were unanimously adopted.

President Moulton presented **ITEM 2**, the President's Report. He welcomed Mr. Langham back following surgery and announced that the Alabama Senate had confirmed Ms. Mitchell's appointment to the Board. He said that Drs. John Sachs, David Turnipseed, and Stephen Morris had taken office as Faculty Senate Chair, Vice Chair, and Secretary, respectively. He recognized Mr. Jason Shepard - SGA Treasurer, Mr. Tommy Zoghby - USA National Alumni Association Vice President, and Dr. Lamar Duffy - College of Medicine Alumni Association President. He introduced Dr. Carl Moore as Interim Senior Vice President for Academic Affairs.

President Moulton welcomed Trustees and guests to the new Classroom and College of Nursing Complex at the USA Baldwin County campus (USABC). He noted that USABC offers seven undergraduate and four masters programs and has provided educational opportunities to more than 1,000 students. He told Trustees that the new facility, former site of the Fairhope Library, was a gift to the University from the City of Fairhope for campus expansion. A grand opening event was held

on May 29. The state-of-the-art complex will further enhance the educational experience for the 300 nursing students currently enrolled at USABC.

President Moulton noted that Spring Commencement was held on May 3, for a total of 2,598 degrees conferred in the 2007-2008 academic year, and a running total of 62,325 degrees awarded in the University's history. He reported a record summer enrollment of 7,658 students, an increase of six percent.

President Moulton introduced Mr. Landon Sykora, a recent graduate of Daphne High School, and mother, Ms. Tampa Sykora. Video was shown of local news coverage highlighting Mr. Sykora's remarkable accomplishment in earning a perfect 36 ACT score and a press event held to officially sign Mr. Sykora as a freshman beginning with the summer term. Mr. Sykora and Ms. Sykora made brief comments.

President Moulton reported that contributions to USA Children's and Women's Hospital through the 23rd Annual Children's Miracle Network Telethon saw a 32 percent increase with close to \$1 million in pledged support. He announced a record Annual Fund campaign with \$464,000 raised from gifts and matching funds. He said employee involvement is impressive with 72 percent of the faculty and staff participating, a figure that would rival that of any other institution. He called upon Dr. Busta for an update on development activities. Dr. Busta stated that the Annual Fund program had come a long way and that employee involvement is directly related to how faculty/staff view the institution. He noted a total of 57 "leadership donors" who pledged a minimum of \$5,000. He introduced Mr. John Goodroe and Ms. Beth Schiavoni, Director and Assistant Director of Athletics Fund Raising, respectively, and discussed a new brochure for football development. He told Trustees that close to 50 donors had pledged approximately \$450,000 thus far. He reported that *Campaign USA* is in the final 10 months and is progressing on schedule with \$64 million raised toward the \$75 million goal. He noted that all campaign benchmarks had been exceeded as a result of the generosity of 18,000 donors.

President Moulton reported on pending construction projects. He said that construction on the new Student Recreation Center will begin in August and that interest among companies to bid is good. The project to reroute Mitchell Center Drive for construction of the Bell Tower and Alumni Plaza will begin mid-summer. President Moulton reminded Board members that the colleges of Allied Health and Nursing would relocate to the Health Sciences Building when complete. He commented on the facility's striking appearance when observed from University Boulevard.

Chairman Stokes called for consideration of **ITEM 3** as follows. On motion by Ms. Maye, seconded by Mayor Nix, the resolution was unanimously approved.

RESOLUTION
BOARD MEETING SCHEDULE, 2008-2009

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

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

September 11, 2008
December 11, 2008
March 5, 2009
June 4, 2009

FURTHER, BE IT RESOLVED, that the date of June 4, 2009, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2008-2009.

Chairman Stokes called for consideration of health affairs items. Dr. Furr, Chair of the Health Affairs Committee, moved approval of **ITEM 4** as follows. Mr. Peek seconded and the resolution was unanimously approved.

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR FEBRUARY, MARCH, APRIL, AND MAY 23, 2008

WHEREAS, the Medical Staff appointments and reappointments for February, March, and April 2008, and May 23, 2008, for the University of South Alabama Hospitals are recommended for approval by the Medical Executive Committees of the University of South Alabama Hospitals,

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

Dr. Furr noted receipt of **ITEM 4**, the minutes of the medical staff meeting on May 6, 2008.

Dr. Furr moved approval of **ITEM 5** as follows (refer to **APPENDIX A** for copies of policies and other authorized documentation). Mr. Peek seconded and the resolution was unanimously approved.

RESOLUTION
COLLEGE OF MEDICINE TUITION AND FEES

WHEREAS, it is anticipated that there will be continued increases in operational costs for the College of Medicine that must be addressed through increased tuition and fees, and

WHEREAS, as a matter of prudent fiscal management and operational viability, and after extensive analysis of the financial needs of the USA College of Medicine in 2008-2009 and beyond, the University Administration and Budget Council have determined that increases in charges for College of Medicine tuition and the creation of and/or increase in certain other fees are necessary, and

WHEREAS, additional funding is required to provide for appropriate renovations of buildings and purchase of capital equipment, and to have productive research and educational initiatives, and to improve the curriculum through the inclusion of new technologies,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby approves the 12 percent increase of College of Medicine tuition from \$13,480 to \$15,098.

Dr. Furr called upon Dr. Boyd to present **ITEM 6**, a report on the USA Mitchell Cancer Institute. Dr. Boyd announced the appointment of Dr. Eddie Reed to the MCI staff as oncology professor and Abraham Mitchell Distinguished Investigator. He provided details of Dr. Reed's professional

background and achievements. Dr. Reed joins USA from the Centers for Disease Control, where he served as Director of Cancer Prevention and Control. Dr. Boyd introduced Dr. Reed, who expressed gratitude for the opportunity to join the USA team and work with Dr. Boyd.

Dr. Franks and Mr. Hammack addressed **ITEM 7**, a report on the activities of the Division of Health Sciences and the USA Health System. Dr. Franks reported on searches in progress to fill chair vacancies in the departments of neurology and surgery. Mr. Hammack expressed appreciation to those who worked closely with the USA Foundation on a funding request for the expansion of USA Children's and Women's Hospital. He reported that the USA Foundation Board of Directors approved funding that will cover 70 percent of the project using Disproportionate Share Hospital Funds. He added that rapport with the USA Foundation was strengthened as a result of the recent negotiations. He recognized Chairman Stokes and Mr. Yance for their involvement during the discussions with the USA Foundation. He said that a Certificate of Need would be filed and noted that no opposition is expected from Children's Hospital in Birmingham. President Moulton said that the selection of an architect would be presented to the Board of Trustees at its next meeting.

Chairman Stokes called for a report of academic and student affairs items. Ms. Miree, Academic and Student Affairs Committee Chair, called upon Drs. Moore and Franks to discuss **ITEM 8** as follows. Drs. Moore and Franks provided information about the candidates. On motion by Mr. Peek, seconded by Ms. Maye, the resolution was unanimously approved.

**RESOLUTION
PROFESSORS EMERITI**

WHEREAS, the following faculty have retired from the University of South Alabama:

Wayne C. Isphording, Ph.D., Professor of Geology
Pat C. Covey, Ph.D., Professor of Biomedical Sciences
Senior Vice President for Academic Affairs
Charles P. Gray, D.P.T., Clinical Associate Professor of Physical Therapy

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, and for serving as a consistently inspiring influence to students and colleagues for a period of time, and

WHEREAS, the faculty and chairpersons from their departments, academic deans, the Senior Vice President for Academic Affairs or the Vice President for Health Sciences, and the President have duly recommended the aforementioned retirees from the University faculty,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby appoints the aforementioned individuals to the rank of *Associate Professor Emeritus* or *Professor Emeritus*, as appropriate, with the rights and privileges thereunto appertaining, and

FURTHER, BE IT RESOLVED, that the Board of Trustees, in recognition of their extraordinary accomplishments and dedicated service, wishes to convey its deep appreciation to these individuals.

Following brief comments by Dr. Moore, Ms. Miree moved approval of **ITEM 9** as follows. Mr. Peek seconded and the resolution was unanimously approved.

RESOLUTION
TENURE AND PROMOTION

WHEREAS, in accordance with University policy, faculty applications for tenure and promotion have been reviewed by the respective faculty peers, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs or the Dean of the College of Medicine, and the President, and of those faculty considered, the following individuals are hereby recommended for tenure and/or promotion,

THEREFORE, BE IT RESOLVED, that the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to those individuals whose names are listed below to be effective August 15, 2008.

COLLEGE OF ALLIED HEALTH PROFESSIONS

Tenure

Dr. Rebecca Estes
Dr. Jean Irion

Promotion to Associate Professor

Dr. Jean Irion

Promotion to Senior Instructor

Ms. Cathy Cooper
Ms. Cherie Pohlman
Mr. Chucri Jalkh

COLLEGE OF ARTS AND SCIENCES

Tenure:

Dr. Donald E. DeVore
Dr. Ellen B. Harrington
Dr. Cristopher V. Hollingsworth
Dr. Harrison S. Miller
Dr. Vanessa D. Murphree

Promotion to Professor:

Dr. David C. Forbes
Dr. Roma S. Hanks
Dr. Robert E. Holm
Dr. Susan E. McCreedy
Dr. Daniel E. Rogers
Dr. Martin L. Rohling
Dr. Lisa A. Turner
Dr. John F. Valentine

Promotion to Associate Professor:

Dr. Ellen B. Harrington
Dr. Cristopher V. Hollingsworth
Dr. Harrison S. Miller
Dr. Vanessa D. Murphree

MITCHELL COLLEGE OF BUSINESS

Tenure:

Dr. Donald C. Mosley

Promotion to Associate Professor:

Dr. Donald C. Mosley

Promotion to Senior Instructor:

Mr. Clinton R. King

Promotion to Professor:

Dr. Deborah F. Spake

COMPUTER AND INFORMATION SCIENCES

Promotion to Professor:

Dr. David D. Langan, III

COLLEGE OF EDUCATION

Tenure:

Dr. Dennis J. Campbell

Promotion to Associate Professor:

Dr. Mary E. Broach
Dr. Dennis J. Campbell
Dr. Phillip M. Norrell

Promotion to Senior Instructor:

Ms. Kelly O. Byrd

Promotion to Professor:

Dr. Rebecca M. Giles

COLLEGE OF ENGINEERING

Tenure:

Dr. Aurangzeb Khan

Promotion to Associate Professor:

Dr. Aurangzeb Khan

COLLEGE OF MEDICINE

Promotion to Professor:

Dr. Surendra Baliga

Dr. Maria Figarola

Dr. Mary Mancao

Dr. Mark Perry

Promotion to Associate Professor

Dr. Alan Heins

Dr. Melissa Costello

Dr. Rosa Vidal

Dr. William Kevin Green

Promotion to Assistant Professor:

Dr. Bing Zhu

Promotion to Clinical Associate Professor

Dr. Karen Marlowe

Dr. Sandra Parker

Dr. Deborah Simkin

COLLEGE OF NURSING

Promotion to Clinical Associate Professor:

Dr. Karen Hamilton

Dr. Robin Lawson

Dr. Charlene Myers

Dr. Joyce Varner

Dr. Sara Majors

Tenure

Dr. Michael Jacobs

Promotion to Professor:

Dr. Barbara Broome

UNIVERSITY LIBRARY

Promotion to Assistant Librarian:

Ms. Muriel D. Nero

Promotion to Senior Librarian:

Ms. Amy C. Prendergast

Dr. Moore called upon Dr. David Johnson to discuss **ITEM 10** as follows. Dr. Johnson said that the proposed program in studio glass is significant for the University and that it will generate positive attention for USA. He introduced Dr. Jason Guynes, Chair of the Department of Visual Arts, for comments. Dr. Guynes said that no glass programs are currently offered in the state of Alabama and that a big void exists nationally for this type of program. Video slides were shown of an artist's rendering of a building design and of a glass studio environment. Construction on a facility will begin in the coming academic year with classes slated to start in the 2009 fall semester. On motion by Ms. Miree, seconded by Dr. Furr, the resolution was unanimously approved.

RESOLUTION

GLASS PROGRAM IN VISUAL ARTS

WHEREAS, the medium of glass is emerging as increasingly popular and important in the visual arts, and

WHEREAS, student interest in glass is increasing among current and potential art students at the University of South Alabama, and

WHEREAS, interest in glass is increasing in the art community in the Gulf Coast region, and

WHEREAS, very few art programs at universities in the Southeast region of the United States currently offer specialized education in glass, and

WHEREAS, no program in glass currently exists at any university or college in the state of Alabama, and

WHEREAS, establishing an outstanding educational program in glass will broaden and strengthen the visual arts offerings at the University of South Alabama, and

WHEREAS, establishing such a program will assist the University of South Alabama in recruiting outstanding visual arts students from throughout Alabama and the southeastern United States,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby authorizes the establishment of a concentration in glass in the Bachelor of Fine Arts program in the Visual Arts Department and construction of a necessary facility.

Concerning **ITEM 11** as follows, President Moulton reported that funding shortfalls in the Alabama Education Trust Fund would necessitate budget cuts for higher education. He announced that USA's share of the cuts would be \$16 million which, when coupled with mandated cost increases for employee retirement benefits and for retiree health insurance, makes for a \$20 million deficit. He stated that a budget for the 2008-2009 academic year would be presented at the September Board meeting. He asserted that, while raising tuition is never popular among students, doing so is necessary to preserve high quality programs and services, thus maintaining the University's competitive position in the market. He said that increases at peer institutions were being carefully monitored and that the Administration had been diligent in determining a fair rate structure. He added that adoption of the new rates in advance of the fall semester will allow students and their families time to prepare.

President Moulton detailed comparative materials outlining current student costs, and those proposed for 2008-2009 which provide for an increase from \$10,942 to \$11,672 for a full-time resident undergraduate student living on campus, constituting a 6.7 percent adjustment inclusive of tuition, housing, meals, and books. He referenced a schedule comparing USA's current and proposed rates with those anticipated at other doctoral institutions. He added that the University of West Alabama was expected to approve a 12 percent increase. He projected that, when tuition increases throughout the state are announced, USA's tuition will remain almost 10 percent below the average. President Moulton called upon Mr. Jason Shepard, SGA Treasurer attending on behalf of President Caitlin Collins, to address the Board. Mr. Shepard said that fellow students had expressed disappointment about a tuition increase. He concurred, however, on the importance of maintaining academic excellence through the recruitment and retention of qualified faculty and by providing competitive learning and research facilities. On motion by Ms. Miree, seconded by Mayor Nix, the resolution was unanimously approved.

RESOLUTION
TUITION AND FEE AND HOUSING SCHEDULES, 2008-2009

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

WHEREAS, student housing must address continuing maintenance, renovation, and technology needs in order to ensure high-quality on-campus accommodations, and

WHEREAS, the Alabama Legislature approved a 2008-2009 education budget that reduced K-12 appropriations by 2.9 percent and four-year university appropriations by 11.2 percent, representing the largest reduction to higher education in the nation, and

WHEREAS, the 2008-2009 education budget resulted in a reduction of \$16.3 million in state appropriations for the University of South Alabama, compounded by an additional \$3.9 million in insurance and retirement obligations for USA, resulting in a net funding shortfall of more than \$20 million, and

WHEREAS, after extensive analysis of the financial needs of the University in 2008-2009 and beyond, the University Administration has determined that increases in charges for tuition and fees and housing are necessary, and

WHEREAS, with the proposed tuition and fees for 2008-2009, set forth in the attached and incorporated by reference schedules, such costs at the University would continue to be among the lowest in effect at the public doctoral-level institutions in the State of Alabama,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the tuition and required student fees and student housing rates for 2008-2009 as set forth in the attached schedules.

Dr. Stokes called for consideration of budget and finance items. Mayor Nix, Chair of the Budget and Finance Committee, presented **ITEM 12** reports entitled *Monthly Fund Reports for January, February, and March 2008*; *Quarterly GASB Financial Statement for the Six Months Ended March 2008*, and *Summary Comparison of Fund Financial Reports to GASB 34 Financial Statements, March 31, 2007 and 2006*. There was no discussion.

Mr. Ken Davis presented **ITEM 13** as follows. He reviewed the original lease of approximately one acre of land to the USA Research and Technology Corporation in March 2007 for the purpose of constructing a building that would be leased to a private dialysis provider. Since that time, a survey of the land and due-diligence analysis have shown the land to be unsuitable for construction of a building. Mr. Davis explained that the resolution calls for termination of the original lease, and for execution of an alternate lease of land near the original location to construct the building. Dr. Furr asked if there was an agreement with the dialysis company whereby USA physicians could practice at the new facility. Mr. Hammack responded that an arrangement was in place for USA doctors to provide care. On motion by Ms. Maye, seconded by Dr. Charlton, the resolution was unanimously approved.

RESOLUTION

GROUND LEASE OF UNIVERSITY PARCEL TO THE USA RESEARCH AND TECHNOLOGY CORPORATION

WHEREAS, the University of South Alabama ("University") owns certain real property which it utilizes to further its mission, and

WHEREAS, the USA Research and Technology Corporation ("Corporation"), a not-for-profit, supporting organization of the University, was incorporated to further the educational and scientific mission of the University, to promote the University and its schools and departments, to promote the development of and to facilitate funding for the infrastructure and services in Mobile, Alabama, and to attract high-technology and scientific enterprises, and

WHEREAS, in furtherance of the mission of the Corporation, and because it was determined to be in the best interest of the University to do so, the University of South Alabama Board of Trustees, at its March 22, 2007, meeting, authorized the lease of a portion of land on the University of South Alabama Medical Center (USAMC) campus depicted as Site A on the attached picture and map, and

WHEREAS, due the circumstances unforeseen prior to the above-referenced meeting, the aforementioned parcel of land is unsuitable for the purposes for which it was leased and, as such, termination of the lease of this parcel to the Corporation is recommended, and

WHEREAS, in furtherance of the mission of said Corporation, it is recommended that the University lease that portion of the land on the campus of the University of South Alabama Medical Center (USAMC) identified as Site B on the attached picture and map to the Corporation for support of the development and operation of the Corporation for the sum

of ONE DOLLAR AND NO/100 (\$1.00) per annum, and a term of approximately 29 years with two options to renew, each for a term of 10 years, and

WHEREAS, should said Corporation cease to exist for any reason, the land will revert to the University consistent with the terms of the lease, and

WHEREAS, the University has determined that leasing the real property described above is in the best interest of the University in that it will allow the University to continue and enhance its valued missions of education, research, and service,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby authorizes the President of the University to proceed with terminating the land lease agreement with the USA Research and Technology Corporation for the parcel identified above as Site A, and finalizing a land lease agreement with USA Research and Technology Corporation for the lease of a portion of the University of South Alabama Medical Center campus identified above as Site B for the support of the development and operation of the Corporation.

Mr. Wayne Davis presented **ITEM 13.A** as follows. He said that the Administration recommends consideration of a bond issue with proceeds to help fund the Children's and Women's Hospital expansion, renovation of the Student Center, construction of an auditorium and a cafeteria, and other potential projects. He recommended moving forward with the due-diligence process and presentation of a proposal at the next regular meeting in September. President Moulton commented that now is a favorable time for investing in the University's health system because of the financial strength and stability it provides the University to meet its mission to educate and support community needs. He recommended against deferring important areas of growth due to a lack of financial assistance from the state. On motion by Mr. Peek, seconded by Ms. Maye, the resolution was unanimously approved.

RESOLUTION

DUE DILIGENCE FOR PROSPECTIVE BOND ISSUE

WHEREAS, the University of South Alabama ("University") requires substantial additional financial resources to address urgent capital project needs, including but not limited to: construction of an addition to the USA Children's & Women's Hospital, renovation of the student center and construction of an auditorium and cafeteria, and ongoing infrastructure improvements,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama authorizes the University administration to proceed with due diligence and planning, and present to the Board at its September 2008 meeting a proposal for a bond issue for the projects listed above.

President Moulton presented **ITEM 13.B** as follows. He reminded the Board that the architectural firm of Borganier Davis Sims Architects Associated had produced a campus master plan for the purpose of maintaining the visual continuity of University facilities and promoting campus identity. He added that the same group had designed the Health Sciences Building, which features design elements that will be common to the Student Recreation Center, and campus portals slated for construction next year. He recognized the efforts of Senator Richard Shelby and former trustee Mayer Mitchell in procuring \$40 million in federal funding for the Engineering and Science Building project. The building will be located on the corner of University Boulevard and Old Shell Road and, together with the health sciences and student recreation facilities at other main entrances to the University, will promote a blended campus appearance. President Moulton said that the pool of firms that had submitted bids had good qualifications, and noted that Borganier Davis Sims had completed projects for Auburn University and the University of Alabama. On motion by Mr. Langham, seconded by Mr. Yance, the resolution was unanimously approved.

RESOLUTION
ARCHITECT FOR ENGINEERING AND SCIENCE BUILDING

WHEREAS, the University of South Alabama has a growing enrollment in Engineering and in Computer and Information Sciences, and

WHEREAS, the quality of instruction and research is strongly enhanced by excellent facilities, and

WHEREAS, U. S. Senator Richard Shelby was instrumental in securing \$40 million in federal funding for construction of this facility to be matched by the University with \$10 million, and

WHEREAS, certain architectural firms are prominent in the field of science buildings, and

WHEREAS, the University requested proposals from these firms and eleven responses were received, and

WHEREAS, after review of the responses and interviews with the four finalists, the firm Barganier Davis Sims Architects Associated was selected as best qualified to complete the design,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby authorizes the President to engage the firm Barganier Davis Sims Architects Associated for this project.

Mayor Nix presented **ITEM 14**, report of the audit process being conducted by the independent firm of KPMG. He reported that the Audit Committee had met with Mr. Mark Peach, KPMG partner, at its meeting on June 4 to discuss the standard required communications. A formal report of the findings will be delivered to the Audit Committee in December. Mr. Wayne Davis recognized that open discussion between the Board of Trustees and the auditors is a sound practice.

Mr. Ken Davis presented **ITEM 15**, the Alabama Department of Examiners of Public Accounts Report of Compliance for the year ended September 2005. He reported that routine procedures by the Office of Internal Audit revealed a number of unauthorized purchases and fraudulent activity by two employees of the Department of Student Support Services during the period March 2001 to August 2004. The employees were asked to resign and reports of the activity were filed with the State of Alabama Department of Examiners of Public Accounts. The case has since been forwarded to the Alabama Attorney General for review. In an attempt to recover the funds, the University has contacted a bonding company to process a claim.

With regard to impending construction projects and the University's growth, Chairman Stokes inquired if plans to widen Old Shell Road were being considered. President Moulton responded that the city of Mobile does plan to widen the road through the intersection at Cody Road.

Chairman Stokes called for a report of endowment and investments items. Mr. Yance, Chair of the Endowment and Investments Committee, called upon Mr. Albano to discuss **ITEM 16** as follows. Mr. Albano reported that the required annual review of the *Endowment Funds Investment Policy and Guidelines*, the *Non-Endowment Cash Pool Investment Policy*, and the *Derivatives Policy* indicates that no revisions are needed at this time. On motion by Mr. Yance, seconded by Mr. Peek, the resolution was unanimously approved.

RESOLUTION
EVALUATION OF THE UNIVERSITY'S ENDOWMENT AND NON-ENDOWMENT INVESTMENT POLICIES

WHEREAS, the Southern Association of Colleges and Schools (SACS) requires that investment policies must 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, that the Board of Trustees of the University of South Alabama hereby acknowledges the current year annual evaluation of both policies by the Endowment and Investment Committee.

President Moulton invited Trustees and guests to visit the nursing exhibit following the meeting. There being no further business, the meeting adjourned at 11:25 a.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

Steven H. Stokes, MD, Chair Pro Tempore

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

COMMITTEE OF THE WHOLE

**June 4, 2008
2:00 p.m.**

A meeting of the Committee of the Whole was duly convened by Dr. Steven H. Stokes, Chair Pro Tempore, on Wednesday, June 4, 2008, at 2:15 p.m. at the USA Baldwin County Classroom and College of Nursing Complex.

Members Present: Trustees Scott Charlton, Steven Furr (via phone), Donald Langham, Bettye Maye, Christie Miree, Bryant Mixon, James Nix, John Peek, Steven Stokes, Larry Striplin, and James Yance.

Members Absent: Trustees J. L. Chestnut, Cecil Gardner, Sam Jones, Arlene Mitchell, Joseph Morton, and Bob Riley.

Administration and Others: President Gordon Moulton; Drs. Michael Boyd, Ron Franks, Russ Lea, Carl Moore, Robert Shearer, John Smith, and David Stearns; Messrs. Terry Albano, Wayne Davis, Stan Hammack, and Mark Peach (KPMG); Ms. Jean Tucker.

Press: Mr. Russ Henderson (*Press-Register*).

Chairman Stokes called the meeting of the Committee of the Whole to order. Mr. Wayne Davis recommended that audit items be considered first. With regard to the dual role of the Budget and Finance Committee as the Audit Committee of the Board, a meeting of the Audit Committee was convened:

AUDIT COMMITTEE

Mr. Wayne Davis introduced **ITEM 14**, a report on the audit process for the fiscal year 2007-2008. He welcomed KPMG partner Mark Peach. Mr. Peach reported that one requirement of the audit process is to communicate with the Board of Trustees twice annually. He reviewed the KPMG audit procedures which include the planning process, external controls evaluation, substantive testing, and completion. He discussed the engagement timeline that begins in July and ends in December, and noted that areas of significance would include investments, component units, A-133 audit, SAS No. 99, due to/from third-party payors, accounts receivable reserves, professional and general liability costs and reserves, capital improvements, and "swaptions." Mr. Peach talked about KPMG's current engagement with the University to complete interim work, and addressed the working relationship between KPMG and USA. He concluded with information concerning a new auditing standard - - *Statement on Auditing Standards number 112*.

He welcomed questions from Committee members. There being no further business, and on motion duly made and seconded, the Audit Committee meeting adjourned.

Chairman Stokes called for consideration of health affairs items. President Moulton recommended that **ITEM 5** (for copies of resolutions, policies, and other authorized documentation, refer to the USA Board of Trustees meeting minutes, June 5, 2008), a resolution to approve a 12 percent increase in College of Medicine (COM) tuition from \$12,480 to \$15,098, be considered with **ITEM 11**, a resolution to approve the general tuition, student fees, and housing rates for 2008-2009 as outlined. President Moulton talked about the condition of the state budget and its impact on the University. He said that a slow economy has caused sales and income tax revenue to wain, leading to reduced reserves in the Alabama Education Trust Fund. Thus, Alabama legislators have reduced higher education appropriations for 2008-2009. President Moulton announced that USA's appropriation would be cut \$16 million below the current year's level of funding, which is further amplified to a \$20 million deficit when coupled with mandated costs to the University for employee retirement benefits and retiree health insurance. He advised Committee members that a budget for 2008-2009 would be presented at the September Board meeting; yet, for the ensuing budget constraints, he recommended the Board's consideration of new tuition, fee, and housing rates in advance of the fall semester, giving students and their families time to prepare. He said that the proposed rates were reasonable when compared to increases at other institutions, which are expected to average 12 percent. Dr. Franks said that the proposed 12 percent increase in College of Medicine tuition reflects the increase at UAB. He discussed the cost of student insurance, a provision mandated by a student committee. President Moulton added that the University is not trying to reclaim the entire \$20 million in lost funding through student rate increases. Drs. Stokes, Charlton, and Franks agreed that USA's medical tuition is inexpensive compared to other schools. Discussion took place about student repayment of college indebtedness. On motion duly made and seconded, the Committee agreed to defer action on the College of Medicine tuition until the Board's Annual Meeting on June 5.

Attention turned to tuition and fees for the general University. A resolution and materials detailing tuition, housing, and fee increases, as well as comparative rate schedules, were distributed. President Moulton provided an overview of the materials, which provide for an increase from \$10,942 to \$11,672 for a full-time resident undergraduate student living on campus - - a 6.7 percent adjustment to include tuition, housing, meals, and books. He said this compares favorably to the average 12 percent increases which are being reported in the state. He noted that USA's tuition will remain almost 10 percent below the average. He said that the proposed increases for the general University and the College of Medicine would recoup approximately 25 percent of the state budget reduction. He added that extensive attention will be given in the coming weeks to make substantial adjustments in the University's 2008-2009 budget to cover the remaining \$15 million deficit. Following the discussion, and on motion duly made and seconded, the Committee agreed to defer action until the Annual Meeting.

Chairman Stokes called for consideration of other academic and student affairs items. President Moulton briefly addressed **ITEM 9**, a resolution granting promotion and tenure to faculty.

He assured the Committee that a thorough review had been conducted of the individuals being considered. A brief discussion followed, and action was deferred until the Annual Meeting.

President Moulton discussed **ITEM 10**, a resolution authorizing the establishment of a concentration in glass in the Bachelor of Fine Arts program offered by the Visual Arts Department, and construction of a dedicated building. He said that Drs. David Johnson, Dean of the College of Arts and Sciences, and Jason Guynes, Chair of the Visual Arts Department, would be present at the Board meeting. Action was deferred until the Annual Meeting.

President Moulton introduced **ITEM 13.A**, a resolution authorizing the Administration to proceed with due diligence and planning for a bond issue for capital projects, including the Children's and Women's Hospital (CWH) expansion, renovation of the Student Center, construction of an auditorium and a cafeteria, and other potential projects, and to present a proposal at the next regular meeting in September. Concerning the CWH expansion, he reported that, after much dialogue with the USA Foundation (USAF), its Board of Directors had recently passed a resolution to provide \$20 million to be funded from Disproportionate Hospital Share (DSH) Funds and disbursed in annual installments for seven years beginning in 2009. This will cover 70 percent of the total cost, with the remaining 30 percent to be absorbed by the University. President Moulton added that the USAF resolution authorized a new policy for annual distributions of three percent of the DSH Fund's average net assets in support of USA hospitals and clinics beginning in 2010, for annual funding beginning at approximately \$4.5 million, inclusive of the amount disbursed for the CWH expansion. Additionally, the USAF is to consider other requests made by the University for annual grants to support pediatric programs at CWH totaling up to \$3.3 million, which will be a part of the three percent annual distribution from the DSH Funds. Dr. Stokes and Mr. Yance expressed appreciation for the recent communications with the USA Foundation Board. Mr. Wayne Davis said that a meeting with the bond counsel would take place soon to discuss the bond structure. Mr. Yance recognized Dr. Franks, Mr. Hammack, and Dr. Becky DeVillier for excellent presentations during the negotiation process with the USA Foundation. Action was deferred until the Annual Meeting.

President Moulton presented **ITEM 13.B**, a resolution authorizing the President to engage the firm of Barganier Davis Sims Architects Associated to design an Engineering and Science Building. He credited Senator Richard Shelby and former trustee Mayer Mitchell for their unwavering commitment in securing federal funding for the project in the amount of \$40 million. He reminded the Committee that Barganier Davis Sims had produced a campus master plan for the purpose of maintaining the visual continuity of University facilities and promoting campus identity. He added that the firm had also designed the Health Sciences Building, which features design elements that will be repeated in the Student Recreation Center, as well as campus portals that are to be constructed in 2009. The Engineering and Science Building will be located on the corner of University Boulevard and Old Shell Road. President Moulton said that the bids received were competitive. He added that Barganier Davis Sims demonstrates a good understanding of the visual flavor and atmosphere of the USA campus, and recommended the appointment of Barganier Davis Sims. On motion duly made and seconded, the Committee unanimously agreed to recommend approval by the full Board.

Chairman Stokes called for consideration of endowment and investments items. President Moulton presented **ITEM 17**, a resolution of the Endowment and Investments Committee authorizing the distribution of \$184,907 from the Mitchell College of Business general endowment for the purposes outlined. President Moulton reminded Trustees of the Endowment and Investments Committee's authority to approve such distributions. He noted that the a proposal for the use of the funds was outlined in the agenda package, and invited questions for Dr. Moore. On motion duly made and seconded, the resolution was unanimously approved.

President Moulton presented **ITEM 16**, a resolution acknowledging the current year's annual evaluation of the University's *Endowment Funds Investment Policy and Guidelines*, the *Non-Endowment Cash Pool Investment Policy*, and the *Derivatives Policy*. Mr. Wayne Davis recalled that, previous to the "swaption" transaction approved by the Board in December 2007, the addition of a third investment policy, the *Derivatives Policy*, was ratified by the Board in September 2007. President Moulton stated that no revisions to the existing policies are necessary at the present time. On motion duly made and seconded, the Committee unanimously agreed to recommend approval by the full Board.

Chairman Stokes asked about the status of the EADS/Northrup Grumman contract with the Air Force to build a fleet of KC-45 air tankers. President Moulton responded that the Government Accountability Office would announce a ruling on Boeing's appeal on June 19. He stated there is an option to file a second appeal within 30 days. For the interim, a groundbreaking ceremony is planned to take place on June 28.

Mr. Yance remarked that, in November 2007, the investment management firm of Douglass C. Lane and Associates had been engaged. He reported that portfolio activity since that time had been positive.

President Moulton announced that student interest in on-campus housing has increased considerably for the coming academic year.

Mr. Langham expressed appreciation for prayers and best wishes following his surgery.

There being no further business, the meeting adjourned at 3:25 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

Steven H. Stokes, MD, Chair Pro Tempore

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Executive Committee Meeting

**August 21, 2008
2:00 p.m.**

The Executive Committee of the University of South Alabama Board of Trustees was duly convened by President Gordon Moulton on Thursday, August 21, 2008, at 2:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Cecil Gardner, Samuel Jones, Donald Langham, Bettye Maye, James Nix, Steven Stokes (via phone), and James Yance.

Administration and Others: President Gordon Moulton; Drs. John Sachs, John Smith, and David Turnipseed; Messrs. Wayne Davis and Chris Willis; and Ms. Jean Tucker.

Press: Ms. Rhoda Pickett (*Press-Register*).

President Moulton convened the meeting on behalf of Chairman Stokes and called for adoption of the revised agenda. On motion by Mr. Langham, seconded by Mayor Nix, the revised agenda was unanimously approved.

President Moulton presented **ITEM 1** as follows. He noted that the firm of White-Spunner Construction, Inc., was previously awarded the construction contract for the Health Sciences Building. He said that, while the bid is somewhat higher than had been hoped, the cost proposed is within the University's budget, and he recommended approval. Dr. Stokes asked if additional construction-related costs were anticipated. President Moulton responded that the site preparation work was complete, and that no other costs are expected. Mr. Davis reported that, inclusive of the the site work, the total cost is just above \$32 million. On motion by Mayor Jones, seconded by Mayor Nix, the resolution was unanimously approved.

**RESOLUTION
CONTRACT FOR CONSTRUCTION OF THE STUDENT RECREATION CENTER**

WHEREAS, the construction of a Student Recreation Center on the University of South Alabama ("University") main campus has been discussed with and approved by the University's Board of Trustees and is a significant feature of the Master Plan of the University, and

WHEREAS, a new Student Recreation Center is of great interest to the University's students and the University, and

WHEREAS, an architectural firm was hired to design the Student Recreation Center, and

WHEREAS, the University solicited bids for construction of the Student Recreation Center from a pre-qualified list of contractors, and

WHEREAS, after reviewing all bids, the University determined that White-Spunner Construction of Mobile, Alabama was the lowest qualified bidder with a price of \$31,135,747.00,

Executive Committee

Page 2

August 21, 2008

THEREFORE, BE IT RESOLVED, that the Executive Committee of the Board of Trustees of the University of South Alabama authorizes the President of the University to award the bid to White-Spunner Construction for the construction of the Student Recreation Center.

President Moulton announced that timberland donated to the University by Dr. and Mrs. Stokes had sold. He congratulated Dr. Stokes on the fulfillment of his gift. Proceeds from the sale of the land will be directed to the University endowment. Dr. Stokes congratulated President Moulton and Mr. Wayne Davis on the completion on the transaction at a good price.

President Moulton presented **ITEM 2** as follows, noting that the site proposed for construction of a football field house is on a bluff adjacent to the new student intramural fields. He recommended approval of Trademark Construction to build the structure. On motion by Mayor Jones, seconded by Mr. Gardner, the resolution was unanimously approved.

**RESOLUTION
CONTRACT FOR CONSTRUCTION OF THE FOOTBALL FIELD HOUSE**

WHEREAS, the construction of a Football Field House on the University of South Alabama ("University") main campus has been discussed with the University's Board of Trustees and is a significant need of the University with the addition of the NCAA Football program, and

WHEREAS, the football team is slated to begin play in 2009, and

WHEREAS, architectural and engineering firms were hired to design the Football Field House, and

WHEREAS, the construction of the shell will be done while the design of the interior fit out is finished, and

WHEREAS, the University solicited bids for construction of the shell of the field house, and

WHEREAS, after reviewing all bids, the University determined that Trademark Construction of Mobile, Alabama was the lowest qualified bidder with a price of \$3,995,000.00,

THEREFORE, BE IT RESOLVED, that the Executive Committee of the Board of Trustees of the University of South Alabama hereby approves and ratifies the award of the bid by Trademark Construction for the construction of the Football Field House shell.

President Moulton presented **ITEM 3** as follows. On motion by Mayor Jones, seconded by Mr. Gardner, the resolution was unanimously approved.

**RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS, AUGUST 21, 2008**

WHEREAS, the Medical Staff appointments and reappointments for August 21, 2008, for the University of South Alabama Hospitals are recommended for approval by the Medical Executive Committees of the University of South Alabama Hospitals,

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

Dr. Stokes inquired on the status of the University's football program. President Moulton reported that an abbreviated game schedule would commence with the 2009 fall semester, and that six schools had made strong verbal commitments to compete. Dr. Stokes asked if USA would play as a Division 1-AA team. President Moulton responded that Division 1-AA is frozen through 2010. He said that USA would play unclassified in its first year and noted that wins and losses in 2009 would not count as a regular, recorded season. He advised that subsequent schedules would evolve to a more typical season game schedule. Mr. Gardner inquired about the process to draft players. Mr. Davis reported that 90 players have been signed, including walk-ons. Mr. Langham asked about junior varsity teams at USA. President Moulton reported that information gathered did not support the incorporation of varsity teams at this time. Mayor Jones inquired on the status of the marching band program. President Moulton stated that completion of a design for the band uniform is evidence of the enthusiasm Mr. Ward Miller, USA band director, brings to the University. He reported that 400 students have expressed an interest in the program. Candidates with high school band experience can apply on-line. An emphasis on raising funds for the band program will increase in the coming weeks. Current gifts for the football program total approximately \$480,000, much of which has come from \$100 and \$200 contributions. President Moulton said that band facilities are being considered.

Mr. Yance inquired about enrollment for the 2008 fall semester. President Moulton and Mr. Ayers responded that enrollment figures were being gathered and that a final report is expected soon.

There being no further business, the meeting was adjourned at 2:19 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Vice Chair
on behalf of:

Steven H. Stokes, M.D., Chair Pro Tempore

RESOLUTION

**USA HOSPITALS
MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
MAY, JUNE, JULY, AND AUGUST 21, 2008**

WHEREAS, the Medical Staff appointments and reappointments for May, June, July, and August 21, 2008, for the University of South Alabama Hospitals are recommended for approval by the Medical Executive Committees of the University of South Alabama Hospitals,

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

UNIVERSITY OF SOUTH ALABAMA



STANLEY K. HAMMACK
VICE PRESIDENT
HEALTH SYSTEM

REC'D
OFFICE OF THE PRESIDENT

AUG 14 2008

UNIVERSITY OF SOUTH ALABAMA
TELEPHONE: (251) 471-7118
2451 FILLINGIM STREET, SUITE 3040
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7751

MEMORANDUM

TO: V. Gordon Moulton
President

FROM: Stan Hammack

SKH

DATE: August 12, 2008

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

For Approval:

University of South Alabama Hospitals:

Medical Staff Meeting-August 5, 2008

USA Hospitals Medical Staff Rules and Regulations Addition –
Focused Professional Practice Evaluations

Credentials Report – May, June, and July, 2008

SKH:eb

Attachments

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEES APPROVAL**

MAY, JUNE & JULY 2008

REVISION AUGUST 21, 2008

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

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser
Almeida, Oscar, MD	New Appt	Associate	OB/GYN	New Appt.	Associate	OB/GYN	N/A	N/A	N/A
Beaver, Barney, DO	New Appt	Associate	IM/Cardio	New Appt	Associate	IM/Card	New Appt	Associate	IM/Cardio
Bell, Raymond, MD	Reappt	Courtesy	IM/GI	No Privs	N/A	N/A	N/A	N/A	N/A
Benjamin, Regina, MD	Reappt	Active	FM	Reappt	Active	FM	N/A	N/A	N/A
Broughton, William, MD	Reappt	Active	IM	Reappt	Active	IM	Reappt	Active	IM
Carnahan, Gary, MD	Reappt	Active	Pathology	Reappt	Active	Pathology	N/A	N/A	N/A
Cashwell, Leigh A., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	N/A	N/A	N/A
Clement, Loran, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Cleveland, Stephanie, PA	Reappt	Allied Health	IM	Reappt	Allied Health	IM	N/A	N/A	N/A
Cole, Kimberly, DO	New Appt	Associate	Peds	No Privs	N/A	N/A	New Appt	Associate	Peds
Crissinger, Karen, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Davis, Shannon, CRNP	New Appt	Allied Health	Surgery	New Appt	Allied Health	Surgery	New Appt	Allied Health	Surgery
Dyess, Donna, MD	Reappt	Active	Surgery	Reappt	Active	Surgery	Reappt	Active	Surgery
Eichold, Bernard, MD	No Privs	N/A	N/A	Reappt	Courtesy	IM	N/A	N/A	N/A
Figarola, Maria, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Flotte, Edward, MD	Reappt	Active	NeuroSurg	Reappt	Active	NeuroSurg	N/A	N/A	N/A
Foster, Kendal, MD	Reappt	Courtesy	OB/GYN	No Privs	N/A	N/A	N/A	N/A	N/A
Green, Alan, Jr., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Greiner, Francis, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Grosz, Stephanie, MD	Reappt	Courtesy	IM	Reappt	Courtesy	IM	N/A	N/A	N/A
Hanley, James R., MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Hanlon, Philip, MD	Reappt	Active	Anes	Reappt	Active	Anes	N/A	N/A	N/A
Heins, Alan, MD	Reappt	Active	EM	Reappt	Active	EM	N/A	N/A	N/A
Herrera, Danilo, MD	Reappt	Courtesy	OB/GYN	No Privs	N/A	N/A	N/A	N/A	N/A
Hovey, Justin, MD	No Privs	N/A	N/A	New Appt	Associate	EM	N/A	N/A	N/A
Imran, Hamayun, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Inge, George, MD	No Privs	N/A	N/A	Reappt	Courtesy	OB/GYN	N/A	N/A	N/A
Jacobs, Corey, MD	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN	N/A	N/A	N/A
Linder, Michael, MD	Reappt	Active	FM	Reappt	Active	FM	Reappt	Active	FM
Luterman, Arnold, MD	Reappt	Active	Surgery	Reappt	Active	Surgery	Reappt	Active	Surgery
Malcolm, Ian, G, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Massey, Clara, MD	Reappt	Active	IM/Cardio	Reappt	Active	IM/Card	Reappt	Active	IM/Cardio

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEES APPROVAL**

MAY, JUNE & JULY 2008

REVISION AUGUST 21, 2008

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

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser
McGrath, Margaret, MD	No Privs	N/A	N/A	Reappt	Consulting	OB/GYN	N/A	N/A	N/A
McNair, William, MD	Reappt	Active	EM	No Privs	N/A	N/A	N/A	N/A	N/A
McPhail, Paula, MD	Reappt	Active	Peds	No Privs	N/A	N/A	Reappt	Active	Peds
Miller, P. Theresa, PA	Reappt	Allied Health	Peds	Reappt	Allied Health	Peds	Reappt	Allied Health	Peds
Motley, Carol, MD	Reappt	Active	FM	Reappt	Active	FM	Reappt	Active	FM
Outlaw, Kitt, MD	Reappt	Courtesy	Surgery	Reappt	Courtesy	Surgery	N/A	N/A	N/A
Pacheco, Antonio, MD	No Privs	N/A	N/A	Reappt	Active	EM	N/A	N/A	N/A
Parsell, Karen, MD	Reappt	Active	Peds	No Privs	N/A	N/A	Reappt	Active	Peds
Patterson, Scott, DO	New Appt	Associate	Surgery	New Appt	Associate	Surgery	New Appt	Associate	Surgery
Pettyjohn, Frank, MD	Reappt	Active	EM/IM	Reappt	Active	EM/IM	Reappt	Active	EM/IM
Preud'homme, Daniel, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Quindlen, Eugene, MD	Reappt	Active	NeuroSurg	Reappt	Active	NeuroSurg	Reappt	Active	NeuroSurg
Rao, Aarati, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Rao, Sudeep, MD	Reappt	Active	IM	Reappt	Active	IM	Reappt	Active	IM
Reed, Eddie, MD	New Appt	Associate	IM	New Appt	Associate	IM	Reappt	Associate	IM
Riker, Adam, MD	Reappt	Active	Surgery	Reappt	Active	Surgery	Reappt	Active	Surgery
Roberts, Kimberly, MD	No Privs	N/A	N/A	New Appt	Associate	EM	N/A	N/A	N/A
Sheets, Cindy, MD	Reappt	Active	Peds	No Privs	N/A	N/A	N/A	N/A	N/A
Sherman, Craig, MD	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN
Silver, Frederick, MD	Reappt	Active	Surgery	Reappt	Active	Surgery	Reappt	Active	Surgery
Sinks, Peter, MD	Reappt	Active	IM	Reappt	Active	IM	Reappt	Active	IM
Standley, Todd, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Steffler, Brad, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Stinebaugh, James, MD	Reappt	Courtesy	IM/Cardio	Reappt	Courtesy	IM/Card	N/A	N/A	N/A
Stuckey, Suzanne, MD	New Appt	Associate	Peds	No Privs	N/A	N/A	N/A	N/A	N/A
Trimmm, Riley, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Vance, Susan, MD	Reappt	Consulting	OB/GYN	No Privs	N/A	N/A	N/A	N/A	N/A
Vande Waa, John, DO	Reappt	Active	IM	Reappt	Active	IM	Reappt	Active	IM
Varma, Robert, MD	Reappt	Active	Anesthe	Reappt	Active	Anesthe	N/A	N/A	N/A
Varner, Clyde, MD	New Appt	Associate	Neurology	New Appt	Associate	Neuro	New Appt	Associate	Neurology
Vincent, Robert, MD	New Appt	Associate	Anesthe	New Appt	Associate	Aneshte	N/A	N/A	N/A
Watson, Robert, MD	Reappt	Active	Anesthe	Reappt	Active	Aneshte	N/A	N/A	N/A

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEES APPROVAL**

**MAY, JUNE & JULY 2008
REVISION AUGUST 21, 2008**

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

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser	Type/Status	Category	Dept/Ser
Wells, Mary, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Welsh, Dolan, J., PhD	Reappt	Allied Health	Psychiatry	Reappt	Allied Health	Psychiatry	N/A	N/A	N/A
Wertelecki, Wladimir, MD	Reappt	Consulting	Med. Gen	Reappt	Consulting	Med.Gen	Reappt	Consulting	Med.Gen
Westbrook, Almand, MD	No Privs	N/A	N/A	New Appt	Associate	EM	N/A	N/A	N/A
Yasmeen, Qureshi, MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology


LEGEND:

New Appt New application for medical staff privileges recommended for approval.
Reappt Reappointment application for medical staff privileges recommended for approval.
No Privs No privileges requested

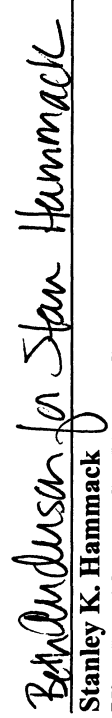
RECOMMENDED BY:



Craig Sherman, MD, President, Medical Staff
USA Children's & Women's Hospital



Robert A. Perkins, MD, President, Medical Staff,
USA Medical Center



Stanley K. Hammack
Vice President, USA Health System

RESOLUTION

**USA HOSPITALS
MEDICAL STAFF RULES AND REGULATIONS ADDITION
MEETING OF AUGUST 5, 2008**

WHEREAS, an addition to the USA Hospitals Medical Staff Rules and Regulations was approved by the Medical Staffs of the University of South Alabama Hospitals at their August 5, 2008, Medical Staff meeting and recommended to the Board of Trustees for approval,

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

UNIVERSITY OF SOUTH ALABAMA HOSPITALS
MEDICAL STAFF MEETING
AUGUST 5, 2008
MINUTES

The quarterly meeting of the Medical Staff of the University of South Alabama Hospitals was held in the John Counts Room of the Mitchell Center on Tuesday, August 5, 2008. Richard Teplick, M.D., Chief of Staff for the University of South Alabama Hospitals called the meeting to order.

A roster of attendance is available in the Medical Staff Credentials Office.

Following welcoming remarks, Dr. Teplick announced the additions of Dr. Eddie Reed and Dr. Barney Beaver as new facility members.

Dr. Teplick presented the following addition to the Medical Staff Rules and Regulations for USA Children's and Women's Hospital and USA Medical Center:

Focused Professional Practice Evaluation

The addition was approved by voice vote. A copy is attached and has been made a part of these minutes.

Samuel J. Strada, Ph.D., Dean, USA College of Medicine spoke briefly concerning the search for Chairman of the Department of Surgery. Dr. Strada announced that Dr. Dean Naritoku has accepted the position as Chairman of Neurology and is expected to begin work within the next few months.

Stan Hammack, Vice President USA Health System, gave an update on the continuing negotiation of our Medicaid Maternity Waiver bid. He also reviewed general Medicaid funding issues and gave an update on Medicare quality initiatives related to reimbursement.

Dr. Becky DeVillier, Administrator, USA Children's & Women's Hospital discussed the expansion and construction in various areas of the facility.

Beth Anderson, Administrator, USA Medical Center, gave an update on the construction and relocation of the Bio-Medical Library and the Pharmacy. Fresenius continues the progress for the building of an outpatient dialysis clinic on Stanton Road.

With no further business the meeting adjourned at 6:45 p.m.

Respectfully submitted,



Regina L. McHenry
Medical Staff Coordinator

Addition to Medical Staff Rules and Regulations:

Focused professional practice evaluations are activated in the following situations:

- 1) Immediately following granting of initial privileges**
 - a. Focused professional practice evaluation is limited to the first five (5) cases involving selected privileges as identified by the Department Chair/Hospital Medical Staff Committee, e.g., high volume privileges.**
 - b. Case evaluations will follow current peer review process, i.e., compliant → no peer review, non-compliant → peer review**
 - c. Department Chair/Hospital Medical Staff Committee will review evaluation findings, and submit recommendations to accept or change privileges to Medical Executive Committee.**
 - d. Medical Executive Committee reviews recommendations and determines if professional practice evaluation is completed or requires extension.**

And

- 2) Identification of medical quality of care concern.**

RESOLUTION
PROFESSORS EMERITI

WHEREAS, the following faculty members have retired from the University of South Alabama:

William F. Gilley, Ph.D., Professor of Health, Physical Education and Leisure Studies

Calvin N. Jones, Ph.D., Professor of Foreign Languages and Literatures

George E. Uhlig, Ph.D., Professor of Behavioral Studies and Educational Technology

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, and for serving as a consistently inspiring influence to students for a period of time, and

WHEREAS, the faculty and chairpersons from their departments, academic dean, the Senior Vice President for Academic Affairs, and the President have duly recommended the aforementioned retirees from the University faculty, and

NOW THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama in a seated meeting held on September 11, 2008, hereby appoints the aforementioned individuals to the rank of Professor Emeritus with the rights and privileges thereunto appertaining, and

FURTHER, BE IT RESOLVED that the Board of Trustees of the University of South Alabama in recognition of their extraordinary accomplishments and dedicated service to the University of South Alabama wishes to convey its deep appreciation to these individuals.



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF ACADEMIC AFFAIRS

REC'D
OFFICE OF THE PRESIDENT

AUG 21 2008

August 21, 2008

TO: Gordon Moulton
FROM: Carl Moore
SUBJECT: Professor Emeritus Recommendations

In accordance with the recommendation of the faculty and Chairs of the respective disciplines and Deans, I recommend that the retired University of South Alabama faculty listed below be granted the status of *Professor Emeritus* effective upon approval of you and the Board of Trustees.

- ▶ Dr. William F. Gilley, Professor of Health, Physical Education and Leisure Studies, Retired May 2007
- ▶ Dr. Calvin N. Jones, Professor of Foreign Languages and Literatures, Retired May 2008
- ▶ Dr. George E. Uhlig, Professor of Behavioral Studies and Educational Technology, Retired August 2007

A resolution for the Board of Trustees is attached.

nc
attachments

RESOLUTION

REPORT TO ACHE ON STATE PLAN FOR ALABAMA HIGHER EDUCATION

WHEREAS, the Alabama Commission on Higher Education (ACHE) has developed a *State Plan for Alabama Higher Education, 2003-2004 to 2008-2009 (Plan)*, and

WHEREAS, the ACHE Plan sets out five overarching goals with objectives - Access, Cooperation, Quality, Resources, and Workforce Development, and

WHEREAS, to demonstrate the accountability of the state's higher education institutions, ACHE has proposed that the boards of trustees of each institution annually submit a report on the institution's accomplishments toward achievement of the goals and objectives in the state Plan, and

WHEREAS, the fifth annual report to ACHE is due to be submitted by October 17, 2008,

NOW, THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves the attached report entitled *University of South Alabama Board of Trustees Fifth Annual Report to the Alabama Commission on Higher Education State Plan for Alabama Higher Education 2003-04 – 2008-09*, and authorizes the President of the University to submit said report on its behalf to the Alabama Commission on Higher Education.

**UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES
FIFTH ANNUAL REPORT
TO THE ALABAMA COMMISSION ON HIGHER EDUCATION
STATE PLAN FOR ALABAMA HIGHER EDUCATION, 2003-04 through 2008-09**

Goal 1 - Access: Elevate the educational attainment levels of all citizens.

The University of South Alabama is committed to elevating the educational attainment levels of all citizens. With more than 62,000 degrees awarded - including more than 1,950 Doctor of Medicine degrees - USA is the primary provider of baccalaureate, graduate, and professional education in southern Alabama and the upper Gulf Coast. The University awards more than 2,300 degrees a year, with most of these graduates remaining in the Mobile area, serving in the fields of education, health care, engineering, science, computer technology, business, visual and performing arts, humanities, and other disciplines. For the academic year 2007-2008, USA awarded the following degrees:

Degree Level	Number Awarded
Bachelor's	1,559
Master's	726
Ph.D.	18
Doctor of Physical Therapy	35
Doctor of Audiology	7
Doctor of Nursing Practice	12
M.D.	65
Total	2,422

With a fall 2007 enrollment of 14,003 students, USA has grown by 23.0 percent over the past eight years, far above the statewide average university growth of 17.7 percent. African-American student enrollment has increased from 14.2 percent of the student body in fall 1999 to 17.5 percent in fall 2007. These gains are the result of aggressive recruitment efforts, significant growth in scholarship programs, and greater community awareness of the quality and scope of USA's academic programs.

USA serves a large number of adult and non-traditional students, particularly through the academic programs of its School of Continuing Education and Special Programs. Opportunities for access are also facilitated through articulation agreements with 22 two-year institutions, ensuring transferability of educational achievements. Additional opportunities

for access are provided through distance learning. Over 140 courses are offered in an online distance learning format. The following academic programs can be completed entirely online: M.Ed. and Class A Certification in Educational Administration; M.S. in Instructional Design and Development; M.Ed. and Class A Certification in Educational Media; and several undergraduate and graduate programs in Nursing.

Although the University of South Alabama has maintained an active presence in Baldwin County for more than 20 years, recent program enhancements are creating even greater access to higher education for the citizens of one of the fastest growing counties in the country. Responding to the critical need for additional health care professionals, the College of Nursing's degree programs have been extremely successful and continue to experience significant enrollment increases. In addition to nursing programs, the University is expanding program offerings at the USABC Campus in downtown Fairhope in fields such as education, business, criminal justice, communication, and psychology.

A major objective of the University is to remain vigilant to the ever-changing academic needs of the community it serves. New academic programs recently implemented at USA will greatly enhance public health and safety in the region in addition to providing more opportunities for industry partnerships and economic development.

Last year, USA partnered with Auburn University's Harrison School of Pharmacy to address an acute shortage of pharmacists in the Gulf Coast area, at the same time taking advantage of USA's health care resources including its medical education program, hospitals, and the Mitchell Cancer Institute.

In another effort to match academic programs with needs of the community, USA's College of Nursing is working not only to increase the number of nurses in the region, but, also, to raise the skill level and professionalism among practitioners in this crucial field.

In September 2006, USA's College of Nursing established the state's first Doctor of Nursing Practice degree program. New technology, scientific advances, and an escalating demand for health care services have helped drive the need for nurses to pursue the highest level of nursing practice, which will now be available through USA's new doctoral program.

Also, the University of South Alabama has the region's only graduate program with a focus on civil engineering in the coastal environment. Last fall, the new program began offering a unique opportunity for civil engineers seeking an advanced degree with emphasis on design in coastal areas. Providing graduate education in civil engineering is a critical step in expanding the University's partnership with local industry. In addition, the program's coastal focus will help ensure better, safer design of infrastructures in the vulnerable coastal environment.

In summary, during the entire ACHE reporting initiative, the University of South Alabama has continued to provide high quality and relevant programs for a wide range of individual needs over the educational lifespan, further enhancing its contributions in harmony with the changing needs of its stakeholders.

Goal 2 - Cooperation: Offer relevant educational programs that address economic, intellectual, and social problems by partnering with business, government, K-12, and private sector entities.

The University of South Alabama is actively engaged in business, government, K-12, and private sector partnerships to ensure that its educational programs address economic, intellectual, and social problems.

Approximately 85 percent of the educators in Mobile County have earned degrees or certificates from USA. Enhanced partnerships, cooperative research projects and other interactions with the public school systems in Mobile and Baldwin counties are ongoing. Programs and centers such as the youth violence prevention initiative, service learning, business and economic research, small business development, recreation and the arts, lifelong learning, college head start for talented high school students, science education on wheels, Upward Bound, Special Services, and in-service training for teachers are only a few examples of USA's partnering with the public and private sectors to serve community needs.

Highlights of this past year include USA's sponsorship of a community-wide educational issues summit with the public school system, a large-scale summer skills enhancement program for math and science teachers in the region, and creation of a new mentoring program designed to recruit and retain special education teachers for local schools.

USA's Technology and Research Park, recipient of the Mobile Area Chamber of Commerce's 2003 Innovation Award, offers new opportunities for collaboration between leading technology firms and university faculty and students to develop new products and processes, as well as contributing significantly to economic and employment growth in the area.

Other successful partnerships with business have resulted in joint research and product development in areas including nutritional supplements, tire recycling technology, and new drug treatments for Alzheimer's disease and cancer.

Active involvement by faculty with community and professional organizations extends their knowledge and skill resources beyond the campus. The University's colleges and schools build and reinforce cooperative relationships with industry, education, and

government through advisory councils made up of leading practitioners who lend their insights and expertise to ensuring that academic programs are responsive to current and future needs of the state and local area.

In support of the state's objective to strengthen health care training and develop incentives to meet the shortage of health care workers in Alabama, USA graduates outstanding physicians, nurses, and allied health professionals each year. With a fall 2007 enrollment of 2,184 students, the College of Nursing ranks among the largest nursing education programs in the United States. Through its hospitals and clinics, the University serves more than 250,000 people per year, about one-third of whom have no insurance and otherwise might go without care.

The University's historic 2005 collaboration with Infirmity Health System continues to progress, linking USA's health system with one of the largest and most respected health care providers in the state and region. Through this relationship, the two systems are working to enhance health care in the region through joint initiatives in: 1) patient treatment; 2) education of medical students and other health professionals, and 3) medical research, stemming initially from USA's Mitchell Cancer Institute. The largest research initiative in USA history, the Institute is also a result of USA's funding collaboration involving the city, county, state, federal government, private donors and private business.

USA is also central to a statewide effort with the Alabama Medicaid Agency and the Department of Public Health to use remote computer technology to monitor the health of patients in rural areas who have limited access to physicians. This program of USA's Center for Strategic Health Innovation was given the 2005 Innovations Award by the Southern Legislative Conference. USA's Center for Healthy Communities is a leading resource for seeking innovative solutions and identifying resources to address the challenges of providing adequate health care and counseling for citizens in the region who are most in need of such support.

USA has partnered with a private firm that specializes in constructing and managing high-quality student apartments to develop on-campus accommodations for 500 students. An additional 500-bed complex opened in 2008. Involving the private sector in the challenge of providing costly – yet much needed – facilities is a “win-win” solution for all parties.

Finally, the University of South Alabama has an abiding positive relationship with area chambers of commerce and local governments, assisting regularly as an important contributor to all major economic development projects in the region. Particularly through its business, engineering and technology-related programs, USA continues to help enhance the Gulf Coast economy by meeting the human capital and technological needs of current and future employers.

The University of South Alabama remains a ready and willing partner in working with a wide range of public and private community partners to address the Gulf Coast region's most pressing economic, intellectual and social issues.

Goal 3 - Quality: Strengthen instructional programs, evaluate and assess their effectiveness, and use the results to improve quality.

The University of South Alabama is committed to quality and accessible educational programs and services. To this end, we seek to better understand our programs and services through research and analysis and then use this information to continually improve. Intended student learning outcomes with measurable targets are identified and assessed for every degree program, at minimum. In addition, intended outcomes are established and assessed for all educational support services and administrative departments. Every unit links their intended outcomes to University goals and objectives as we strive to fulfill our mission. Each year, the results are analyzed and used to make improvements in academic programs and services.

USA uses TracDat software to capture and report intended outcomes, assessment methods, target performance levels, results from assessment and action plans that use these findings to improve programs and services. The latest version of TracDat was implemented this year to increase user flexibility and reporting capabilities.

A number of improvements were made this year as a result of the planning and assessment process, with several having broad implications. For example, based on analysis of freshman retention rates, the conditional admission program was revised. In addition to revised criteria for admission, all students with low ACT English scores must pass a language arts pre-requisite class prior to taking English 101. Also, last fall was the first semester that all freshmen were required to take the Freshman Seminar course designed to facilitate academic success in college. The Freshman Seminar was formerly optional and is now required after assessing outcomes of those who attended the optional seminar. At the academic program level, one of many examples of improvements based on assessment is the change in format and curriculum of the MBA program resulting from analysis of attrition rates and associated factors. Facility changes and improvements also are a part of the planning and assessment process as evidenced by the new Allied Health and Nursing complex nearing completion. This complex will consolidate facilities for allied health and nursing programs and house them on the main campus to enhance student learning and educational support services.

In summary, the University of South Alabama is actively engaged in a planning and assessment process to further strengthen academic programs and administrative services.

Goal 4 - Resources: Strive for a sustained level of funding that will allow citizens to reach educational objectives, attain cultural and social goals, and position Alabama to compete economically in the region.

In addition to providing an educated workforce, the University of South Alabama injects more than \$2 billion into the economy annually through its teaching, research, and health care missions. USA has leveraged its state appropriations by being resourceful in generating revenue from other sources, including external grants and contracts, federal appropriations, health care services, tuition revenue growth, and private gifts. From its total 2007-2008 budget of \$786 million, the university will generate \$646.3 million, while receiving \$139.7 million from the state. Since 1998, USA has aggressively sought to increase its external funding. In fiscal year 2007, USA generated more than \$35.4 million in competitive external contracts and grants, and the University has received more than \$122 million in direct federal appropriations since 1998.

With the kick-off of Campaign USA, a \$75 million comprehensive fund-raising campaign in Spring 2006, the University has dramatically increased its efforts to seek private philanthropic support. Private giving has risen from approximately \$2 million per year five years ago to more than \$15 million annually. Highlights of USA's first comprehensive campaign include more than \$68 million raised to date, and the attainment of one of the largest single gifts in the history of Alabama higher education - a \$22 million pledge to USA's Mitchell Cancer Institute. Campaign USA is providing widely expanded opportunities for faculty, staff, students, alumni and community through enhancements in scholarships, faculty support, improvements in campus buildings and environment, advanced technology, enhanced cultural and athletic opportunities, and many others. Campaign USA is also serving as an important and visible public reminder of the leadership role USA plays in the quality of life for our state and beyond.

USA has been in the forefront of raising awareness of the need for significant reform to achieve equitable and adequate funding for higher education. The University works diligently with state, county, and local government leaders, legislative delegations, and the business community to advocate for additional state funding for higher education and to promote economic development initiatives.

Likewise, with endorsement of key government and business leaders, the University is actively engaged in economic development initiatives of significant benefit to the state and region. Such initiatives include the \$125 million USA Mitchell Cancer Institute and the USA Technology and Research Park. In addition to providing state-of-the-art cancer research and treatment, over the next few years the Institute is expected to create some 700 jobs, stimulate the development of biotechnology businesses, and have an economic impact of \$1 billion.

Similarly, the Technology and Research Park boosts the economy while providing a link for faculty and students to rapidly expanding technology and biotechnology companies located in the Park. USA's initiative in creating the Park is an excellent example of how strategic public-private partnerships can contribute to overall economic development while enhancing the academic mission of the institution. The Park attracts and retains clean and sustainable high-tech jobs, now employing more than 200 local citizens.

Finally, USA continues to look for innovative ways to support its students through non-traditional revenue sources for program enhancement. A primary example, previously listed under Goal 2, is an initiative to create a 500-student privately developed housing complex on the USA campus, with an additional 500-bed complex planned in 2008. This endeavor provides much-needed, reasonably priced student housing, without the use of public funds or indebtedness. This public-private partnership is one of the first of its type in the country.

In summary, the University of South Alabama has aggressively tapped into both traditional and innovative sources of support to position itself to best meet the needs of the citizens it serves.

Goal 5 - Workforce Development: Enhance economic prosperity by involving all segments of public education in Alabama's economic future.

In addition to providing direct employment for some 5,800 people in its region, through its teaching, research, and health system, the University of South Alabama plays a key leadership role in creating opportunities for all of Alabama's citizens to achieve economic prosperity.

Throughout the curriculum, USA prepares students for the challenges of technologically advanced workplaces. With more than 62,000 degrees awarded to more than 55,000 students, USA has contributed to the workforce some 1,950 medical doctors, 12,500 teachers and school administrators, 6,000 nurses, 3,500 engineers, 2,100 accountants, 1,600 computer sciences professionals, as well as highly skilled workers in many other fields of study and career preparation in all of the institution's nine colleges and schools.

Many of these educational programs are supported and enhanced through competitive external contract and grant funding, totaling some \$61 million annually, and more than \$122 million in direct federal appropriations since 1998.

USA's Technology and Research Park represents a partnership between higher education and high-tech industry that will produce significant employment opportunities for

Alabama citizens in technology fields. The Mitchell Cancer Institute is expected to generate some 700 jobs associated with research, patient treatment, and biotechnology.

In addition, University faculty, staff, and administrators are active in workforce development initiatives of area chambers of commerce and economic/community development organizations and are participating in the 2006 Workforce Development Summit.

Throughout the past four years of USA's committed support of ACHE's "State Plan for Higher Education, 2003-04 Through 2008-09," the University of South Alabama has continued to serve in its traditional role as a major and visible player in the economic enhancement of the Gulf Coast region and beyond. USA has directly contributed to a highly educated workforce and has been central to regional economic development efforts that have led to creation of the high quality and sustainable jobs needed to secure the region's economic health and overall quality of life.

September 2008

I N D E X **APRIL 2008**

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Financial Report Highlights

April 30, 2008

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standards Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the seven months ended, April 30, 2008 and 2007 are as follows (in thousands):

	At and for the seven months ended	
	4-30-08	4-30-07
<i>Total assets, by fund</i>		
Current	\$ 207,672	\$ 198,942
Loan	4,765	4,873
Endowment	82,471	35,997
Plant	484,197	472,113
<i>Fund Balances, by fund</i>		
Current	\$ 48,180	\$ 49,153
Loan	417	325
Endowment	73,143	35,997
Plant	278,180	263,838
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 269,517	\$ 281,303
Accounts receivable	63,924	52,819
Bonds and notes payable	195,159	200,232

	For the seven months ended	
	4-30-08	4-30-07
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 42,784	\$ 38,563
State appropriations	81,513	70,226
Hospital revenues	170,541	172,667
Gifts, grants and contracts	57,721	56,123
Instruction and Academic support	76,559	70,589
Research and public service	38,641	39,372
Hospital expenses	173,889	156,042
Net current fund increase (decrease)	(579)	5,184

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

Enrollment and tuition have increased in recent years. Additionally, state appropriations increased significantly in fiscal 2008 and 2007. University administration is not aware of any conditions that are expected to have a significant impact on the University financial position throughout the remainder of 2008 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEETS
APRIL 2008 AND 2007

ASSETS		2008	2007	LIABILITIES AND FUND BALANCES		2008	2007
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	144,851.84	135,229.53	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	52,245,831.83	59,018,567.28
INVESTMENTS		102,034,155.96	114,275,284.47	DEFERRED REVENUES		19,038,277.42	17,562,572.13
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$39,978,453.82 FOR 2008 AND \$40,804,848.47 FOR 2007)				DUE TO OTHER FUNDS		86,167,040.86	71,303,423.39
DEPOSITS		63,924,190.37	52,818,897.14	DEPOSITS HELD IN CUSTODY		107,627.18	99,054.32
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		443,745.20	392,676.28
PREPAID EXPENSES		3,862,169.82	3,762,742.10	FUND BALANCES:			
		19,806,353.65	7,145,588.72	ALLOATED FOR:			
				HOSPITALS	(10,824,947.51)		(9,599,141.26)
				AUXILIARY ENTERPRISES	(707,283.30)		(536,258.27)
				ENCUMBRANCES	2,022,682.87		2,227,061.83
				SELF-SUPPORTING ACTIVITIES	43,017,511.26		40,873,248.62
				UNALLOCATED	(1,703,764.17)		(3,168,482.36)
				TOTAL FUND BALANCES	31,804,199.15		29,796,428.56
				TOTAL UNRESTRICTED	189,806,721.64		178,172,721.96
TOTAL UNRESTRICTED		189,806,721.64	178,172,721.96				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		7,053,323.50	5,682,104.17	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		34,249.62	558,675.26
INVESTMENTS		169,426.36	168,763.28	OTHER DEPOSITS		1,100.00	1,070.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		10,642,610.42	14,918,169.19	DEFERRED REVENUES		1,454,364.59	852,410.46
				FUND BALANCES		16,375,646.07	19,356,880.92
				TOTAL RESTRICTED		17,865,360.28	20,769,036.64
TOTAL RESTRICTED		17,865,360.28	20,769,036.64	TOTAL CURRENT FUNDS		207,672,081.92	198,941,758.60
TOTAL CURRENT FUNDS		207,672,081.92	198,941,758.60				
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		332,879.18	87,632.40	REFUNDABLE GOVERNMENT ADVANCES		4,348,114.74	4,547,901.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$521,687.85 FOR 2008 AND \$493,734.41 FOR 2007)							
TOTAL LOAN FUNDS		332,879.18	87,632.40	FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		416,794.15	325,447.38
				TOTAL FUND BALANCES		416,794.15	325,447.38
				TOTAL LOAN FUNDS		4,764,908.89	4,873,348.38
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		13,686,704.61	10,765,444.52	DEFERRED REVENUE		9,327,985.00	0.00
FUNDS WITH TRUSTEES		53,981.22	53,981.22	FUND BALANCES:			
INVESTMENTS		65,364,733.46	22,066,921.78	RESTRICTED NONEXPENDABLE		24,255,873.47	12,291,443.71
REMAINDER INTEREST IN REAL ESTATE		3,365,671.00	3,111,017.00	UNRESTRICTED NONEXPENDABLE		48,887,231.82	23,705,920.81
				TOTAL FUND BALANCES		73,143,105.29	35,997,364.52
TOTAL ENDOWMENT FUNDS		82,471,090.29	35,997,364.52	TOTAL ENDOWMENT FUNDS		82,471,090.29	35,997,364.52
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		28,791,725.00	54,483,506.41	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		3,975,499.45	639,753.03
INVESTMENTS		51,939,416.64	73,638,133.57	DEFERRED REVENUES		6,723,175.25	7,108,764.03
ACCOUNTS RECEIVABLE		2,405,471.00	2,304,683.00	OTHER DEPOSITS		27,791.67	70,013.46
NOTES RECEIVABLE		254,936.16	256,199.26	NOTES PAYABLE		732,880.80	2,050,429.37
INTEREST RECEIVABLE		94,173.61	66,840.28	BONDS PAYABLE		194,426,424.64	198,181,230.04
DUE FROM OTHER FUNDS		86,167,040.86	71,303,423.39	CAPITALIZED LEASE OBLIGATIONS		131,737.74	224,470.35
PREPAID EXPENSES		2,206,396.18	3,727,050.00				
DEPOSITS WITH TRUSTEES		0.00	527,777.78				
CAPITAL LEASE RECEIVABLE		1,419,916.63	1,872,128.35				
INVESTMENT IN PLANT:							
LAND		29,271,538.45	28,795,117.65				
LAND IMPROVEMENTS		10,444,387.56	7,012,445.55				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		129,534,513.75	126,266,269.11				
OTHER EQUIPMENT, BOOKS AND FILMS		51,100,082.82	36,484,016.04				
CONSTRUCTION IN PROGRESS		90,567,843.30	65,373,042.79				
TOTAL PLANT FUNDS		484,197,441.96	472,112,633.18				
TOTAL ASSETS		\$ 779,105,523.06	\$ 711,925,104.68	TOTAL LIABILITIES AND FUND BALANCES		\$ 779,105,523.06	\$ 711,925,104.68

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS	
	UNRESTRICTED	RESTRICTED				RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	160,882,652.54						
HOSPITALS REVENUES	178,221,433.94						
AUXILIARY ENTERPRISES REVENUES	8,838,447.79						
GRANTS AND CONTRACTS:							
FEDERAL		21,399,427.05					
STATE AND LOCAL		2,281,298.11					
PRIVATE		4,111,352.81					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			761.52	(2,893,975.84)	1,975,264.85	340,120.06	
INVESTMENT INCOME, GAINS/LOSS					448,792.25		
INSURANCE PROCEEDS					2,144.88		
INTEREST ON LOANS RECEIVABLE			21,886.03			34,394.11	
GIFTS AND BEQUESTS			70.00	4,852,248.54	281,784.94		
EXPENDED FOR PLANT FACILITIES (INCLUDING \$5,712,481.75 CURRENT FUNDS EXPENDITURES)							35,857,496.90
RETIREMENT OF INDEBTEDNESS							4,507,962.76
PROCEEDS FROM SALE OF CAPITAL ASSETS							(383,490.21)
OTHER SOURCES		1,893,094.68	44.00		182,214.22		
TOTAL REVENUES AND OTHER ADDITIONS	347,942,534.27	29,685,172.65	22,761.55	1,958,272.70	2,870,201.14	374,514.17	40,001,969.45
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	144,531,316.25	26,662,907.69					
HOSPITALS EXPENDITURES	172,706,218.96						
AUXILIARY ENTERPRISES EXPENDITURES	8,546,484.28						
INDIRECT COSTS RECOVERED		2,973,000.77					
REFUNDED TO GRANTORS		99,112.56					
RETIREMENT OF INDEBTEDNESS						4,507,962.76	
ADMINISTRATIVE AND COLLECTION COSTS			15,768.03				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$4,066,938.00 FOR NON-CAPITALIZED EXPENDITURES)					34,211,953.15		
INTEREST ON INDEBTEDNESS						1,998,306.51	11,182,435.97
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							46.31
LOSS ON DISPOSAL OF PLANT						17,714.00	77.76
OTHER DEDUCTIONS							
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	325,784,019.49	29,735,021.12	15,768.03	660.42	34,211,953.15	6,523,983.27	11,182,560.04
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(5,297,563.90)				(1,669,559.67)	6,967,123.57	
FINANCIAL AID MATCHING	(91,119.00)	91,119.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(5,599,015.00)						
MOBILE RACING COMMISSION	(203,693.29)				5,599,015.00		
PLANT ADDITIONS AND REPLACEMENTS	(4,498,712.50)				203,693.29		
ENDOWMENT FUND	(2,484,705.14)				4,498,712.50		
OTHER TRANSFERS	(3,700,310.73)				(287,988.04)		
TOTAL TRANSFERS	(21,875,119.56)	417,189.19	25,000.00	2,355,503.99	13,887,608.59	0.00	(548,939.21)
NET INCREASE (DECREASE) FOR THE PERIOD	283,395.22	(812,177.38)	25,000.00	2,356,503.99	17,454,143.42	6,967,123.57	(548,939.21)
FUND BALANCES AT OCTOBER 1, 2007	31,520,803.93	(862,025.85)	31,993.52	4,314,116.27	86,052,570.39	817,854.47	28,270,470.20
FUND BALANCES AT APRIL 30, 2008	31,804,199.15	17,237,671.92	384,800.63	68,828,989.02	17,021,155.56	17,838,810.03	163,472,225.21
	\$	\$	\$	\$	\$	\$	\$

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,660,034.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	MONTH ENDED APRIL 30, 2008			APRIL 30, 2007
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 42,784,024.96	\$	\$ 42,784,024.96	38,562,811.21
STATE APPROPRIATIONS	73,832,770.69		73,832,770.69	63,396,687.36
MOBILE RACING COMMISSION	203,693.29		203,693.29	269,338.25
FEDERAL GRANTS AND CONTRACTS	2,413,956.19	19,021,809.31	21,435,765.50	19,595,408.96
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$158,859.96)	297,246.96	1,947,030.01	2,244,276.97	8,207,087.60
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$400,484.62)		3,639,856.57		28,320,580.75
INVESTMENT INCOME	30,401,249.74		30,401,249.74	4,298,621.10
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,308,624.28		1,308,624.28	2,012,386.17
HOSPITALS - SALES AND SERVICES	2,462,436.07		2,462,436.07	172,667,468.39
- STATE APPROPRIATIONS	170,541,031.63		170,541,031.63	6,829,897.64
AUXILIARY ENTERPRISES - SALES AND SERVICES	7,680,402.31		7,680,402.31	8,720,977.89
OTHER SOURCES	8,838,447.79		8,838,447.79	10,467,593.43
	7,173,650.36	2,054,211.80	9,227,862.16	363,348,758.75
TOTAL CURRENT REVENUES	347,942,534.27	26,662,907.69	374,605,441.96	
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	62,274,369.12	4,282,933.98	66,557,303.10	61,504,001.59
RESEARCH	4,003,069.39	7,801,729.31	11,804,798.70	11,358,757.87
PUBLIC SERVICE	25,638,230.00	1,197,498.47	26,835,728.47	28,012,896.45
ACADEMIC SUPPORT	10,001,785.88	34.92	10,001,820.80	9,085,743.05
STUDENT SERVICES	12,276,567.08	412,134.12	12,688,691.20	11,537,412.07
INSTITUTIONAL SUPPORT	16,474,632.02		16,474,632.02	16,890,233.60
OPERATION AND MAINTENANCE OF PLANT	11,641,758.85	7,053,561.54	18,695,320.39	17,887,400.01
SCHOLARSHIPS	2,220,913.91	5,915,016.35	8,135,929.26	6,831,436.63
EDUCATIONAL AND GENERAL	144,531,316.25	26,662,907.69	171,194,223.94	163,107,881.27
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	3,088,246.00		3,088,246.00	3,177,627.00
FINANCIAL AID MATCHING	91,119.00		91,119.00	58,190.00
TOTAL EDUCATIONAL AND GENERAL	147,710,681.25	26,662,907.69	174,373,588.94	166,343,698.27
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,182,872.90)				
	173,889,091.86		173,889,091.86	156,042,283.76
AUXILIARY ENTERPRISES:				
EXPENDITURES	8,546,484.28		8,546,484.28	8,166,179.80
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	1,026,445.00		1,026,445.00	1,027,369.00
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	15,000.00		15,000.00	0.00
OTHER TRANSFERS	347.45		347.45	(1,078.70)
TOTAL AUXILIARIES	9,588,276.73	0.00	9,588,276.73	9,192,470.10
TOTAL EXPENDITURES AND TRANSFERS	331,188,049.84	26,662,907.69	357,850,957.53	331,578,452.13
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES				
REFUNDED TO GRANTORS		49,264.19	49,264.19	3,069,349.25
FUNDED DEPRECIATION		(99,112.66)	(99,112.66)	(94,677.86)
MOBILE RACING COMMISSION	(5,599,015.00)		(5,599,015.00) *	(22,251,713.00)
PLANT ADDITIONS AND REPLACEMENTS	(203,693.29)		(203,693.29)	(269,338.25)
ENDOWMENT FUND	(4,483,712.50)		(4,483,712.50)	(4,465,493.00)
OTHER TRANSFERS	(2,484,705.14)	417,189.19	(2,067,515.95)	(1,958,966.72)
TOTAL TRANSFERS	(3,699,963.28)	(1,229,366.57)	(4,929,329.85)	(615,459.40)
	(16,471,089.21)	(862,025.85)	(17,333,115.06)	(26,586,298.98)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 283,395.22	\$ (862,025.85)	\$ (578,630.63)	\$ 5,184,007.64

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,660,034.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 11.75% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				04/30/08	04/30/07
BOOKSTORE	\$ 3,936,825.27	\$ 3,828,471.07	\$ 0.00	\$ 108,354.20	\$ 84,578.18
BROOKLEY CENTER	1,236,954.71	1,585,513.97	(42,499.45)	(391,058.71)	(381,433.61)
FOOD SERVICES-CAMPUS	129,161.67	80,892.67	0.00	48,269.00	15,079.07
HOUSING	3,535,506.14	3,051,606.57	(999,293.00)	(515,393.43)	(189,715.85)
TOTAL	\$ 8,838,447.79	\$ 8,546,484.28	\$ (1,041,792.45)	\$ (749,828.94)	\$ (471,492.21)

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2006

	CAMPUS		HEALTH SCIENCES		TOTAL	TOTAL
	04/30/08	04/30/07	04/30/08	04/30/07	04/30/08	04/30/07
REVENUES:						
SALES	\$ 3,357,475.17	\$ 3,116,616.31	\$ 493,365.20	\$ 505,988.07	\$ 3,850,840.37	\$ 3,622,604.38
LESS: DEPARTMENTAL DISCOUNTS	2,986.19	2,395.37	2,544.56	2,485.67	5,530.75	4,881.04
COST OF GOODS SOLD	2,493,393.47	2,311,781.01	325,740.36	380,280.70	2,819,133.83	2,692,061.71
GROSS PROFIT	861,095.51	802,439.93	165,080.28	123,221.70	1,026,175.79	925,661.63
CASH OVER/(SHORT)	(408.78)	(21.14)	(13.94)	6.18	(422.72)	(14.96)
GRADUATION (NET)	56,460.05	51,492.84	0.00	0.00	56,460.05	51,492.84
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	20,602.34	15,807.38	9,345.23	7,208.41	29,947.57	23,015.79
NET REVENUES:	937,749.12	869,719.01	174,411.57	130,436.29	1,112,160.69	1,000,155.30
EXPENDITURES:						
SALARIES	387,648.74	350,017.49	43,491.25	35,842.60	431,139.99	385,860.09
EMPLOYEE BENEFITS	122,089.76	100,688.26	15,838.83	10,691.32	137,928.59	111,379.58
SUPPLIES	15,064.90	12,698.45	2,607.08	2,166.01	17,671.98	14,864.46
TRAVEL	11,918.45	12,004.35	0.00	540.96	11,918.45	12,545.31
EQUIPMENT	5,228.42	1,849.97	169.16	0.00	5,397.58	1,849.97
EQUIPMENT MAINTENANCE AND REPAIR	23,548.02	2,971.20	10.00	0.00	23,558.02	2,971.20
BUILDING & EQUIPMENT RENTAL	1,684.15	1,795.18	241.96	854.16	1,926.11	2,649.34
UTILITIES	43,750.00	43,750.00	0.00	0.00	43,750.00	43,750.00
TELEPHONE	2,998.65	2,422.51	2,735.29	3,116.55	5,733.94	5,539.06
INSURANCE AND BONDS	2,166.00	4,023.00	0.00	0.00	2,166.00	4,023.00
CONTRACT SERVICES	73,857.05	66,305.58	6,925.17	15,135.31	80,782.22	81,440.89
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
RENT	0.00	0.00	11,655.00	11,655.00	11,655.00	11,655.00
OBSOLETE INVENTORY	702.74	0.00	0.00	0.00	702.74	0.00
GENERAL EXPENSES	30,813.07	28,748.91	5,863.29	3,606.34	36,676.36	32,355.25
CHARGE CARD AND FACULTY						
STAFF DISCOUNTS	11,578.40	33,931.31	3,815.49	3,681.66	15,393.89	37,612.97
INSTITUTIONAL COST ALLOCATION	151,781.56	141,469.00	25,624.06	25,612.00	177,405.62	167,081.00
TOTAL EXPENDITURES	884,829.91	802,675.21	118,976.58	112,901.91	1,003,806.49	915,577.12
TRANSFERS AMONG FUNDS-						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:						
OTHER TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00	0.00	0.00	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	\$ 52,919.21	\$ 67,043.80	\$ 55,434.99	\$ 17,534.38	\$ 108,354.20	\$ 84,578.18
AND MANDATORY TRANSFERS						

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	RECREATION CENTER	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 21,835.10	\$ 0.00	\$ (10.00)	\$ 21,825.10
LESS: COST OF GOODS SOLD	0.00	0.00	24,199.60	0.00	0.00	24,199.60
DISCOUNTS	0.00	0.00	2,063.60	0.00	0.00	2,063.60
GROSS PROFIT	0.00	0.00	(4,428.10)	0.00	(10.00)	(4,438.10)
FEES	174.00	0.00	202,559.81	0.00	19,441.11	222,000.92
RENTALS	45,500.00	400,263.72	0.00	0.00	0.00	400,263.72
OTHER	945.21	2,012.17	240.14	0.00	0.00	2,252.31
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	46,619.21	402,275.89	198,371.85	0.00	19,431.11	620,078.85
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	414,161.66	45,465.22	138,248.51	0.00	0.00	183,713.73
EMPLOYEE BENEFITS	144,765.06	16,401.29	42,194.02	0.00	0.00	58,595.31
SUPPLIES	31,391.34	0.00	66,010.67	0.00	0.00	66,010.67
TRAVEL	1,598.80	0.00	462.42	0.00	0.00	462.42
CONTRACT SERVICE	80,967.43	15,378.90	36,636.71	0.00	1,920.00	53,935.61
BUILDING MAINTENANCE & REPAIR	7,954.18	25,524.06	1,493.03	0.00	2,350.26	29,367.35
GROUND MAINTENANCE	5,365.13	7,773.50	20,609.01	0.00	86.54	28,469.05
UTILITIES	71,861.39	42,314.05	17,120.87	0.00	29,449.25	88,884.17
EQUIPMENT MAINTENANCE & REPAIR	409.54	1,731.12	28,787.29	0.00	4,784.08	35,302.49
BUILDING & EQUIPMENT RENTAL	1,509.11	0.00	12,331.06	0.00	1,173.12	13,504.18
TELEPHONE	8,866.15	76.40	714.08	0.00	3.28	793.76
INSURANCE AND BONDS	38,474.00	0.00	0.00	0.00	2,115.00	2,115.00
RECEPTIONS	515.10	5.00	0.00	0.00	0.00	5.00
ADVERTISING	2,829.95	476.72	4,261.34	0.00	186.68	4,924.74
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	45,788.13	1,272.52	12,095.51	0.00	7,003.61	20,371.64
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(855,175.99)	239,449.27	0.00	8,551.78	34,207.03	282,208.08
TOTAL OPERATING EXPENDITURES	1,280.98	395,868.05	380,964.52	8,551.78	83,278.85	868,663.20
EXCESS REVENUES OVER EXPENDITURES	45,338.23	6,407.84	(182,592.67)	(8,551.78)	(63,847.74)	(248,584.35)
OTHER EXPENDITURES:						
EQUIPMENT						
OTHER COST ALLOCATIONS	3,786.23	298.00	1,975.00	0.00	0.00	2,273.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST						
NON-MANDATORY:	(41,552.00)	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	(947.45)	0.00	0.00	(947.45)
TOTAL TRANSFERS	(41,552.00)	0.00	(947.45)	0.00	0.00	(947.45)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 6,109.84	\$ (185,515.12)	\$ (8,551.78)	\$ (63,847.74)	\$ (251,804.80)

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 04/30/08	BROOKLEY CENTER TOTAL 04/30/07
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 21,825.10	\$ 24,084.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	24,199.60	22,197.61
DISCOUNTS	2,252.45	0.00	0.00	2,252.45	4,316.05	4,174.67
GROSS PROFIT	(2,252.45)	0.00	0.00	(2,252.45)	(6,690.55)	(2,287.65)
FEES	224,694.61	306,865.34	0.00	531,559.95	753,734.87	641,224.65
RENTALS	7,700.00	418.00	0.00	8,118.00	453,881.72	438,883.02
OTHER	4,315.50	0.00	0.00	4,315.50	7,513.02	5,356.40
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	234,457.66	307,283.34	0.00	541,741.00	1,208,439.06	1,083,176.42
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	597,875.39	563,623.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	203,360.37	184,641.54
SUPPLIES	12,974.56	2,759.42	0.00	15,733.98	113,135.99	59,838.63
TRAVEL	0.00	0.00	0.00	0.00	2,061.22	1,687.03
CONTRACT SERVICE	8,391.78	3,383.22	0.00	11,775.00	146,678.04	143,635.89
BUILDING MAINTENANCE & REPAIR	11,793.84	3,146.76	0.00	14,940.60	52,262.13	49,066.85
GROUND MAINTENANCE	0.00	560.00	0.00	560.00	34,394.18	39,414.95
UTILITIES	70,918.45	54,845.88	0.00	125,764.33	286,509.89	280,354.89
EQUIPMENT MAINTENANCE & REPAIR	8,293.88	1,302.19	0.00	9,596.07	45,308.10	35,386.12
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	15,013.29	14,959.12
TELEPHONE	0.00	0.00	0.00	0.00	9,659.91	11,205.62
INSURANCE AND BONDS	3,000.00	0.00	0.00	3,000.00	43,589.00	53,336.00
RECEPTIONS	495.00	0.00	0.00	495.00	1,015.10	0.00
ADVERTISING	12,752.20	0.00	0.00	12,752.20	20,506.89	14,472.41
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	6,682.79	21,422.27	0.00	28,105.06	94,264.83	(36,012.84)
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	(128,255.19)	(128,255.19)	(128,255.19)	0.00
OPERATING COST ALLOCATIONS	171,035.19	145,379.92	256,552.80	572,967.91	0.00	0.00
TOTAL OPERATING EXPENDITURES	306,337.69	232,799.66	128,297.61	667,434.96	1,537,379.14	1,415,629.66
EXCESS REVENUES OVER EXPENDITURES	(71,880.03)	74,483.68	(128,297.61)	(125,693.96)	(328,940.08)	(332,453.24)
OTHER EXPENDITURES:						
EQUIPMENT	9,785.96	3,773.99	0.00	13,559.95	19,619.18	8,352.07
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	9,785.96	3,773.99	0.00	13,559.95	19,619.18	8,352.07
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(41,552.00)	(41,552.00)
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(947.45)	923.70
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(42,499.45)	(40,628.30)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ (81,665.99)	\$ 70,709.69	\$ (128,297.61)	\$ (139,253.91)	\$ (391,058.71)	\$ (381,433.61)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	04/30/08	04/30/07
REVENUES:		
COMMISSION INCOME	\$ 129,161.67	\$ 105,798.66
TOTAL REVENUES	<u>129,161.67</u>	<u>105,798.66</u>
EXPENDITURES:		
SUPPLIES	(3.86)	29.02
EQUIPMENT MAINTENANCE AND REPAIR	12,217.48	24,951.46
UTILITIES	37,916.69	37,907.00
TELEPHONE	58.70	(2.49)
MEMBERSHIPS AND DUES	270.00	270.00
CONTRACT SERVICES	5,169.96	6,397.60
INSURANCE AND BONDS	11,865.00	10,003.00
EQUIPMENT	243.97	0.00
BUILDING MAINTENANCE AND REPAIR	2,995.00	1,810.00
INDIRECT COST	9,439.50	9,425.00
GENERAL EXPENSE	<u>720.23</u>	<u>(71.00)</u>
TOTAL EXPENDITURES	<u>80,892.67</u>	<u>90,719.59</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:		
OTHER TRANSFERS	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS		
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 48,269.00</u>	<u>\$ 15,079.07</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	OLD SHELL ROAD HOUSING	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:	\$	0.00	\$	0.00	\$	212,392.31
RENTAL INCOME						
BAD DEBT RECOVERY	5,120.84	0.00	0.00	0.00	1,048.02	0.00
OTHER	150.00	0.00	0.00	0.00	12,798.89	51,128.76
TOTAL REVENUES	5,270.84	0.00	94,585.00	0.00	364,932.45	263,521.07
EXPENDITURES:						
SALARIES	220,941.86	54,271.28	0.00	0.00	168,966.24	43,003.69
EMPLOYEE BENEFITS	66,134.25	25.00	0.00	0.00	60,506.33	10,234.61
CONTRACT LABOR	0.00	0.00	0.00	0.00	808.00	68.00
CONTRACT SERVICES	1,106.00	0.00	49,606.00	0.00	15,203.71	10,275.15
TRAVEL	3,586.92	783.38	0.00	0.00	0.00	0.00
RECEPTIONS	(95.15)	15,502.58	0.00	0.00	0.00	0.00
SUPPLIES	8,521.65	254.44	0.00	4.08	20,064.52	7,306.54
CABLE	71,680.84	0.00	0.00	0.00	722.19	0.00
TELEPHONE	856.41	0.00	0.00	0.00	1,092.71	584.75
UTILITIES	0.00	0.00	0.00	0.00	16,053.37	657.60
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	8,852.00	8,112.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	54.26	201.42	0.00	0.00	0.00	1,811.15
EQUIPMENT RENTAL	311.38	0.00	0.00	0.00	2,878.60	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	326.95	0.00
MAJOR RENOVATIONS	933.75	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
ADMINISTRATIVE OVERHEAD	34,145.25	509.72	200.00	0.00	4,206.51	1,690.00
ADMINISTRATIVE EXPENSES	255,499.16	0.00	0.00	0.00	0.00	45,460.66
ADMINISTRATIVE EXPENSES	(658,405.74)	(70,947.82)	26,986.09	0.00	2,917.41	67,829.87
TOTAL EXPENDITURES	5,270.84	600.00	76,792.09	4.08	302,598.54	197,034.02
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(531,153.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	(531,153.00)
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	600.00	0.00	0.00	0.00	(531,153.00)
EXCESS REVENUES OVER EXPENDITURES	\$	0.00	\$	(4.08)	\$	(464,665.95)
AND TRANSFERS (DEFICIT)						

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 04/30/08	TOTAL HOUSING 04/30/07
REVENUES:						
RENTAL INCOME	\$ 643,206.39	\$ 356,801.59	\$ 1,383,899.83	\$ 381,841.55	\$ 3,423,812.21	\$ 3,671,753.01
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	6,168.86	2,816.63
OTHER	4,157.00	2,938.80	23,729.74	10,621.88	105,525.07	133,962.84
TOTAL REVENUES	<u>647,363.39</u>	<u>359,740.39</u>	<u>1,407,629.57</u>	<u>392,463.43</u>	<u>3,535,506.14</u>	<u>3,808,532.48</u>
EXPENDITURES:						
SALARIES	101,517.32	26,922.06	123,979.30	103,841.71	843,443.46	817,762.90
EMPLOYEE BENEFITS	28,345.54	7,910.25	32,879.20	18,931.33	224,966.51	213,374.24
CONTRACT LABOR	0.00	357.00	27,728.18	357.00	29,318.18	1,953.13
CONTRACT SERVICES	7,772.83	4,679.78	21,827.82	11,357.41	121,828.70	81,864.10
TRAVEL	0.00	0.00	0.00	0.00	4,370.30	5,004.53
RECEPTIONS	0.00	0.00	0.00	0.00	15,407.43	11,001.70
SUPPLIES	3,962.45	5,876.25	30,794.67	10,942.46	87,727.06	93,184.39
CABLE	0.00	0.00	0.00	0.00	72,403.03	100,196.08
TELEPHONE	27,812.30	12,000.89	66,373.84	15,613.49	124,334.39	133,561.10
UTILITIES	0.00	0.00	0.00	0.00	16,710.97	17,895.39
INSURANCE AND BONDS	13,585.00	6,945.00	19,028.00	6,097.00	62,619.00	70,030.00
BUILDING MAINTENANCE AND REPAIR	6,150.00	268.00	0.00	0.00	6,418.00	5,561.34
EQUIPMENT	0.00	0.00	10,675.00	5,390.00	18,131.83	32,466.51
EQUIPMENT RENTAL	0.00	0.00	6.95	0.00	3,196.93	3,316.08
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	180.49	0.00	507.44	7,325.15
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	933.75	595.36
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	1,337.95
GENERAL EXPENSES	47,684.54	24,842.30	97,307.35	30,603.78	241,189.45	273,721.38
ADMINISTRATIVE OVERHEAD	258,546.75	122,154.41	372,108.66	124,330.50	1,178,100.14	1,142,435.00
ADMINISTRATIVE EXPENSES	140,035.89	79,499.54	309,245.91	102,838.85	0.00	0.00
TOTAL EXPENDITURES	<u>635,412.62</u>	<u>291,455.48</u>	<u>1,112,135.37</u>	<u>430,303.53</u>	<u>3,051,606.57</u>	<u>3,012,586.33</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(55,979.00)	(40,040.00)	(232,890.00)	(124,831.00)	(984,893.00)	(985,817.00)
TOTAL MANDATORY TRANSFERS	<u>(55,979.00)</u>	<u>(40,040.00)</u>	<u>(232,890.00)</u>	<u>(124,831.00)</u>	<u>(984,893.00)</u>	<u>(985,817.00)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	(15,000.00)	0.00	0.00	0.00	(15,000.00)	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	600.00	155.00
TOTAL NON-MANDATORY TRANSFERS	<u>(15,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(14,400.00)</u>	<u>155.00</u>
TOTAL TRANSFERS	<u>(70,979.00)</u>	<u>(40,040.00)</u>	<u>(232,890.00)</u>	<u>(124,831.00)</u>	<u>(999,293.00)</u>	<u>(985,662.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ (59,028.23)	\$ 28,244.91	\$ 62,604.20	\$ (162,671.10)	\$ (515,393.43)	\$ (189,715.85)
AND TRANSFERS (DEFICIT)						

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Financial Report Highlights May 31, 2008

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the eight months ended, May 31, 2008 and 2007 are as follows (in thousands):

	At and for the eight months ended	
	5-31-08	5-31-07
<i>Total assets, by fund</i>		
Current	\$ 193,946	\$ 194,697
Loan	4,766	4,881
Endowment	85,765	37,902
Plant	483,167	469,457
<i>Fund Balances, by fund</i>		
Current	\$ 48,400	\$ 53,168
Loan	418	331
Endowment	76,437	37,902
Plant	277,830	261,292
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 270,346	\$ 291,140
Patients accounts receivable	59,827	47,178
Bonds and notes payable	195,038	200,116

	For the eight months ended	
	5-31-08	5-31-07
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 48,084	\$ 43,409
State appropriations	93,158	80,259
Hospital revenues	195,402	197,927
Gifts, grants and contracts	68,006	65,171
Instruction and Academic support	87,592	81,117
Research and public service	42,976	44,156
Hospital expenses	199,536	182,017
Net current fund increase (decrease)	(358)	9,199

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

Enrollment and tuition have increased in recent years. Additionally, state appropriations increased significantly in fiscal 2008 and 2007. University administration is not aware of any conditions that are expected to have a significant impact on the University financial position throughout the remainder of 2008 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEETS
MAY 2008 AND 2007

ASSETS		2008	2007	LIABILITIES AND FUND BALANCES		2008	2007
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	144,851.84	135,307.36	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		55,635,364.83	\$ 63,824,494.16
INVESTMENTS		92,299,984.55	114,621,387.67	DEFERRED REVENUES		15,363,342.03	13,145,864.43
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE				DUE TO OTHER FUNDS		72,641,849.96	62,535,085.15
FOR DOUBTFUL ACCOUNTS OF \$41,548,725.52				DEPOSITS HELD IN CUSTODY		75,292.69	121,126.23
FOR 2008 AND \$40,953,688.75 FOR 2007)				OTHER DEPOSITS		539,043.12	485,517.09
DEPOSITS		59,826,844.73	47,177,555.86	FUND BALANCES:			
INVENTORIES AT COST		35,000.00	35,000.00	ALLOCATED FOR:			
PREPAID EXPENSES		4,292,827.37	3,636,339.95	HOSPITALS		(10,576,564.63)	(9,987,353.85)
		19,871,146.21	7,036,219.32	AUXILIARY ENTERPRISES		(697,264.75)	(556,125.93)
				ENCUMBRANCES		2,438,351.04	2,556,726.79
				SELF-SUPPORTING ACTIVITIES		42,913,336.32	42,723,536.51
				UNALLOCATED		(1,862,085.91)	(2,207,059.82)
				TOTAL FUND BALANCES		32,215,762.07	32,529,723.70
				TOTAL UNRESTRICTED		176,470,654.70	172,641,810.76
TOTAL UNRESTRICTED		176,470,654.70	172,641,810.76				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		5,731,522.16	8,317,061.57	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		47,149.32	548,532.46
INVESTMENTS		169,426.36	168,763.28	OTHER DEPOSITS		1,100.00	1,070.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		11,574,109.16	13,568,909.28	DEFERRED REVENUES		1,242,627.87	866,947.48
				FUND BALANCES		16,184,180.49	20,636,184.19
				TOTAL RESTRICTED		17,475,057.68	22,054,734.13
TOTAL RESTRICTED		17,475,057.68	22,054,734.13	TOTAL CURRENT FUNDS		193,945,712.38	194,696,544.89
TOTAL CURRENT FUNDS		193,945,712.38	194,696,544.89				
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		362,889.10	146,641.61	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		200.00	2,100.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR				REFUNDABLE GOVERNMENT ADVANCES		4,348,114.74	4,547,901.00
DOUBTFUL ACCOUNTS OF \$21,687.85 FOR				FUND BALANCES:			
2008 AND \$493,734.41 FOR 2007)				UNIVERSITY FUNDS, UNRESTRICTED		417,782.92	330,904.30
				TOTAL FUND BALANCES		417,782.92	330,904.30
TOTAL LOAN FUNDS		4,403,208.56	4,734,263.69	TOTAL LOAN FUNDS		4,766,097.66	4,880,905.30
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		14,759,992.44	11,936,264.59	DEFERRED REVENUE		9,327,985.00	0.00
FUNDS WITH TRUSTEES		53,981.22	53,981.22	FUND BALANCES:			
INVESTMENTS		67,585,972.84	22,606,717.19	RESTRICTED NONEXPENDABLE		24,255,873.47	12,291,443.71
REMAINDER INTEREST IN REAL ESTATE		3,365,671.00	3,305,065.00	UNRESTRICTED NONEXPENDABLE		52,180,759.03	25,610,584.29
				TOTAL FUND BALANCES		76,436,632.50	37,902,028.00
TOTAL ENDOWMENT FUNDS		85,764,617.50	37,902,028.00	TOTAL ENDOWMENT FUNDS		85,764,617.50	37,902,028.00
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		34,973,326.57	59,560,801.16	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		3,424,918.04	625,227.16
INVESTMENTS		54,323,969.65	73,643,791.85	DEFERRED REVENUES		6,723,244.74	7,139,864.52
ACCOUNTS RECEIVABLE		2,405,471.00	2,304,683.00	OTHER DEPOSITS		27,791.67	70,013.46
NOTES RECEIVABLE		254,936.16	258,199.26	NOTES PAYABLE		611,194.69	1,932,039.33
INTEREST RECEIVABLE		94,173.61	66,840.28	BONDS PAYABLE		194,426,424.64	198,181,230.04
DUE FROM OTHER FUNDS		72,641,849.96	62,535,085.15	CAPITALIZED LEASE OBLIGATIONS		123,780.45	216,933.40
PREPAID EXPENSES		2,206,396.18	3,727,050.00				
DEPOSITS WITH TRUSTEES		0.00	527,777.78				
CAPITAL LEASE RECEIVABLE		1,381,462.48	1,835,087.36				
INVESTMENT IN PLANT:							
LAND		29,271,538.45	28,795,117.65				
LAND IMPROVEMENTS		10,357,824.43	6,930,100.01				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		128,890,673.56	125,621,233.39				
OTHER EQUIPMENT, BOOKS AND FILMS		56,080,188.83	37,219,060.52				
CONSTRUCTION IN PROGRESS		90,285,172.73	66,432,253.34				
TOTAL PLANT FUNDS		483,166,983.61	469,457,080.75				
TOTAL ASSETS	\$	767,643,411.15	\$ 706,936,558.94	TOTAL LIABILITIES AND FUND BALANCES	\$	767,643,411.15	\$ 706,936,558.94

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	181,828,595.63						
HOSPITALS REVENUES	204,179,351.63						
AUXILIARY ENTERPRISES REVENUES	10,324,042.57						
GRANTS AND CONTRACTS:							
FEDERAL		27,045,615.01					
STATE AND LOCAL		3,237,811.85					
PRIVATE		4,320,083.96					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			983.15	(644,318.94)	2,072,145.72	366,186.97	
INVESTMENT INCOME, GAINS/LOSS					448,792.25		
INSURANCE PROCEEDS					2,144.88		
INTEREST ON LOANS RECEIVABLE		25,551.94				38,831.35	
GIFTS AND BEQUESTS		80.00		5,355,773.56	288,086.78		41,422,019.85
EXPENDED FOR PLANT FACILITIES (INCLUDING \$8,117,773.94 CURRENT FUNDS EXPENDITURES)							4,637,606.16
RETIREMENT OF INDEBTEDNESS							(323,052.76)
PROCEEDS FROM SALE OF CAPITAL ASSETS			55.00		208,457.50		
OTHER SOURCES		1,920,856.68			3,019,627.13		45,736,573.25
TOTAL REVENUES AND OTHER ADDITIONS	396,331,989.83	36,524,367.50	26,670.09	4,711,454.62		405,018.32	
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	163,513,939.80	33,242,389.32					
HOSPITALS EXPENDITURES	198,183,763.16						
AUXILIARY ENTERPRISES EXPENDITURES	9,879,036.36						
INDIRECT COSTS RECOVERED		3,393,222.88					
REFUNDED TO GRANTORS		107,684.09					
RETIREMENT OF INDEBTEDNESS						4,637,606.16	
ADMINISTRATIVE AND COLLECTION COSTS			18,687.80				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$4,384,761.49 FOR NON-CAPITALIZED EXPENDITURES)					37,689,007.40	4,726,168.78	12,779,926.80
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							46.31
LOSS ON DISPOSAL OF PLANT				660.42		17,714.00	77.76
OTHER DEDUCTIONS				660.42			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	371,576,738.32	36,743,296.29	18,687.80		37,689,007.40	9,381,488.94	12,780,050.87
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(6,054,444.82)				(1,908,339.26)	7,962,784.08	
FINANCIAL AID MATCHING	(45,207.00)	45,207.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(6,214,275.00)						
MOBILE RACING COMMISSION	(234,185.94)				6,214,275.00		
PLANT ADDITIONS AND REPLACEMENTS	(4,627,118.69)				234,185.94		
ENDOWMENT FUND	(2,988,084.52)				4,627,118.69		
OTHER TRANSFERS	(3,896,977.40)	417,490.19		2,889,075.02	(318,480.69)		
TOTAL TRANSFERS	(24,060,293.37)	(1,297,259.83)	25,000.00	7,774.26	5,789,298.27	0.00	(627,835.30)
NET INCREASE (DECREASE) FOR THE PERIOD	694,958.14	(834,562.64)	25,000.00	2,896,849.28	14,638,057.95	7,962,784.08	(627,835.30)
FUND BALANCES AT OCTOBER 1, 2007	31,520,803.93	(1,053,491.43)	32,982.29	7,607,643.48	(20,031,322.32)	(1,013,686.54)	32,328,687.08
FUND BALANCES AT MAY 31, 2008	\$ 32,215,762.07	\$ 17,237,671.92	\$ 384,800.63	\$ 68,828,989.02	\$ 86,052,570.39	\$ 17,021,155.56	\$ 163,472,225.21
		\$ 16,184,180.49	\$ 417,782.92	\$ 76,436,632.50	\$ 66,021,248.07	\$ 16,007,469.02	\$ 195,800,912.29

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,932,011.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	MONTH ENDED MAY 31, 2008		MAY 31, 2007
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 48,084,334.64	\$	\$ 48,084,334.64
STATE APPROPRIATIONS	84,380,314.36		84,380,314.36
MOBILE RACING COMMISSION	234,185.94		234,185.94
FEDERAL GRANTS AND CONTRACTS	2,771,888.91	24,253,882.55	27,025,771.46
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$190,071.00)	348,533.00	2,872,032.71	3,220,565.71
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$431,262.97)	33,920,813.46	3,839,287.94	37,760,101.40
INVESTMENT INCOME	1,486,293.97		1,486,293.97
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	2,694,642.14		2,694,642.14
HOSPITALS - SALES AND SERVICES	195,401,748.99		195,401,748.99
- STATE APPROPRIATIONS	8,777,602.64		8,777,602.64
AUXILIARY ENTERPRISES - SALES AND SERVICES	10,324,042.57		10,324,042.57
OTHER SOURCES	7,907,589.21	2,277,186.12	10,184,775.33
TOTAL CURRENT REVENUES	396,331,989.83	33,242,389.32	429,574,379.15
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	70,872,386.94	5,002,892.46	75,875,279.40
RESEARCH	4,563,750.56	8,876,844.92	13,440,595.48
PUBLIC SERVICE	28,112,643.39	1,422,706.16	29,535,349.55
ACADEMIC SUPPORT	11,716,614.11	0.00	11,716,614.11
STUDENT SERVICES	13,829,818.86	459,844.56	14,289,663.42
INSTITUTIONAL SUPPORT	19,073,273.70		19,073,273.70
OPERATION AND MAINTENANCE OF PLANT	12,895,698.33	10,968,000.04	23,863,698.37
SCHOLARSHIPS	2,449,753.91	6,512,101.18	8,961,855.09
EDUCATIONAL AND GENERAL MANDATORY TRANSFERS FOR:	163,513,939.80	33,242,389.32	196,756,329.12
PRINCIPAL AND INTEREST	3,529,424.00		3,529,424.00
FINANCIAL AID MATCHING	45,207.00		45,207.00
TOTAL EDUCATIONAL AND GENERAL	167,088,570.80	33,242,389.32	200,330,960.12
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,351,940.82)	199,535,703.98		199,535,703.98
AUXILIARY ENTERPRISES:			
EXPENDITURES	9,879,035.36		9,879,035.36
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	1,173,080.00		1,173,080.00
NON-MANDATORY TRANSFERS FOR:			
RENEWALS AND REPLACEMENTS	15,000.00		15,000.00
OTHER TRANSFERS	(3,252.40)		(3,252.40)
TOTAL AUXILIARIES	11,063,852.96	0.00	11,063,852.96
TOTAL EXPENDITURES AND TRANSFERS	377,688,127.74	33,242,389.32	410,930,517.06
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(111,244.70)	(111,244.70)
REFUNDED TO GRANTORS		(107,684.09)	(107,684.09)
FUNDED DEPRECIATION			
MOBILE RACING COMMISSION	(6,214,275.00)		(6,214,275.00) *
PLANT ADDITIONS AND REPLACEMENTS	(234,185.94)		(234,185.94)
ENDOWMENT FUND	(4,612,118.69)		(4,612,118.69)
OTHER TRANSFERS	(2,988,084.52)	417,490.19	(2,570,594.33)
TOTAL TRANSFERS	(3,900,239.80)	(1,262,052.83)	(5,162,292.63)
	(17,948,903.95)	(1,063,491.43)	(19,002,395.38)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 694,958.14	\$ (1,063,491.43)	\$ (368,533.29)
			\$ 9,198,606.05

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,932,011.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 11.75% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				05/31/08	05/31/07
BOOKSTORE	\$ 4,728,783.92	\$ 4,536,627.24	\$ 0.00	\$ 192,156.68	\$ 134,131.17
BROOKLEY CENTER	1,436,799.11	1,787,898.98	(44,825.60)	(395,925.47)	(426,280.67)
FOOD SERVICES-CAMPUS	135,230.25	91,349.56	0.00	43,880.69	6,647.64
HOUSING	4,023,229.29	3,463,159.58	(1,139,992.00)	(579,922.29)	(205,858.01)
TOTAL	<u>\$ 10,324,042.57</u>	<u>\$ 9,879,035.36</u>	<u>\$ (1,184,817.60)</u>	<u>\$ (739,810.39)</u>	<u>\$ (491,359.87)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CAMPUS		HEALTH SCIENCES		
	<u>05/31/08</u>	<u>05/31/07</u>	<u>05/31/08</u>	<u>05/31/07</u>	<u>TOTAL 05/31/07</u>
REVENUES:					
SALES	\$ 3,990,378.44	\$ 3,671,835.72	\$ 666,701.86	\$ 645,132.42	\$ 4,316,968.14
LESS: DEPARTMENTAL DISCOUNTS	3,465.48	2,645.13	3,016.53	2,551.34	5,196.47
COST OF GOODS SOLD	2,941,939.39	2,699,729.09	459,852.48	487,496.06	3,187,225.15
GROSS PROFIT	<u>1,044,973.57</u>	<u>969,461.50</u>	<u>203,832.85</u>	<u>155,085.02</u>	<u>1,124,546.52</u>
CASH OVER/(SHORT)	(443.99)	(109.18)	(18.87)	6.97	(102.21)
GRADUATION (NET)	37,750.05	30,584.34	0.00	0.00	30,584.34
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00
OTHER	<u>21,793.19</u>	<u>17,242.72</u>	<u>12,623.24</u>	<u>9,924.97</u>	<u>27,167.69</u>
NET REVENUES:	<u>1,104,072.82</u>	<u>1,017,179.38</u>	<u>216,437.22</u>	<u>165,016.96</u>	<u>1,182,196.34</u>
EXPENDITURES:					
SALARIES	431,579.14	404,104.70	50,031.71	41,240.76	445,345.46
EMPLOYEE BENEFITS	136,762.44	117,509.19	17,596.43	12,141.28	129,650.47
SUPPLIES	19,181.44	14,330.97	3,021.18	2,336.62	16,667.59
TRAVEL	11,918.45	12,004.35	0.00	540.96	12,545.31
EQUIPMENT	5,228.42	1,865.87	169.16	0.00	5,397.58
EQUIPMENT MAINTENANCE AND REPAIR	23,548.02	2,971.20	10.00	0.00	2,971.20
BUILDING & EQUIPMENT RENTAL	2,670.47	2,453.03	241.96	854.16	3,307.19
UTILITIES	50,000.00	50,000.00	0.00	0.00	50,000.00
TELEPHONE	3,415.29	2,805.81	3,276.34	3,426.47	6,232.28
INSURANCE AND BONDS	2,166.00	4,023.00	0.00	0.00	4,023.00
CONTRACT SERVICES	83,437.53	71,995.94	10,033.48	22,772.81	94,768.75
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
RENT	0.00	0.00	13,320.00	13,320.00	13,320.00
OBsolete INVENTORY	702.74	0.00	0.00	0.00	0.00
GENERAL EXPENSES	31,221.20	31,271.70	6,350.89	4,063.13	35,334.83
CHARGE CARD AND FACULTY					
STAFF DISCOUNTS	14,436.74	36,212.28	5,285.05	4,937.94	41,150.22
INSTITUTIONAL COST ALLOCATION	<u>173,464.64</u>	<u>161,610.00</u>	<u>29,284.64</u>	<u>29,273.00</u>	<u>190,883.00</u>
TOTAL EXPENDITURES	<u>989,732.52</u>	<u>913,158.04</u>	<u>138,620.84</u>	<u>134,907.13</u>	<u>1,048,065.17</u>
TRANSFERS AMONG FUNDS-					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER TRANSFERS	0.00	0.00	0.00	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00	0.00	0.00	0.00
RETIREMENT REIMBURSEMENT	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 114,340.30	\$ 104,021.34	\$ 77,816.38	\$ 30,109.83	\$ 134,131.17
AND MANDATORY TRANSFERS					

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	RECREATION CENTER	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 25,372.16	\$ 0.00	\$ (10.00)	\$ 25,362.16
LESS: COST OF GOODS SOLD	0.00	0.00	33,766.40	882.73	0.00	34,649.13
DISCOUNTS	0.00	0.00	2,427.37	0.00	0.00	2,427.37
GROSS PROFIT	0.00	0.00	(10,821.61)	(882.73)	(10.00)	(11,714.34)
FEES	224.00	0.00	247,033.31	0.00	27,029.57	274,062.88
RENTALS	52,000.00	458,587.02	0.00	0.00	0.00	458,587.02
OTHER	1,037.24	2,016.17	242.37	0.00	0.00	2,258.54
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	53,261.24	460,603.19	236,454.07	(882.73)	27,019.57	723,194.10
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	472,159.19	53,306.32	156,660.76	0.00	0.00	209,967.08
EMPLOYEE BENEFITS	159,804.77	18,347.45	47,086.56	0.00	0.00	65,434.01
SUPPLIES	34,354.18	0.00	67,513.50	0.00	0.00	67,513.50
TRAVEL	2,091.19	0.00	462.42	0.00	0.00	462.42
CONTRACT SERVICE	90,164.62	19,795.50	41,242.90	0.00	1,920.00	62,958.40
BUILDING MAINTENANCE & REPAIR	8,550.31	28,154.56	1,493.03	0.00	2,350.26	31,997.85
GROUND'S MAINTENANCE	8,565.63	12,818.44	23,031.34	0.00	86.54	35,936.32
UTILITIES	82,509.08	47,828.84	19,506.65	0.00	33,183.37	100,618.86
EQUIPMENT MAINTENANCE & REPAIR	409.54	3,081.17	31,577.48	0.00	5,554.08	40,212.73
BUILDING & EQUIPMENT RENTAL	1,865.23	0.00	14,877.15	0.00	1,368.64	16,245.79
TELEPHONE	10,262.40	76.40	853.18	0.00	4.56	934.14
INSURANCE AND BONDS	38,474.00	0.00	0.00	0.00	2,115.00	2,115.00
RECEPTIONS	515.10	5.00	0.00	0.00	0.00	5.00
ADVERTISING	2,829.95	476.72	4,510.30	0.00	186.68	5,173.70
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	52,366.64	1,272.52	13,395.42	0.00	7,003.61	21,671.55
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(963,048.41)	269,653.55	0.00	9,630.50	38,521.93	317,805.98
TOTAL OPERATING EXPENDITURES	1,873.42	454,816.47	422,310.69	9,630.50	92,294.67	979,052.33
EXCESS REVENUES OVER EXPENDITURES	51,387.82	5,786.72	(185,856.62)	(10,513.23)	(65,275.10)	(255,858.23)
OTHER EXPENDITURES:						
EQUIPMENT						
OTHER COST ALLOCATIONS	3,899.82	1,818.99	1,975.00	0.00	0.00	3,793.99
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(47,488.00)	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	2,662.40	0.00	0.00	2,662.40
TOTAL TRANSFERS	(47,488.00)	0.00	2,662.40	0.00	0.00	2,662.40
EXCESS REVENUES OVER EXPENDITURES (DEFICIT)	0.00	3,967.73	(185,169.22)	(10,513.23)	(65,275.10)	(256,989.82)

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 05/31/08	BROOKLEY CENTER TOTAL 05/31/07
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 25,362.16	\$ 29,760.30
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	34,649.13	25,394.47
DISCOUNTS	2,835.56	0.00	0.00	2,835.56	5,262.93	5,865.04
GROSS PROFIT	(2,835.56)	0.00	0.00	(2,835.56)	(14,549.90)	(1,499.21)
FEES	267,192.11	342,541.66	0.00	809,733.77	884,020.65	757,183.47
RENTALS	8,800.00	418.00	0.00	9,218.00	519,805.02	500,914.40
OTHER	4,315.50	0.00	0.00	4,315.50	7,611.28	5,557.79
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	277,472.05	342,959.66	0.00	620,431.71	1,396,887.05	1,262,156.45
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	682,126.27	654,391.94
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	225,238.75	210,669.75
SUPPLIES	13,710.76	3,450.12	0.00	17,160.88	119,028.56	74,888.00
TRAVEL	0.00	0.00	0.00	0.00	2,553.61	2,343.79
CONTRACT SERVICE	8,866.28	3,438.08	0.00	12,304.36	165,427.38	160,558.72
BUILDING MAINTENANCE & REPAIR	12,959.53	3,640.16	0.00	16,599.69	57,147.85	54,645.16
GROUND MAINTENANCE	0.00	682.32	0.00	682.32	45,184.27	48,174.72
UTILITIES	79,662.57	62,361.94	0.00	142,024.51	325,152.45	319,391.29
EQUIPMENT MAINTENANCE & REPAIR	8,293.88	1,981.05	0.00	10,274.93	50,897.20	43,540.10
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	18,111.02	17,505.21
TELEPHONE	0.00	0.00	0.00	0.00	11,196.54	12,640.01
INSURANCE AND BONDS	3,000.00	0.00	0.00	3,000.00	43,589.00	54,056.00
RECEPTIONS	485.00	0.00	0.00	485.00	1,015.10	0.00
ADVERTISING	14,029.60	0.00	0.00	14,029.60	22,033.25	19,599.60
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	5,852.87	22,722.18	0.00	28,575.05	102,613.24	(38,249.19)
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	(146,577.36)	(146,577.36)	(146,577.36)	0.00
OPERATING COST ALLOCATIONS	192,609.68	163,718.23	288,914.52	645,242.43	0.00	0.00
TOTAL OPERATING EXPENDITURES	339,480.17	261,994.08	142,337.16	743,811.41	1,724,737.16	1,634,155.10
EXCESS REVENUES OVER EXPENDITURES	(62,008.12)	80,965.58	(142,337.16)	(123,379.70)	(327,850.11)	(371,988.65)
OTHER EXPENDITURES:						
EQUIPMENT	11,781.96	3,773.99	0.00	15,555.95	23,249.76	8,681.02
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	11,781.96	3,773.99	0.00	15,555.95	23,249.76	8,681.02
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(47,488.00)	(47,488.00)
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	2,662.40	1,887.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(44,825.60)	(45,601.00)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ (73,790.08)	\$ 77,191.59	\$ (142,337.16)	\$ (138,935.65)	\$ (395,925.47)	\$ (426,280.67)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	<u>05/31/08</u>	<u>05/31/07</u>
REVENUES:		
COMMISSION INCOME	\$ 135,230.25	\$ 108,572.11
TOTAL REVENUES	<u>135,230.25</u>	<u>108,572.11</u>
EXPENDITURES:		
SUPPLIES	(0.99)	33.02
EQUIPMENT MAINTENANCE AND REPAIR	13,991.61	28,465.26
UTILITIES	43,333.36	43,324.00
TELEPHONE	62.40	(6.41)
MEMBERSHIPS AND DUES	270.00	270.00
CONTRACT SERVICES	6,439.96	6,522.60
INSURANCE AND BONDS	11,865.00	10,003.00
EQUIPMENT	243.97	0.00
BUILDING MAINTENANCE AND REPAIR	3,745.00	2,610.00
INDIRECT COST	10,788.00	10,774.00
GENERAL EXPENSE	<u>611.25</u>	<u>(71.00)</u>
TOTAL EXPENDITURES	<u>91,349.56</u>	<u>101,924.47</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:		
OTHER TRANSFERS	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS		
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 43,880.69</u>	<u>\$ 6,647.64</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	OLD SHELL ROAD HOUSING	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:						
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 94,585.00	\$ 0.00	\$ 392,063.14	\$ 244,452.31
BAD DEBT RECOVERY	5,210.84	0.00	0.00	0.00	1,048.02	0.00
OTHER	175.00	0.00	0.00	0.00	16,059.08	51,167.80
TOTAL REVENUES	5,385.84	0.00	94,585.00	0.00	409,170.24	295,620.11
EXPENDITURES:						
SALARIES	252,723.07	60,661.23	0.00	0.00	195,684.55	51,871.08
EMPLOYEE BENEFITS	74,768.04	25.00	0.00	0.00	67,223.64	11,027.71
CONTRACT LABOR	0.00	0.00	0.00	0.00	808.00	68.00
CONTRACT SERVICES	1,722.50	0.00	49,606.00	0.00	15,428.71	10,647.00
TRAVEL	3,885.58	783.38	0.00	0.00	0.00	0.00
RECEPTIONS	(95.15)	18,842.36	0.00	0.00	0.00	0.00
SUPPLIES	10,710.72	316.30	0.00	4.08	20,890.12	8,345.43
CABLE	83,105.04	0.00	0.00	0.00	863.34	0.00
TELEPHONE	1,072.77	0.00	0.00	0.00	1,258.64	668.40
UTILITIES	0.00	0.00	0.00	0.00	17,786.78	743.40
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	8,852.00	8,112.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	54.26	201.42	0.00	0.00	0.00	1,811.15
EQUIPMENT RENTAL	311.38	0.00	0.00	0.00	3,309.15	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	326.95	0.00
GROUPS MAINTENANCE	933.75	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	36,259.01	525.97	200.00	0.00	4,219.01	1,690.00
ADMINISTRATIVE OVERHEAD	291,999.04	0.00	0.00	0.00	0.00	51,955.04
ADMINISTRATIVE EXPENSES	(752,064.17)	(80,755.66)	30,814.34	0.00	3,331.28	77,452.23
TOTAL EXPENDITURES	5,385.84	600.00	80,620.34	4.08	339,982.17	224,391.44
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(607,032.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	(607,032.00)
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	600.00	0.00	0.00	0.00	(607,032.00)
EXCESS REVENUES OVER EXPENDITURES						
AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 13,964.66	\$ (4.08)	\$ 69,188.07	\$ (535,803.33)

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE EIGHT MONTHS ENDED MAY 31, 2008
WITH COMPARATIVE FIGURES FOR 2007

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 05/31/08	TOTAL HOUSING 05/31/07
REVENUES:						
RENTAL INCOME	\$ 739,937.35	\$ 408,059.63	\$ 1,583,358.72	\$ 439,616.48	\$ 3,902,072.63	\$ 4,196,900.05
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	6,258.86	5,273.60
OTHER	4,727.00	3,416.30	25,504.52	13,848.10	114,897.80	143,684.52
TOTAL REVENUES	744,664.35	411,475.93	1,608,863.24	453,464.58	4,023,229.29	4,345,858.17
EXPENDITURES:						
SALARIES	119,188.74	32,596.84	146,900.73	114,726.74	974,352.98	956,511.20
EMPLOYEE BENEFITS	32,638.55	8,608.22	36,453.29	21,023.88	251,768.33	243,412.16
CONTRACT LABOR	150.00	357.00	34,674.40	357.00	36,414.40	1,953.13
CONTRACT SERVICES	8,205.73	4,851.98	21,934.46	13,794.51	126,190.89	90,495.60
TRAVEL	0.00	0.00	0.00	0.00	4,668.96	5,123.33
RECEPTIONS	0.00	0.00	0.00	0.00	18,747.21	15,568.10
SUPPLIES	4,585.20	6,574.11	42,658.54	14,586.56	108,671.06	112,388.28
CABLE	0.00	0.00	0.00	0.00	83,968.38	100,301.64
TELEPHONE	31,073.82	12,990.34	74,126.37	16,818.42	138,008.76	148,743.29
UTILITIES	0.00	0.00	0.00	0.00	18,530.18	19,905.78
INSURANCE AND BONDS	13,585.00	6,945.00	19,028.00	6,097.00	62,619.00	70,030.00
BUILDING MAINTENANCE AND REPAIR	6,150.00	529.88	0.00	0.00	6,679.88	7,139.54
EQUIPMENT	0.00	0.00	10,675.00	5,390.00	18,131.83	36,521.52
EQUIPMENT RENTAL	0.00	0.00	43.88	0.00	3,664.41	4,545.89
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	180.49	0.00	507.44	8,581.13
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	933.75	595.36
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	1,337.95
GENERAL EXPENSES	51,769.54	27,737.30	107,992.35	32,508.78	262,901.96	302,737.28
ADMINISTRATIVE OVERHEAD	295,482.00	139,605.04	425,267.04	142,092.00	1,346,400.16	1,299,332.00
ADMINISTRATIVE EXPENSES	159,901.41	90,777.36	353,115.61	117,427.60	0.00	0.00
TOTAL EXPENDITURES	722,729.99	331,573.07	1,273,050.16	484,822.49	3,463,159.58	3,425,223.18
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(63,976.00)	(45,760.00)	(266,160.00)	(142,664.00)	(1,125,592.00)	(1,126,648.00)
TOTAL MANDATORY TRANSFERS	(63,976.00)	(45,760.00)	(266,160.00)	(142,664.00)	(1,125,592.00)	(1,126,648.00)
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	(15,000.00)	0.00	0.00	0.00	(15,000.00)	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	600.00	155.00
TOTAL NON-MANDATORY TRANSFERS	(15,000.00)	0.00	0.00	0.00	(14,400.00)	155.00
TOTAL TRANSFERS	(78,976.00)	(45,760.00)	(266,160.00)	(142,664.00)	(1,139,992.00)	(1,126,493.00)
EXCESS REVENUES OVER EXPENDITURES						
AND TRANSFERS (DEFICIT)	\$ (57,041.64)	\$ 34,142.86	\$ 69,653.08	\$ (174,021.91)	\$ (579,922.29)	\$ (205,858.01)

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Financial Report Highlights June 30, 2008

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the nine months ended, June 30, 2008 and 2007 are as follows (in thousands):

	At and for the nine months ended	
	6-30-08	6-30-07
<i>Total assets, by fund</i>		
Current	\$ 219,284	\$ 197,749
Loan	4,769	4,882
Endowment	90,905	38,943
Plant	487,070	467,649
<i>Fund Balances, by fund</i>		
Current	\$ 50,299	\$ 54,820
Loan	421	334
Endowment	81,558	38,943
Plant	281,267	257,907
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 273,244	\$ 282,362
Accounts receivable	65,656	62,820
Bonds and notes payable	196,006	200,904

	For the nine months ended	
	6-30-08	6-30-07
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 53,078	\$ 47,861
State appropriations	104,803	90,291
Hospital revenues	216,733	218,510
Gifts, grants and contracts	80,893	74,674
Instruction and Academic support	97,178	88,722
Research and public service	48,377	48,593
Hospital expenses	223,559	205,444
Net current fund increase (decrease)	1,540	10,850

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

Enrollment and tuition have increased in recent years. Additionally, state appropriations increased significantly in fiscal 2008 and 2007. University administration is not aware of any conditions that are expected to have a significant impact on the University financial position throughout the remainder of 2008 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEETS
JUNE 2008 AND 2007

ASSETS		2008	2007	LIABILITIES AND FUND BALANCES		2008	2007
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	143,917.52	\$ 135,330.08	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		49,344,747.01	\$ 58,108,579.97
INVESTMENTS		109,910,182.69	100,745,358.87	DEFERRED REVENUES		31,160,761.59	26,748,243.95
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$41,618,241.59 FOR 2008 AND \$40,977,452.83 FOR 2007)				DUE TO OTHER FUNDS		86,526,204.94	55,521,977.82
DEPOSITS		65,655,956.62	62,820,473.43	DEPOSITS HELD IN CUSTODY		265,478.16	284,044.58
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		345,224.06	551,911.05
PREPAID EXPENSES		4,204,654.64	3,807,174.51	FUND BALANCES:			
		20,694,214.56	7,905,434.54	ALLOCATED FOR:			
				HOSPITALS	(12,844,573.42)		(10,385,153.69)
				AUXILIARY ENTERPRISES	(804,019.38)		(462,733.13)
				ENCUMBRANCES	2,172,027.34		2,334,834.01
				SELF-SUPPORTING ACTIVITIES	45,305,444.99		42,756,311.85
				UNALLOCATED	(827,369.26)		(11,244.98)
				TOTAL FUND BALANCES	33,001,510.27		34,234,014.06
				TOTAL UNRESTRICTED	200,643,926.03		175,448,771.43
TOTAL UNRESTRICTED		200,643,926.03	175,448,771.43				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		7,357,374.40	8,858,878.62	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		86,402.78	776,555.79
INVESTMENTS		44,426.36	168,763.28	OTHER DEPOSITS		1,100.00	1,070.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		11,237,872.59	13,272,951.92	DEFERRED REVENUES		1,254,786.74	937,304.17
				FUND BALANCES		17,297,383.83	20,585,663.86
TOTAL RESTRICTED		18,639,673.35	22,300,593.82	TOTAL RESTRICTED		18,639,673.35	22,300,593.82
TOTAL CURRENT FUNDS		219,283,599.38	197,749,365.25	TOTAL CURRENT FUNDS		219,283,599.38	197,749,365.25
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		429,965.72	194,570.38	REFUNDABLE GOVERNMENT ADVANCES		4,348,114.74	4,547,901.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$521,687.85 FOR 2008 AND \$493,734.41 FOR 2007)				FUND BALANCES:			
TOTAL LOAN FUNDS		4,340,461.51	4,687,716.80	UNIVERSITY FUNDS, UNRESTRICTED		421,312.49	334,386.18
				TOTAL FUND BALANCES		421,312.49	334,386.18
				TOTAL LOAN FUNDS		4,769,427.23	4,882,287.18
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		17,688,180.49	12,291,847.39	BONDS PAYABLE		7,245,919.00	0.00
FUNDS WITH TRUSTEES		53,981.22	53,981.22	DEFERRED REVENUE		2,101,675.00	0.00
INVESTMENTS		68,707,915.50	23,231,588.41	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		988,429.00	3,365,671.00	RESTRICTED NONEXPENDABLE		24,255,873.47	12,291,443.71
PREPAID - LIFE ESTATE		3,466,641.00	0.00	UNRESTRICTED EXPENDABLE		57,301,679.74	26,651,644.31
				TOTAL FUND BALANCES		81,557,553.21	38,943,088.02
TOTAL ENDOWMENT FUNDS		90,905,147.21	38,943,088.02	TOTAL ENDOWMENT FUNDS		90,905,147.21	38,943,088.02
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		16,838,670.23	62,869,512.63	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		2,930,422.64	140,728.05
INVESTMENTS		52,124,007.78	73,866,419.96	INTEREST PAYABLE		0.00	1,268,656.67
ACCOUNTS RECEIVABLE		1,830,526.00	2,734,498.00	DEFERRED REVENUES		6,723,194.23	7,150,344.01
NOTES RECEIVABLE		254,936.16	258,199.26	OTHER DEPOSITS		27,791.67	70,013.46
INTEREST RECEIVABLE		94,173.61	66,840.28	NOTES PAYABLE		489,268.28	1,932,039.33
DUE FROM OTHER FUNDS		86,526,204.94	55,521,977.82	BONDS PAYABLE		195,516,916.24	198,971,766.06
PREPAID EXPENSES		1,940,402.06	3,512,540.88	CAPITALIZED LEASE OBLIGATIONS		115,787.10	209,362.28
CAPITAL LEASE RECEIVABLE		1,342,888.16	1,797,930.62				
INVESTMENT IN PLANT:							
LAND		29,271,538.45	29,010,622.16				
LAND IMPROVEMENTS		10,276,168.46	11,141,970.69				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		128,471,475.06	126,957,721.68	FUND BALANCES:			
OTHER EQUIPMENT, BOOKS AND FILMS		60,141,861.05	37,347,605.48	RENEWALS AND REPLACEMENTS		58,925,342.57	98,029,114.78
CONSTRUCTION IN PROGRESS		97,957,511.67	62,563,624.27	RETIREMENT OF INDEBTEDNESS		16,330,422.21	16,145,240.88
TOTAL PLANT FUNDS		487,070,363.63	487,649,463.73	INVESTMENT IN PLANT		206,011,218.59	143,732,198.21
				TOTAL FUND BALANCES		281,266,983.47	257,906,553.87
TOTAL ASSETS	\$	802,028,537.45	\$ 709,224,204.18	TOTAL PLANT FUNDS		487,070,363.63	487,649,463.73
				TOTAL LIABILITIES AND FUND BALANCES	\$	802,028,537.45	\$ 709,224,204.18

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE NINE MONTHS ENDED JUNE 30, 2008

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS	
	UNRESTRICTED	RESTRICTED				RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	205,273,879.21						
HOSPITALS REVENUES	226,607,605.89						
AUXILIARY ENTERPRISES REVENUES	11,108,105.13						
GRANTS AND CONTRACTS:							
FEDERAL		32,453,314.59					
STATE AND LOCAL		4,585,495.05					
PRIVATE		4,737,499.38					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE							
INVESTMENT INCOME GAINS/LOSS			1,419.50	760,752.51	2,155,922.58	369,883.59	
INSURANCE PROCEEDS					448,792.25		
INTEREST ON LOANS RECEIVABLE					2,144.88		
GIFTS AND BEQUESTS			31,501.41	8,647,728.19	(218,673.13)	43,148.42	
EXPENDED FOR PLANT FACILITIES (INCLUDING			90.00				51,612,203.68
\$11,039,818.64 CURRENT FUNDS EXPENDITURES)							
RETIREMENT OF INDEBTEDNESS							4,767,525.92
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES			55.00		246,956.90		342,417.11
TOTAL REVENUES AND OTHER ADDITIONS	442,989,590.23	3,703,683.68	33,065.91	9,408,480.70	2,635,143.48	413,032.01	56,722,146.71
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	183,064,260.16	40,066,101.40					
HOSPITALS EXPENDITURES	222,038,340.02						
AUXILIARY ENTERPRISES EXPENDITURES	10,763,916.55						
INDIRECT COSTS RECOVERED		3,950,507.24					
REFUNDED TO GRANTORS		107,684.09					
RETIREMENT OF INDEBTEDNESS			21,554.05			4,767,525.92	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$4,493,147.54 FOR NON-CAPITALIZED EXPENDITURES)					45,065,532.58	6,203,674.40	12,361,986.36
INTEREST ON INDEBTEDNESS							46.31
DEPRECIATION EXPENSES OF PLANT FACILITIES							77.76
DISPOSAL OF PLANT							
LOSS ON DISPOSAL OF PLANT				179,196.42			
OTHER DEDUCTIONS				179,196.42			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	415,866,516.73	44,124,292.73	21,554.05	179,196.42	45,065,532.58	11,035,702.19	12,362,110.43
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(6,670,626.73)				(2,147,118.86)	8,902,839.70	(85,094.11)
FINANCIAL AID MATCHING	(45,207.00)	45,207.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(6,829,535.00)				6,829,535.00		
MOBILE RACING COMMISSION	(266,760.59)				266,760.59		
PLANT ADDITIONS AND REPLACEMENTS	(4,687,118.69)				4,687,118.69		
ENDOWMENT FUND	(3,542,847.50)				(371,055.34)		
OTHER TRANSFERS	(3,600,271.65)	419,457.19		3,494,445.65			
TOTAL TRANSFERS	(25,642,367.16)	(1,760,632.25)	25,000.00	4,834.26	15,303,161.28	1,029,097.13	(1,735,948.69)
NET INCREASE (DECREASE) FOR THE PERIOD	1,480,706.34	59,711.91	36,511.86	12,728,564.19	(27,127,227.82)	(690,733.35)	42,538,993.48
FUND BALANCES AT OCTOBER 1, 2007	31,520,803.93	17,237,671.92	384,800.63	68,828,989.02	86,052,570.39	17,021,155.56	163,472,225.21
FUND BALANCES AT JUNE 30, 2008	33,001,510.27	17,297,383.83	421,312.49	81,557,553.21	58,925,342.57	16,330,422.21	206,011,218.69

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,203,988.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	MONTH ENDED JUNE 30, 2008			MONTH ENDED JUNE 30, 2007	
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES:					
TUITION AND FEES	\$	\$		\$	\$
STATE APPROPRIATIONS	53,078,002.39		53,078,002.39	47,860,845.60	
MOBILE RACING COMMISSION	94,927,858.03		94,927,858.03	81,509,898.04	
FEDERAL GRANTS AND CONTRACTS	266,760.59		266,760.59	358,550.25	
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$244,282.13)	3,217,106.48	29,216,364.56	32,433,471.04	23,193,814.30	
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$489,118.63)	422,519.13	4,165,504.78	4,588,023.91	12,461,388.12	
INVESTMENT INCOME	39,672,430.01	4,198,847.70	43,871,277.71	39,018,959.29	
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,531,468.67		1,531,468.67	6,059,573.48	
HOSPITALS - SALES AND SERVICES	3,290,191.76		3,290,191.76	2,906,510.77	
- STATE APPROPRIATIONS	216,732,802.92		216,732,802.92	218,510,164.74	
AUXILIARY ENTERPRISES - SALES AND SERVICES	9,874,802.97		9,874,802.97	8,781,296.96	
OTHER SOURCES	11,108,105.13		11,108,105.13	10,978,424.38	
TOTAL CURRENT REVENUES	8,867,542.15	2,485,384.36	11,352,926.51	11,008,499.60	
	442,989,590.23	40,066,101.40	483,055,691.63	462,647,925.53	
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	78,267,315.04	5,974,718.48	84,242,033.52	77,897,446.01	
RESEARCH	5,040,122.96	10,298,286.25	15,338,409.20	14,793,299.42	
PUBLIC SERVICE	31,424,454.62	1,614,511.79	33,038,966.41	33,799,257.82	
ACADEMIC SUPPORT	12,935,466.67	689.64	12,936,156.31	10,824,839.51	
STUDENT SERVICES	15,565,095.58	521,630.72	16,086,726.30	14,877,090.08	
INSTITUTIONAL SUPPORT	21,665,345.92	604,044.65	22,269,390.57	21,528,817.77	
OPERATION AND MAINTENANCE OF PLANT	15,633,958.65	14,443,566.78	30,077,525.43	24,558,074.08	
SCHOLARSHIPS	2,532,500.73	6,608,653.09	9,141,153.82	7,631,036.97	
EDUCATIONAL AND GENERAL	183,064,260.16	40,066,101.40	223,130,361.56	205,909,861.66	
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	3,970,602.00		3,970,602.00	4,122,853.00	
FINANCIAL AID MATCHING	45,207.00		45,207.00	61,486.00	
TOTAL EDUCATIONAL AND GENERAL	187,080,069.16	40,066,101.40	227,146,170.56	210,094,200.66	
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,521,008.73)					
	223,559,348.75		223,559,348.75	205,444,317.32	
AUXILIARY ENTERPRISES:					
EXPENDITURES	10,763,916.55		10,763,916.55	10,198,361.45	
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	1,179,016.00		1,179,016.00	1,180,072.00	
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	15,000.00		15,000.00	0.00	
OTHER TRANSFERS	(3,262.40)		(3,262.40)	(2,042.00)	
TOTAL AUXILIARIES	11,954,670.15	0.00	11,954,670.15	11,376,391.45	
TOTAL EXPENDITURES AND TRANSFERS	422,594,088.06	40,066,101.40	462,660,189.46	426,914,909.43	
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES					
REFUNDED TO GRANTORS		1,463,364.06	1,463,364.06	4,301,236.18	
FUNDED DEPRECIATION		(107,684.09)	(107,684.09)	(94,796.75)	
MOBILE RACING COMMISSION	(6,829,535.00)		(6,829,535.00) *	(21,266,151.00)	
PLANT ADDITIONS AND REPLACEMENTS	(266,760.59)		(266,760.59)	(358,550.25)	
ENDOWMENT FUND	(4,672,118.69)		(4,672,118.69)	(4,479,493.00)	
OTHER TRANSFERS	(3,542,847.50)	419,457.19	(3,123,390.31)	(2,385,091.82)	
TOTAL TRANSFERS	(18,914,795.83)	(1,715,425.25)	(20,630,221.08)	(599,793.38)	
		59,711.91	(18,550,839.22)	(24,882,640.02)	
NET INCREASE/(DECREASE) IN FUND BALANCES	\$	\$	\$	\$	\$
	1,480,706.34	59,711.91	1,540,418.25	10,850,376.08	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,203,988.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 11.75% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				06/30/08	06/30/07
BOOKSTORE	\$ 5,045,559.51	\$ 4,900,417.23	\$ 0.00	\$ 145,142.28	\$ 80,054.43
BROOKLEY CENTER	1,607,298.18	2,024,650.61	(50,761.60)	(468,114.03)	(412,940.57)
FOOD SERVICES-CAMPUS	139,768.22	103,003.15	0.00	36,765.07	(1,494.72)
HOUSING	4,315,479.22	3,735,845.56	(1,139,992.00)	(560,358.34)	(63,586.21)
TOTAL	\$ 11,108,105.13	\$ 10,763,916.55	\$ (1,190,753.60)	\$ (846,565.02)	\$ (397,967.07)

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CAMPUS		HEALTH SCIENCES		TOTAL
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/07
REVENUES:					
SALES	\$ 4,237,371.63	\$ 3,897,825.51	\$ 730,047.52	\$ 725,484.67	\$ 4,967,419.15
LESS: DEPARTMENTAL DISCOUNTS	4,162.95	3,180.98	3,503.04	2,946.67	7,665.99
COST OF GOODS SOLD	3,119,470.26	2,866,659.87	512,487.65	551,568.24	3,631,957.91
GROSS PROFIT	1,113,738.42	1,027,984.66	214,056.83	170,969.76	1,327,795.25
CASH OVER/(SHORT)	(433.14)	76.58	(987.88)	6.90	(1,421.02)
GRADUATION (NET)	40,973.99	34,648.34	0.00	0.00	40,973.99
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00
OTHER	25,363.29	19,310.89	13,224.10	10,721.23	38,587.39
NET REVENUES:	<u>1,179,642.56</u>	<u>1,082,020.47</u>	<u>226,293.05</u>	<u>181,697.89</u>	<u>1,405,935.61</u>
EXPENDITURES:					
SALARIES	471,521.30	452,366.49	67,828.48	47,500.59	539,349.78
EMPLOYEE BENEFITS	153,666.68	130,365.02	19,761.58	14,045.92	173,428.26
SUPPLIES	20,171.52	15,683.06	3,056.02	2,721.78	23,227.54
TRAVEL	11,918.45	12,004.35	0.00	540.96	11,918.45
EQUIPMENT	5,328.42	2,764.82	169.16	0.00	5,497.58
EQUIPMENT MAINTENANCE AND REPAIR	23,548.02	4,063.48	10.00	0.00	23,558.02
BUILDING & EQUIPMENT RENTAL	3,369.48	2,510.53	241.96	854.16	3,611.44
UTILITIES	56,250.00	56,250.00	0.00	0.00	56,250.00
TELEPHONE	3,659.83	3,275.54	4,090.97	4,078.77	7,750.80
INSURANCE AND BONDS	4,362.00	4,023.00	0.00	0.00	4,362.00
CONTRACT SERVICES	90,343.74	80,393.83	17,847.66	25,366.92	108,191.40
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
RENT	0.00	0.00	14,985.00	14,985.00	14,985.00
OBSOLETE INVENTORY	702.74	0.00	0.00	0.00	702.74
GENERAL EXPENSES	31,587.92	34,785.05	6,841.91	4,519.92	38,429.83
CHARGE CARD AND FACULTY					
STAFF DISCOUNTS	15,261.03	50,197.24	6,176.52	5,682.50	21,437.55
INSTITUTIONAL COST ALLOCATION	195,147.72	181,751.00	32,945.22	32,934.00	228,092.94
TOTAL EXPENDITURES	<u>1,086,838.85</u>	<u>1,030,433.41</u>	<u>173,954.48</u>	<u>153,230.52</u>	<u>1,260,793.33</u>
TRANSFERS AMONG FUNDS-					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER TRANSFERS	0.00	0.00	0.00	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00	0.00	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 92,803.71	\$ 51,587.06	\$ 52,338.57	\$ 28,467.37	\$ 145,142.28
AND MANDATORY TRANSFERS					
					\$ 80,054.43

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	RECREATION CENTER	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 28,916.36	\$ 0.00	\$ 0.00	\$ 28,916.36
LESS: COST OF GOODS SOLD	0.00	0.00	37,226.37	0.00	0.00	37,226.37
DISCOUNTS	0.00	0.00	2,864.54	0.00	0.00	2,864.54
GROSS PROFIT	0.00	0.00	(11,174.55)	0.00	0.00	(11,174.55)
FEES	224.00	0.00	287,077.31	0.00	30,478.35	317,555.66
RENTALS	58,500.00	507,940.52	0.00	0.00	0.00	507,940.52
OTHER	2,296.32	2,016.17	295.55	0.00	0.00	2,311.72
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	61,020.32	509,956.69	276,198.31	0.00	30,478.35	816,633.35
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	529,401.73	60,574.01	173,431.59	0.00	0.00	234,005.60
EMPLOYEE BENEFITS	179,521.72	20,873.25	52,792.38	0.00	0.00	73,865.63
SUPPLIES	35,739.04	148.63	70,030.97	0.00	0.00	70,179.60
TRAVEL	2,237.95	0.00	462.42	0.00	0.00	462.42
CONTRACT SERVICE	107,670.07	24,395.15	44,714.50	0.00	1,920.00	71,029.65
BUILDING MAINTENANCE & REPAIR	9,264.20	32,615.61	1,575.96	0.00	2,720.26	36,911.83
GROUND MAINTENANCE	10,859.78	16,041.96	26,783.35	0.00	86.54	42,911.85
UTILITIES	95,071.42	54,773.30	23,341.94	0.00	37,296.58	115,411.82
EQUIPMENT MAINTENANCE & REPAIR	1,740.68	3,081.17	36,716.82	0.00	5,554.08	45,352.07
BUILDING & EQUIPMENT RENTAL	2,063.45	0.00	17,423.24	0.00	1,759.68	19,182.92
TELEPHONE	11,131.53	76.40	924.00	0.00	4.72	1,005.12
INSURANCE AND BONDS	51,650.00	0.00	732.00	0.00	2,115.00	2,847.00
RECEPTIONS	1,325.10	155.00	0.00	0.00	0.00	155.00
ADVERTISING	2,829.95	788.72	5,402.61	0.00	186.68	6,378.01
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	58,583.80	1,272.52	14,695.33	0.00	7,003.61	22,971.46
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(1,095,428.92)	306,720.10	0.00	10,954.30	43,817.15	361,491.55
TOTAL OPERATING EXPENDITURES	3,661.50	521,515.82	469,027.11	10,954.30	102,464.30	1,103,961.53
EXCESS REVENUES OVER EXPENDITURES	57,358.82	(11,559.13)	(192,828.80)	(10,954.30)	(71,985.95)	(287,328.18)
OTHER EXPENDITURES:						
EQUIPMENT	3,934.82	1,818.99	1,975.00	0.00	0.00	3,793.99
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	3,934.82	1,818.99	1,975.00	0.00	0.00	3,793.99
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(53,424.00)	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	2,662.40	0.00	0.00	2,662.40
TOTAL TRANSFERS	(53,424.00)	0.00	2,662.40	0.00	0.00	2,662.40
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ (13,378.12)	\$ (192,141.40)	\$ (10,954.30)	\$ (71,985.95)	\$ (288,459.77)

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 06/30/08	BROOKLEY CENTER TOTAL 06/30/07
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 28,916.36	\$ 34,022.60
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	37,226.37	(298.07)
DISCOUNTS	3,274.54	0.00	0.00	3,274.54	6,139.08	3,408.17
GROSS PROFIT	(3,274.54)	0.00	0.00	(3,274.54)	(14,449.09)	30,912.50
FEES	296,702.12	378,217.98	0.00	674,920.10	992,699.76	882,212.87
RENTALS	9,900.00	418.00	0.00	10,318.00	576,758.52	561,551.28
OTHER	4,315.50	0.00	0.00	4,315.50	8,923.54	8,289.63
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	307,643.08	378,635.98	0.00	686,279.06	1,563,932.73	1,482,966.28
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	763,407.33	734,950.66
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	253,187.35	230,648.15
SUPPLIES	13,859.89	3,599.25	0.00	17,459.14	123,377.78	86,717.04
TRAVEL	0.00	0.00	0.00	0.00	2,700.37	3,095.23
CONTRACT SERVICE	8,866.28	3,492.94	0.00	12,359.22	191,058.94	183,437.30
BUILDING MAINTENANCE & REPAIR	18,466.64	3,917.02	0.00	22,383.66	68,559.69	59,093.58
GROUND MAINTENANCE	0.00	682.32	0.00	682.32	54,453.95	62,162.10
UTILITIES	92,287.61	71,543.22	0.00	163,830.83	374,314.07	366,258.14
EQUIPMENT MAINTENANCE & REPAIR	8,293.88	3,438.69	0.00	11,732.57	58,825.32	48,398.51
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	21,246.37	20,051.30
TELEPHONE	0.00	0.00	0.00	0.00	12,136.65	14,295.23
INSURANCE AND BONDS	5,640.00	0.00	0.00	5,640.00	60,137.00	54,056.00
RECEPTIONS	495.00	0.00	0.00	495.00	1,975.10	0.00
ADVERTISING	15,445.10	0.00	0.00	15,445.10	24,653.06	20,411.70
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	6,561.60	24,022.09	0.00	30,583.69	112,138.95	(48,246.53)
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	(164,899.53)	(164,899.53)	(164,899.53)	0.00
OPERATING COST ALLOCATIONS	219,085.78	186,222.92	328,628.67	733,937.37	0.00	0.00
TOTAL OPERATING EXPENDITURES	389,001.78	296,918.45	163,729.14	849,649.37	1,957,272.40	1,835,328.41
EXCESS REVENUES OVER EXPENDITURES	(81,358.70)	81,717.53	(163,729.14)	(163,370.31)	(393,339.67)	(352,362.13)
OTHER EXPENDITURES:						
EQUIPMENT	12,509.96	3,773.99	0.00	16,283.95	24,012.76	9,041.44
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	12,509.96	3,773.99	0.00	16,283.95	24,012.76	9,041.44
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(53,424.00)	(53,424.00)
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	2,662.40	1,887.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(50,761.60)	(51,537.00)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ (93,868.66)	\$ 77,943.54	\$ (163,729.14)	\$ (179,654.26)	\$ (468,114.03)	\$ (412,940.57)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	<u>06/30/08</u>	<u>06/30/07</u>
REVENUES:		
COMMISSION INCOME	\$ <u>139,768.22</u>	\$ <u>110,404.01</u>
TOTAL REVENUES	<u>139,768.22</u>	<u>110,404.01</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	4.87	26.74
EQUIPMENT MAINTENANCE AND REPAIR	17,958.65	29,636.59
UTILITIES	48,750.03	48,741.00
TELEPHONE	57.92	(5.20)
MEMBERSHIPS AND DUES	270.00	270.00
CONTRACT SERVICES	7,359.96	8,564.60
INSURANCE AND BONDS	11,865.00	10,003.00
EQUIPMENT	243.97	0.00
BUILDING MAINTENANCE AND REPAIR	3,745.00	2,610.00
INDIRECT COST	12,136.50	12,123.00
GENERAL EXPENSE	<u>611.25</u>	<u>(71.00)</u>
TOTAL EXPENDITURES	<u>103,003.15</u>	<u>111,898.73</u>
TRANSFERS AMONG FUNDS:		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:		
OTHER TRANSFERS		
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	\$ <u>36,765.07</u>	\$ <u>(1,494.72)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	OLD SHELL ROAD HOUSING	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:						
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 108,545.00	\$ 0.00	\$ 426,167.23	\$ 276,684.81
BAD DEBT RECOVERY	5,210.84	0.00	0.00	0.00	1,088.02	0.00
OTHER	250.00	0.00	0.00	0.00	18,000.07	51,207.80
TOTAL REVENUES	5,460.84	0.00	108,545.00	0.00	445,255.32	327,892.61
EXPENDITURES:						
SALARIES	283,371.89	64,429.36	0.00	0.00	220,599.96	56,138.63
EMPLOYEE BENEFITS	83,614.75	135.97	0.00	0.00	76,126.96	12,079.86
CONTRACT LABOR	0.00	0.00	0.00	0.00	808.00	210.00
CONTRACT SERVICES	1,722.50	0.00	49,606.00	0.00	16,204.71	13,337.00
TRAVEL	3,885.58	783.38	0.00	0.00	0.00	0.00
RECEPTIONS	(95.15)	19,526.08	0.00	0.00	0.00	0.00
SUPPLIES	12,394.96	316.30	0.00	4.08	21,588.46	9,125.85
CABLE	83,105.04	0.00	0.00	0.00	1,004.49	0.00
TELEPHONE	1,110.34	0.00	0.00	0.00	1,385.72	668.40
UTILITIES	0.00	0.00	0.00	0.00	19,560.50	829.40
INSURANCE AND BONDS	2,196.00	0.00	0.00	0.00	13,976.00	8,112.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	54.26	201.42	0.00	0.00	0.00	1,811.15
EQUIPMENT RENTAL	311.38	0.00	0.00	0.00	3,739.70	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	326.95	0.00
GROUPS MAINTENANCE	933.75	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	42,477.60	550.97	200.00	0.00	4,517.06	1,690.00
ADMINISTRATIVE OVERHEAD	291,999.04	0.00	0.00	0.00	0.00	51,955.04
ADMINISTRATIVE EXPENSES	(801,621.10)	(85,343.48)	32,817.70	0.00	3,547.86	82,487.69
TOTAL EXPENDITURES	5,460.84	600.00	82,623.70	4.08	383,386.37	238,445.02
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(607,032.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	(607,032.00)
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	600.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	600.00	0.00	0.00	0.00	(607,032.00)
EXCESS REVENUES OVER EXPENDITURES						
AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 25,921.30	\$ (4.08)	\$ 61,868.95	\$ (517,584.41)

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE NINE MONTHS ENDED JUNE 30, 2008
WITH COMPARATIVE FIGURES FOR 2007

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 06/30/08	TOTAL HOUSING 06/30/07
REVENUES:						
RENTAL INCOME	\$ 769,984.55	\$ 447,151.90	\$ 1,718,578.17	\$ 441,394.49	\$ 4,188,506.15	\$ 4,535,621.85
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	6,298.86	5,300.15
OTHER	5,452.00	3,741.30	26,778.69	15,244.35	120,674.21	152,947.87
TOTAL REVENUES	<u>775,436.55</u>	<u>450,893.20</u>	<u>1,745,356.86</u>	<u>456,638.84</u>	<u>4,315,479.22</u>	<u>4,693,869.87</u>
EXPENDITURES:						
SALARIES	131,004.22	34,265.46	161,329.85	123,730.96	1,074,870.33	1,062,036.54
EMPLOYEE BENEFITS	36,314.46	9,769.75	41,202.82	23,503.39	282,747.96	266,548.74
CONTRACT LABOR	150.00	357.00	51,030.18	357.00	52,912.18	14,036.61
CONTRACT SERVICES	9,745.73	6,011.98	35,978.06	38,657.32	171,263.30	119,990.01
TRAVEL	0.00	0.00	0.00	0.00	4,668.96	5,235.03
RECEPTIONS	0.00	0.00	0.00	0.00	19,430.93	15,568.10
SUPPLIES	5,287.45	6,906.49	50,741.49	18,465.88	124,830.96	135,298.45
CABLE	0.00	0.00	0.00	0.00	84,109.53	100,496.92
TELEPHONE	34,418.94	14,926.34	86,026.05	16,823.22	155,359.01	149,326.61
UTILITIES	0.00	0.00	0.00	0.00	20,389.90	22,422.57
INSURANCE AND BONDS	13,585.00	6,945.00	20,492.00	6,097.00	71,403.00	70,030.00
BUILDING MAINTENANCE AND REPAIR	6,150.00	1,054.88	0.00	175.00	7,379.88	7,432.32
EQUIPMENT	0.00	0.00	14,047.00	5,390.00	21,503.83	37,100.02
EQUIPMENT RENTAL	0.00	0.00	43.88	0.00	4,094.96	5,097.39
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	180.49	0.00	507.44	8,875.65
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	933.75	595.36
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	1,337.95
GENERAL EXPENSES	54,999.54	33,177.30	122,918.23	32,508.78	293,039.48	310,202.81
ADMINISTRATIVE OVERHEAD	295,482.00	139,605.04	425,267.04	142,092.00	1,346,400.16	1,299,332.00
ADMINISTRATIVE EXPENSES	170,297.20	96,679.14	376,072.98	125,062.01	0.00	0.00
TOTAL EXPENDITURES	<u>757,434.54</u>	<u>349,698.38</u>	<u>1,385,330.07</u>	<u>532,862.56</u>	<u>3,735,845.56</u>	<u>3,630,963.08</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(63,976.00)	(45,760.00)	(266,160.00)	(142,664.00)	(1,125,592.00)	(1,126,648.00)
TOTAL MANDATORY TRANSFERS	<u>(63,976.00)</u>	<u>(45,760.00)</u>	<u>(266,160.00)</u>	<u>(142,664.00)</u>	<u>(1,125,592.00)</u>	<u>(1,126,648.00)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	(15,000.00)	0.00	0.00	0.00	(15,000.00)	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	600.00	155.00
TOTAL NON-MANDATORY TRANSFERS	<u>(15,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(14,400.00)</u>	<u>155.00</u>
TOTAL TRANSFERS	<u>(78,976.00)</u>	<u>(45,760.00)</u>	<u>(266,160.00)</u>	<u>(142,664.00)</u>	<u>(1,139,992.00)</u>	<u>(1,126,493.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ (60,973.99)	\$ 55,434.82	\$ 93,866.79	\$ (218,887.72)	\$ (560,358.34)	\$ (63,586.21)
AND TRANSFERS (DEFICIT)						

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Nine Months Ended June 30, 2008 and 2007

Unaudited

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Nine Months Ended June 30, 2008 and 2007

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University of South Alabama

Management's Discussion and Analysis

Introduction

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

Financial Highlights

At June 30, 2008 the University had total assets of \$713,299,000, total liabilities of \$301,824,000 and net assets of \$411,475,000. University net assets increased \$26,959,000 for the nine months ended June 30, 2008 compared to an increase of \$40,000,000 for the nine months ended June 30, 2007. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the University at and for the nine months ended June 30, 2008 and 2007 follow (in thousands):

Condensed Statements of Net Assets

	2008	2007
<i>Assets</i>		
Current	\$ 292,557	\$ 277,132
Capital and other noncurrent assets	420,742	376,801
	<u>713,299</u>	<u>653,933</u>
<i>Liabilities</i>		
Current	83,446	89,035
Noncurrent	218,378	213,540
	<u>301,824</u>	<u>302,575</u>
<i>Net Assets</i>		
Invested in capital assets, net of debt	203,757	162,251
Restricted, nonexpendable	23,660	16,826
Restricted, expendable	30,837	30,011
Unrestricted	153,221	142,270
	<u>\$ 411,475</u>	<u>\$ 351,358</u>

University of South Alabama

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2008</u>	<u>2007</u>
<i>Operating revenues</i>		
Tuition and fees	\$ 45,282	\$ 41,492
Hospital revenues, net	150,259	154,746
Other	<u>91,364</u>	<u>91,044</u>
	286,905	287,282
<i>Operating expenses</i>		
Salaries and benefits	276,229	249,086
Supplies and other services	98,125	94,611
Other	<u>26,081</u>	<u>25,812</u>
	<u>400,435</u>	<u>369,509</u>
Operating loss	(113,530)	(82,227)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	104,803	90,291
Other, net	<u>11,569</u>	<u>15,941</u>
Net nonoperating revenues	<u>116,372</u>	<u>106,232</u>
Other revenues, expenses, gains or losses	<u>24,117</u>	<u>15,995</u>
Increase in net assets	26,959	40,000
Beginning net assets	<u>384,516</u>	<u>311,358</u>
Ending net assets	<u>\$ 411,475</u>	<u>\$ 351,358</u>

Analysis of Financial Position and Results of Operations

Statements of Net Assets

The statements of net assets present the assets, liabilities and net assets of the University as of the end of the current reporting period. The net assets are displayed in three parts, invested in capital assets net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or by an external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purposes. The statements of net assets, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses

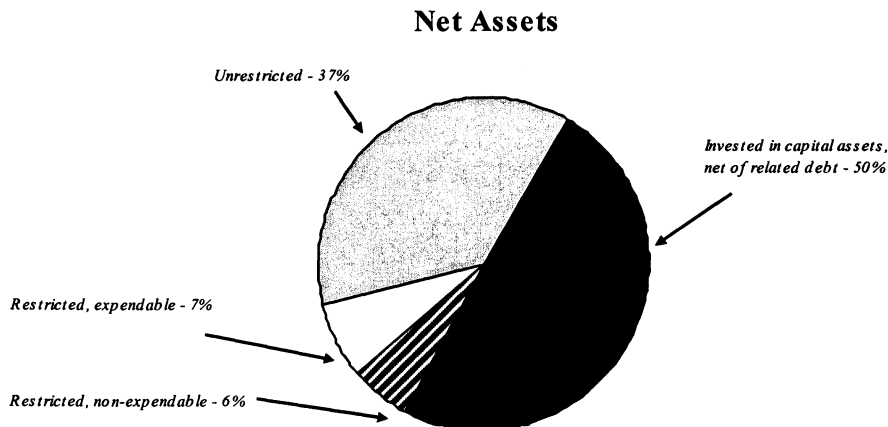
University of South Alabama

Management's Discussion and Analysis (continued)

are recognized when others provide the service to the University, regardless of when cash is exchanged.

Assets included in the statements of net assets are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, operating investments and hospital patient accounts receivable. Current liabilities consist primarily of accounts payable and accrued liabilities.

Net assets represent the residual interest in the University's assets after liabilities are deducted and are classified into one of four categories as shown on the following illustration, as of the end of the current reporting period:



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

Restricted nonexpendable net assets consist primarily of the University's permanent endowment funds. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended. Restricted expendable net assets are subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

University of South Alabama

Management's Discussion and Analysis (continued)

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives as well as capital projects.

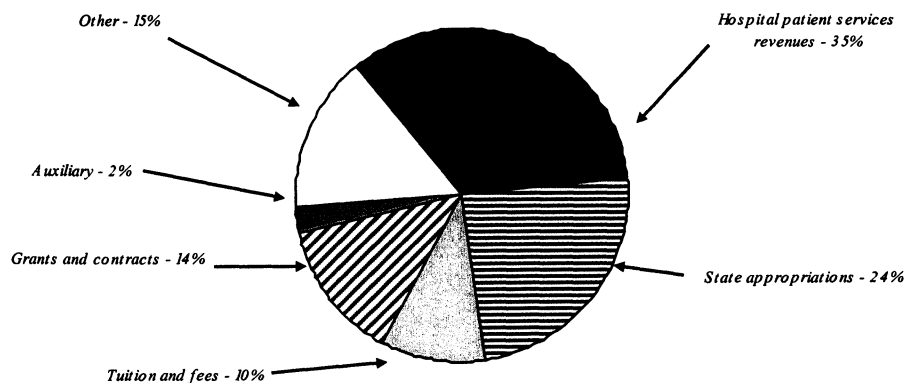
Statements of Revenues, Expenses and Changes in Net Assets

Changes in total University net assets as presented on the statements of net assets are based on the activity presented in the statement of revenues, expenses and changes in net assets. The purpose of the statements is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid 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 are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as nonoperating.

Approximately two-thirds of the operating revenues of the University are hospital patient care revenues. The remainder consists primarily of tuition and fees, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of University revenues (operating, nonoperating and other) for the current period:

Sources of Revenues

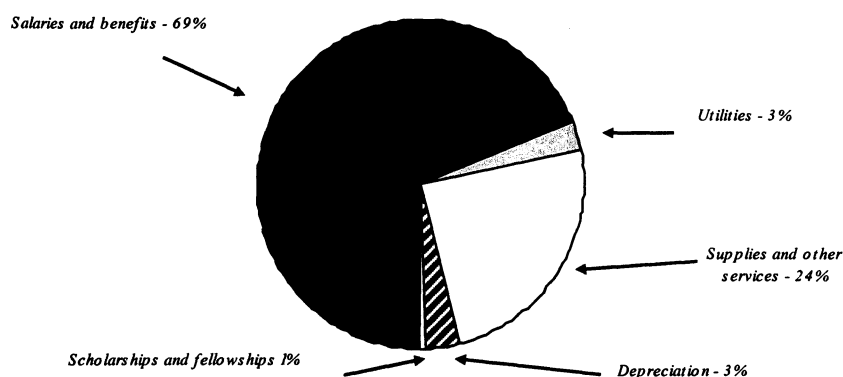


University of South Alabama

Management's Discussion and Analysis (continued)

University expenses are presented using natural expense classifications. Salaries and benefits represent the majority of the University's operating expenses. The following illustration presents the major University operating expenses, including the hospitals, using natural classification for the current period:

Operating Expenses by Natural Classification



Capital Assets and Debt Administration

During the current period, construction continued on the Mitchell Cancer Institute and the Nursing and Allied Health Building. Additionally, several construction and renovation projects at the University and Hospitals were ongoing during the current period.

In January 2008, the University entered into a synthetic advance refunding of its Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to an unrelated counterparty. The transactions resulted in an up-front payment to the University in exchange for the option to enter into an interest rate swap with the 2004 and 2006 bonds in 2014 and 2016, respectively. Additional information on this transaction is in footnote 10.

University of South Alabama

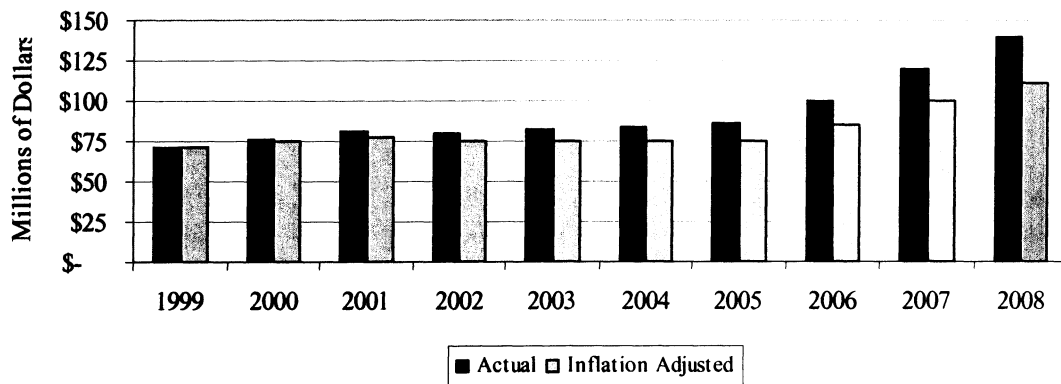
Management's Discussion and Analysis (continued)

Economic Outlook

While enrollment and tuition have both increased in recent years, state appropriations have historically been relatively flat. However, in 2007 and 2006, the University experienced an increase of 19.0% and 17.2%, respectively, or approximately \$19,185,000 and \$14,581,000, respectively, in state appropriations. A similar increase is being received for the 2008 budget year. Based on the budget passed by the State legislature, state appropriations are expected to decrease significantly in the 2009 budget year.

State appropriations (actual and adjusted for inflation) for the last ten years are illustrated below:

State Appropriations - Ten Year History



University administration is not aware of any other currently known facts, decisions, or conditions, except as noted below, that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2008 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Assets

June 30, 2008 and 2007

(In thousands)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 25,167	\$ 72,279
Investments, at fair value	187,801	126,477
Net patient service receivables	25,029	28,683
Accounts receivable, affiliates	14,661	11,958
Accounts receivable, other	31,769	31,335
Notes receivable, net	772	732
Prepaid expenses, inventories and other	7,358	5,668
Total current assets	292,557	277,132
Noncurrent assets		
Restricted cash and cash equivalents	18,320	16,781
Restricted investments	40,348	64,195
Investments, at fair value	1,608	2,714
Accounts receivable	7,454	8,257
Notes receivable, net	5,533	6,386
Other noncurrent assets	23,750	11,446
Capital assets (net of accumulated depreciation)	323,729	267,022
Total noncurrent assets	420,742	376,801
Total assets	713,299	653,933
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	44,937	52,467
Deferred revenue	32,896	30,115
Deposits	617	1,057
Current portion of long-term debt	4,996	5,396
Total current liabilities	83,446	89,035
Noncurrent liabilities		
Long-term debt	198,243	194,443
Other long-term liabilities	20,135	19,097
Total noncurrent liabilities	218,378	213,540
Total liabilities	301,824	302,575
Net Assets		
Invested in capital assets, net of related debt	203,757	162,251
Restricted, nonexpendable		
Scholarships	10,367	7,004
Other	13,293	9,822
Restricted, expendable	30,837	30,011
Unrestricted	153,221	142,270
Total net assets	\$ 411,475	\$ 351,358

See accompanying notes.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Assets

Nine Months Ended June 30, 2008 and 2007

(In thousands)

	<u>2008</u>	<u>2007</u>
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 45,282	\$ 41,492
Patient services and other (net of contractual allowances and bad debt expense)	150,259	154,746
Federal grants and contracts	20,184	20,589
State grants and contracts	3,432	3,396
Private grants and contracts	35,102	34,466
Auxiliary enterprises (net of scholarship allowances)	10,860	10,775
Other operating revenues	21,786	21,818
Total operating revenues	<u>286,905</u>	<u>287,282</u>
Expenses		
Operating expenses		
Salaries and benefits	276,229	249,086
Supplies and other services	98,125	94,611
Scholarships and fellowships	1,794	2,974
Utilities	10,337	9,052
Depreciation	13,950	13,786
Total operating revenues	<u>400,435</u>	<u>369,509</u>
Operating loss	(113,530)	(82,227)
Nonoperating revenues (expenses)		
State appropriations	104,803	90,291
Investment income and gains (losses) on investments	4,917	11,101
Interest on indebtedness	(6,034)	(5,477)
Other nonoperating revenues	14,636	13,476
Other nonoperating expenses	(1,950)	(3,159)
Net nonoperating revenues	<u>116,372</u>	<u>106,232</u>
Income before other revenues, expenses, gains or losses	2,842	24,005
Capital appropriations	-	12,046
Capital gifts and grants	15,470	1,172
Additions to endowment	8,647	2,777
Increase in net assets	<u>26,959</u>	<u>40,000</u>
Net assets		
Beginning of period	<u>384,516</u>	<u>311,358</u>
End of period	<u>\$ 411,475</u>	<u>\$ 351,358</u>

See accompanying notes.

University of South Alabama

Notes to 2008 Quarterly Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying basic financial statements present the financial position and activities of the University of South Alabama (the University), which is a component unit of the State of Alabama.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 University, as the primary government, and the accounts of the following entities as component units.

The University has adopted GASB Statement No. 39 which 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. The statement also clarifies reporting requirements for those organizations. Based on these criteria as of September 30, 2007, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, component unit financial statements are not presented.

The University is also affiliated with the South Alabama Medical Science Foundation. This entity is not considered a component unit of the University under the provisions of GASB Statement Nos. 14 and 39.

Professional Liability and General Liability Trust Funds

GASB Statement No. 14 requires the University, as the primary government, to include in its financial statements, as a component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 14. The medical malpractice liability of the University is maintained and managed in a separate professional liability trust fund (the PLTF) in which the University and USAHSF are the only participants. In accordance with the bylaws of the trust fund, the president of the University is responsible for appointing members of the trust fund policy committee. Additionally, the general liability of the University is maintained and managed in a general liability trust fund (the GLTF) for which the University, as defined by GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units in its

University of South Alabama

Notes to 2008 Quarterly Financial Statements

annual financial statements. For quarterly reporting purposes these entities are not blended into the University's statements.

University of South Alabama Foundation

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

University of South Alabama Health Services Foundation

The USAHSF is a not-for-profit corporation that exists to provide a group medical practice for physicians who are faculty members of the University and to further medical education and research at the University. Because of the significance of the relationship between the University and USAHSF, USAHSF is considered a component unit of the University. The USAHSF reimburses the University for salaries, certain administrative expenses, Dean's clinical assessment and other support services. The USAHSF presents its financial statements in accordance with standards issued by the FASB.

USA Research and Technology Corporation

The 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 relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34. 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.

The University prepares its basic financial statements in accordance with U. S. generally accepted accounting principles, as prescribed by GASB, including all applicable effective

University of South Alabama

Notes to 2008 Quarterly Financial Statements

statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

Use of Estimates

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

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

Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts and any short-term investments that take on the character of cash. These investments generally, but not always, have maturities of less than three months and include repurchase agreements and money market accounts.

Investments and Investment Income

Investments are recorded at fair value. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income.

Accounts Receivable

Accounts receivable primarily result from net patient service revenue. Accounts receivable from affiliates primarily represent amounts due from USAHSF for salaries, and certain administrative and other support services. 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 receivable are recorded net of estimated uncollectible amounts.

Inventories

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

University of South Alabama

Notes to 2008 Quarterly Financial Statements

Capital Assets

Capital assets are recorded at cost, if purchased, or at fair value at date of donation. Depreciation is provided over the useful life of each class of depreciable asset 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 assets.

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 assets constructed are capitalized as a component of the cost of acquiring those assets.

Deferred Revenue

Student tuition, fees, and dormitory rentals are deferred and recognized over the applicable portion of each school term.

Operating lease rental payments related to the University's lease of USA Knollwood Hospital to the Infirmity Health System, Inc. are deferred and recognized as revenue over the term of the lease using the straight-line method.

Classification of Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt represents 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 *invested in capital assets, net of related debt*.

Restricted, nonexpendable net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, 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.

University of South Alabama

Notes to 2008 Quarterly Financial Statements

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

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, net patient service revenue, 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 assets 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 assets are designated for academic and research programs and initiatives, and capital programs.

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

Scholarship Allowances and Student Financial Aid

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

Donor Restricted Endowments

The University is subject to the "Uniform Management of Institutional Funds Act (UMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The University's endowment spending policy provides that 5% of the three-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 assets.

Classification of Revenues

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

University of South Alabama

Notes to 2008 Quarterly Financial Statements

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

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

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.

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.

Net Patient Service Revenue

Net patient service revenue is 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.

Costs of Borrowing

Debt financing costs and bond premium and discounts are deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond issue.

University of South Alabama

Notes to 2008 Quarterly Financial Statements

Compensated Absences

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

Reclassifications

Certain amounts in the fiscal 2007 basic financial statements have been reclassified in order to conform to fiscal 2008 classification.

2. Income Taxes

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

3. Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2007 (the last date for which such information is reported), the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,174,338,000.

4. Investments

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 pooled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the "prudent person" standard in the context of managing its investment portfolio.

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

University of South Alabama

Notes to 2008 Quarterly Financial Statements

Credit Risk and Concentration of Credit Risk

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.

Interest Rate Risk

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

Mortgage-Backed Securities

The University, from time to time, invests in mortgage-backed securities issued by the Government National Mortgage Association (GNMA) and the Federal National Mortgage Association (FNMA), agencies 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.

The fair value of mortgage-backed securities is generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities include collateralized mortgage obligations (CMOs). In CMOs, the cash flow from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets.

5. Note Payable

Note payable consisted of the following at the end of the current period:

Compass Bank limited obligation note, 2.743% payable through September 2008, unsecured

6. Bonds Payable

Bonds payable consisted of the following at the end of the current period:

University Tuition Revenue Bonds, Series 1999 Current Interest, 3.7% to 4.35% payable through November 2010

University of South Alabama

Notes to 2008 Quarterly Financial Statements

University Tuition Revenue Bonds, Series 1999 Capital Appreciation, 4.7% to 5.25%, payable November 2011 through November 2018

University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024

University Tuition Revenue Refunding and Capital Improvement bonds, Series 2006, 5.00%, payable through June 2037

Series 1999 Current Interest Bonds began maturing November 2002, and Series 1999 Capital Appreciation Bonds mature beginning November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2004 Bonds began maturing in March 2005 and are redeemable beginning in March 2014. Series 2006 Bonds begin maturing in December 2024 and are redeemable beginning in December 2016.

During the year ended September 30, 2007, the University refunded its Series 1996 bonds with a portion of the proceeds from the issuance of the Series 1996 bonds. The 2006 refunding transaction resulted in an accounting loss totaling \$924,000, which has been deferred and is being amortized using the straight-line method through 2016. Aggregate cash flows from the refunding date through contractual maturity of the Series 1996 bonds totals approximately \$25,826,000, while aggregate cash flows from the portion of the refunding Series 2006 bonds applicable to the refunding totaled approximately \$48,588,000 through the maturity date of the Series 2006 bonds, resulting in a negative net cash flow differential for the refunding of approximately \$19,762,000. The economic gain (generally referred to as the present value of the net cash flow differential discounted at the effective interest rate of the new debt) on the 2006 refunding transaction totals approximately \$1,328,000.

The University defeased certain indebtedness during 1978 and 1984 by depositing funds in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Neither the assets of the escrow trust accounts nor the defeased indebtedness is included in the accompanying statements of net assets.

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

7. Capital Lease Obligation

In fiscal 2006, the University signed a three-year purchase agreement as a method of financing the purchase of certain computer equipment for the USA Hospitals. Payments are due monthly through fiscal 2009.

University of South Alabama

Notes to 2008 Quarterly Financial Statements

8. Net Patient Service Revenue

The Hospitals have agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' 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, the Hospitals are 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. The Hospitals generally are reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospitals and audits by the Medicare fiscal intermediary. The cost report for the USA Medical Center has been audited through 2004. The 2005 cost report has been audited and settlement is pending. The cost report for USA Children's and Women's Hospital has been audited and settled through 2006. The cost report for USA Knollwood Hospital has been audited and settled through March 2006.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost reimbursement methodology. For outpatient services, the Hospitals are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by Blue Cross. The Hospitals' Blue Cross cost reports have been audited and settled for all fiscal years through 2006.

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.

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

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

University of South Alabama

Notes to 2008 Quarterly Financial Statements

9. Hospital Lease

Background

In fiscal 2006, the University and Infirmity Health System, Inc. (the Infirmity) entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment at its USA Knollwood Hospital campus to the Infirmity. Assets leased include the Knollwood 124-bed acute care hospital, the Knollwood 191-bed long-term care acute hospital and, with the exception of four condominium units not owned by the University, four professional office buildings located on the Knollwood campus. Additional assets leased include significantly all of the equipment, fixtures, furnishings and other personal property of the University used in connection with the operation of the hospitals.

The lease was effective as of April 1, 2006 and extends fifty years through March 31, 2056 with an automatic renewal, for an additional forty-nine years, through March 31, 2105. The lease may be terminated after the initial fifty-year term by the Infirmity. Upon the expiration or termination of the lease, the assets, along with responsibility for the operation of such assets, will revert to the University and the University will pay the Infirmity, at fair market value, for any capital improvements to the assets.

Additionally, the lease may be terminated at any time, at the option of the Infirmity, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body or any third-party payment program is deemed by the Infirmity to be significant. Significance is defined as anything that materially affects the operations, including financial and otherwise, of the hospital. If the Infirmity exercises this option, the University has the option of paying the Infirmity an amount equal to the fair market value of the capital improvements to the leased assets or selling the leased assets to the Infirmity for an amount equal to their fair market value. The University's management does not anticipate that this option will be exercised by the Infirmity.

Also in December 2005, and in connection with the lease, the University and Infirmity executed a promissory note, due in June 2006, in which the University agreed to pay the Infirmity \$2,927,000, plus interest at an annual rate of 3.25%. This note was given in consideration for approximately 6.7 acres of land in the vicinity of the Mobile Infirmity Medical Center and the University of South Alabama Children's and Women's Hospital. The Mitchell Cancer Institute is currently being constructed on this property.

Financial Considerations

The total amount of lease payments due the University was based on the fair market value of the assets, \$32,418,000, as appraised in September 2005. The allocation of the appraised fair market value is \$29,370,000 for the land and buildings and \$3,048,000 for medical equipment, office furnishings and other equipment.

Upon execution of the lease, a partial lease prepayment in the amount of \$7,418,000 was made by the Infirmity. This prepayment consisted of cash and a credit for the promissory

University of South Alabama
Notes to 2008 Quarterly Financial Statements

note executed in consideration for the property as described above. The specific components of the prepayment were as follows:

In addition to the prepayment, required annual lease payments by the Infirmary to the University, are \$1,000,000 in years one through five; \$1,250,000 in years six through ten; \$1,500,000 in years eleven through fifteen; variable amount based on certain government indices in years sixteen through thirty and \$1 in years thirty-one through ninety-nine. Lease payments are made monthly.

For reporting purposes, management assumed that the interest rate utilized in years sixteen through thirty would remain at 3.75%. This assumption will be reviewed, and amortization schedules adjusted, if necessary, when the actual interest rate is determined.

Financial Statement Presentation

As required by FASB Statement No. 13, related to leases involving both real property and equipment, the equipment component of the lease must be considered separately in determining whether or not the lease is a capital or an operating lease. As such, the University has bifurcated the lease into an equipment component and a real property component based on the appraised fair value of each such component. The financial considerations of the lease are then applied to, and the accounting treatment is determined for, each component based on this bifurcation.

Pursuant to FASB Statement No. 13, the equipment component of the lease is considered a capital lease (sales-type lease) and as such has been recorded as a capital lease receivable, both current and noncurrent, in the accompanying basic financial statements of the University.

The component of the lease attributable to land and buildings is considered an operating lease. As such, lease revenue will be recorded as it is earned over the ninety-nine year lease term (the fifty-year initial term and the forty-nine year automatic renewal term). The expected total lease payments to be received over the next thirty years along with cash and other consideration already received will be deferred and amortized over the ninety-nine year term.

10. Derivative Transactions

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to an unrelated counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counter-party the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively.

Objective of the derivative transaction

The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

University of South Alabama

Notes to 2008 Quarterly Financial Statements

Terms

A summary of the transaction is as follow:

Issue	Date of Issue	Option Expiration Date	Effective Date of Swap	Termination Date	Payment Amount
Series 2004 bonds	2-Jan-08	16-Dec-13	15-Mar-14	15-Mar-24	\$ 1,988,000
Series 2006 bonds	2-Jan-08	1-Sep-16	1-Dec-16	1-Dec-36	7,340,000

If the counter-party exercises its options in 2014 and 2016, the University would, at the counter-party's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to Wachovia and would receive payments based 68% of the one-month LIBOR index. Alternatively the University could, at its option; cash settle the swap and retain its right to refund the 2004 and 2006 bonds.

If the interest rate environment is such that the counter-party chooses to not exercise its option, the swaption would be cancelled and the University would have no further obligation under this agreement.

Risks Associated with this transaction

Certain risks are inherent to derivative transactions.

Interest rate risk. Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University by its fixed rate bonds. If the counter-party exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk as a result of changes in long-term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to change. If long-term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

Market access risk. This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counter-party exercises its right under the swaption, the University would still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

University of South Alabama
Notes to 2008 Quarterly Financial Statements

Basis risk. If the counter-party exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

Credit risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of the current period end, the swap counterparty was rated A1 by Moody's investors Services and A+ by Fitch Ratings.

Termination risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. No termination events have occurred as of the current date.

11. Employee Benefits

Retirement and Pension Plans

Employees of the University are covered by two pension plans: a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement System of the State of Alabama (TRS), and a defined contribution pension plan.

Permanent employees of the University participate in TRS, a public retirement system created by an act of the State Legislature, with benefit provisions established by the Code of Alabama. Responsibility for general administration and operation of the TRS is vested in the Board of Control (currently 14 members). Benefits fully vest after 10 years of full-time, permanent employment. Vested employees may retire with full benefits at age 60 or after 25 years of service. Participating retirees may elect the maximum benefit, or may choose among four other monthly benefit options. Under the maximum benefit, participants are allowed 2.0125% of their average final salary (average of three highest years of annual compensation during the last ten years of service) for each year of service. The TRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150, or by calling (334) 832-4140.

All employees covered by this retirement plan must contribute 5% of their eligible earnings to TRS. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually.

The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. Under this plan,

University of South Alabama

Notes to 2008 Quarterly Financial Statements

administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay.

Compensated Absences

Regular University employees accumulate vacation and sick leave, subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

Other Postretirement Employee Benefits

In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University was assessed a monthly premium by the Public Education Employees' Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium.

12. Risk Management

The University and USAHSF participate in the professional liability trust fund and the University participates in the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the University and USAHSF, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance will be distributed to the University and USAHSF in proportion to contributions made.

Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University participates in a self-insured health plan, administered by an unaffiliated entity. 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.

13. Other Related Party

The South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. SAMSF

University of South Alabama

Notes to 2008 Quarterly Financial Statements

reimburses the University for certain administrative expenses and other related support services.

14. Commitments and Contingencies

Grants and Contracts

The University had been awarded certain amounts 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 award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

Letter of Credit

In connection with the Hospitals' participation in the State of Alabama Medicaid Program, the University has established a \$1,400,000 irrevocable standby letter of credit with Wachovia Bank. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds were advanced under this letter during the years ended September 30, 2007 and 2006.

Litigation

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

Rent Supplement Agreement

During fiscal 2007, the University entered into an irrevocable rent supplement agreement with the Corporation and a financial institution. The agreement requires that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations. As of the end of the current period, no amounts were payable pursuant to this agreement.

15. Significant New Accounting Pronouncements

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 addresses accounting and reporting standards for pollution remediation obligations, which are obligations with respect to current operations and will be effective for the year ending

University of South Alabama
Notes to 2008 Quarterly Financial Statements

September 30, 2009. In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*. GASB Statement No. 50 establishes standards for disclosure in notes to financial statements related to pension plans and will be effective for the year ending September 30, 2008. In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 requires that certain intangible assets be classified and reported as capital assets and will be effective for the year ending September 30, 2010. In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 establishes standards for the reporting of land and other real estate held as investments and will be effective for the year ending September 30, 2009. In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments and will be effective for the year ending September 30, 2010.

The effect of the implementation of GASB Statements Nos. 49, 50, 51, 52 and 53 on the University has not been determined.

University of South Alabama
Summary Comparison of Fund Financial Reports to
GASB Statement 34 Financial Statements
June 30, 2008 and 2007

	Nine Months Ended June 30,		Year Ended September 30,
	2008	2007	2007
Net increase (decrease) in current unrestricted operating funds (fund accounting format)	\$ 1,480,706	\$ 6,435,093	\$ 3,721,883
Add:			
Debt service	9,068,100	3,217,747	6,401,149
Equipment*	-	-	21,018,457
Depreciation	(5,532,451)	7,479,975	6,407,336
Plant Fund revenues	12,973,102	6,307,740	22,747,172
Other, net	8,969,543	16,559,445	12,862,003
Net increase in net assets	<u>\$ 26,959,000</u>	<u>\$ 40,000,000</u>	<u>\$ 73,158,000</u>
- GASB Statement 34/35			

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Nine Months Ended June 30, 2008

Net increase (decrease) from operating (current unrestricted) funds - fund accounting format		\$ 1,480,706
Add back:		
Debt service:		
Principal payment on long term debt	4,767,526	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>4,300,574</u>	9,068,100
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(12,361,986)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>6,829,535</u>	<u>(5,532,451)</u>
		5,016,355
Add:		
Plant fund income/transfers (net) not previously combined with operating:		12,973,102
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	9,229,284	
Loan fund	36,512	
Restricted fund	59,712	
Other transfers, other changes, GASB adjustment and rounding, net	<u>(355,965)</u>	<u>8,969,543</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 26,959,000</u>

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Nine Months Ended June 30, 2007

Net increase from operating (current unrestricted) funds - fund accounting format		\$ 6,435,093
Add back:		
Debt service:		
Principal payment on long term debt	4,165,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>(947,253)</u>	3,217,747
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(13,786,176)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>21,266,151</u>	<u>7,479,975</u>
		17,132,815
Add:		
Plant fund income/transfers (net) not previously combined with operating:		6,307,740
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	11,492,163	
Loan fund	(7,479)	
Restricted fund	4,415,283	
Other transfers, other changes, GASB adjustment and rounding, net	<u>659,478</u>	<u>16,559,445</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 40,000,000</u>

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Year Ended September 30, 2007

Net increase from operating (current unrestricted) funds - fund accounting format		\$ 3,721,883
Add back:		
Debt service:		
Principal payment on long term debt	6,899,969	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>(498,820)</u>	6,401,149
Equipment purchases		21,018,457
Depreciation of buildings and equipment:		
Computed depreciation	(19,058,759)	
Non-capitalized plant fund expenditures	(4,213,969)	
Transfers of funded depreciation	<u>29,680,064</u>	<u>6,407,336</u>
		37,548,825
Add:		
Plant fund income (net) not previously combined with operating:		22,747,172
Other fund income not previously combined with operating:		
Endowment fund gifts and investment gain, net	13,444,313	
Loan fund	42,935	
Restricted fund	1,067,291	
Other transfers, other changes and rounding, net	<u>(1,692,536)</u>	<u>12,862,003</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ 73,158,000</u></u>

RESOLUTION

**ELECTION OF DIRECTORS
FOR THE USA RESEARCH AND TECHNOLOGY CORPORATION BOARD**

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

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

WHEREAS, the Board of Directors of the Corporation has nominated for consideration and confirmation by the Board of Trustees of the University Mr. Joseph J. Adamo and Dr. James E. Laier for four (4) year terms beginning June 2008, and these persons have agreed to service in this capacity if elected,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama does hereby elect as Directors of the USA Research and Technology Corporation Mr. Joseph J. Adamo and Dr. James E. Laier, both for four (4) year terms beginning June 2008.



REC'D
OFFICE OF THE PRESIDENT

JUN 19 2008

UNIVERSITY OF SOUTH ALABAMA
CAMPUS MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

Date: June 18, 2008
To: President V. Gordon Moulton
From: M. Wayne Davis *M. Wayne Davis*
Subject: Agenda Item for September 11, 2008 Board of Trustees Meeting

Attached is a resolution for consideration by the Budget and Finance Committee concerning the election of directors of the USA Research and Technology Corporation. As you know, the bylaws of the Corporation authorized it to nominate directors and submit the list of names to the University of South Alabama Board of Trustees for approval and election. With your approval, this item will be presented to the Budget and Finance Committee and the Board of Trustees for final approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

M. Wayne Davis
OK
[Signature]

RESOLUTION

**EXECUTION OF NOTICE OF FEDERAL INTEREST
IN USA ENGINEERING AND SCIENCE CENTER**

WHEREAS, the University of South Alabama has been awarded federal grants from the U. S. Department of Commerce / National Institute of Standards and Technology and the Federal Highway Administration to partially fund the construction of the USA Engineering and Science Center, and

WHEREAS, applicable regulations require use of the building be restricted for a period of up to 40 years to those purposes documented in the applications approved by the agency that promulgated the subject awards unless subsequent preapproval of alternative uses is granted by the federal government, and

WHEREAS, such regulations also require the recording of such federal interests in the public records of Mobile County, and

WHEREAS, the University of South Alabama intends to construct and operate the Engineering and Science Center as proposed under approved grant awards to provide instruction and research in several engineering disciplines as well as in computing sciences,

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees hereby authorizes the President of the University to execute, file, and record such documents as necessary to affirm the federal interests in the Engineering and Science Center as required under applicable federal regulations.



MEMORANDUM

REC'D
OFFICE OF THE PRESIDENT
SEP 06 2008
University of South Alabama
Office of the Vice President for Research
UNIVERSITY OF SOUTH ALABAMA

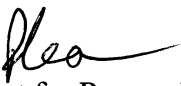
AD 200 • Mobile, AL 36688-0002
Telephone (251) 460-6333 Fax (251) 460-7955

September 4, 2008

TO: V. Gordon Moulton, President

M. Wayne Davis
Vice President for Financial Affairs

Jean Tucker, Esq.
Senior University Attorney

FROM: Russ Lea 
Vice President for Research

SUBJECT: Resolution for Execution of *Notice of Federal Interest*

An official resolution of the Board of Trustees for the University is required approving execution of a *Notice of Federal Interest* in the Engineering and Science Center. The Notice is a federal requirement and a term of the awards received from the Department of Commerce/National Institute of Standards and Technology and the Federal Highway Administration to support construction and related activities for the building.

Thank you.

ssc


9/10/08

RESOLUTION
UNIVERSITY BUDGET FOR 2008-2009

BE IT RESOLVED, that the University of South Alabama Board of Trustees approves the 2008–2009 University of South Alabama Budget, and

BE IT FURTHER RESOLVED, that the University of South Alabama Board of Trustees approves the 2008–2009 Budget as a continuation budget for 2009–2010 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2009–2010 fiscal year.



**UNIVERSITY OF SOUTH ALABAMA
PROPOSED BUDGET
2008-2009**

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UNIVERSITY OF SOUTH ALABAMA
2008-2009 PROPOSED BUDGET SUMMARY
CURRENT FUNDS

	2008-2009			2007-2008 ORIGINAL BUDGET
	PROPOSED BUDGET			
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 78,913,306	\$	\$ 78,913,306	\$ 67,246,401
STATE APPROPRIATION	109,246,768		109,246,768	124,570,525
FEDERAL GRANTS AND CONTRACTS	5,518,278	31,750,000	37,268,278	34,408,278
STATE AND LOCAL GRANTS AND CONTRACTS	527,722	6,500,000	7,027,722	6,903,651
PRIVATE GIFTS, GRANTS AND CONTRACTS	53,863,100	7,500,000	61,363,100	55,313,100
MOBILE RACING COMMISSION	450,000		450,000	450,000
ENDOWMENT INCOME	175,000		175,000	
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,429,650		3,429,650	1,404,650
HOSPITALS - SALES AND SERVICES	304,266,282		304,266,282	282,789,398
- STATE APPROPRIATION	10,608,205		10,608,205	13,166,404
MITCHELL CANCER INSTITUTE - SALES AND SERVICES	11,763,112		11,763,112	10,995,938
- STATE APPROPRIATION	2,000,000		2,000,000	2,000,000
AUXILIARY ENTERPRISES -				
- SALES AND SERVICES	18,356,301		18,356,301	17,038,205
OTHER SOURCES	6,788,063	2,500,000	9,288,063	7,439,069
TOTAL REVENUES	605,905,787	48,250,000	654,155,787	623,900,619
EXPENDITURES AND MANDATORY TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	106,451,472	11,250,000	117,701,472	117,499,564
RESEARCH	3,150,888	16,000,000	19,150,888	17,954,829
PUBLIC SERVICE	41,298,230	6,000,000	47,298,230	41,514,276
ACADEMIC SUPPORT	21,094,448		21,094,448	20,709,157
STUDENT SERVICES	21,787,964	1,500,000	23,287,964	19,766,139
INSTITUTIONAL SUPPORT	23,619,847		23,619,847	22,795,873
OPERATION AND MAINTENANCE OF PLANT	22,724,470		22,724,470	22,720,750
SCHOLARSHIPS	5,965,867	13,500,000	19,465,867	18,465,867
EDUCATIONAL AND GENERAL EXPENDITURES	246,093,186	48,250,000	294,343,186	281,426,455
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	10,128,439		10,128,439	10,498,441
LOAN FUND MATCHING GRANTS	171,239		171,239	171,239
TOTAL EDUCATIONAL AND GENERAL	256,392,864	48,250,000	304,642,864	292,096,135
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,486,422)	310,976,369		310,976,369	289,652,279
MITCHELL CANCER INSTITUTE	17,019,655		17,019,655	16,026,406
AUXILIARY ENTERPRISES:				
EXPENDITURES	17,005,149		17,005,149	15,840,325
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	1,170,652		1,170,652	1,197,880
TOTAL AUXILIARY ENTERPRISES	18,175,801		18,175,801	17,038,205
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	602,564,689	48,250,000	650,814,689	614,813,025
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
DEPRECIATION - RENEWALS AND REPLACEMENTS	(10,425,398)		(10,425,398)	(11,668,062)
OTHER TRANSFERS	3,076,043		3,076,043	3,030,468
MOBILE RACING COMMISSION	(450,000)		(450,000)	(450,000)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ (4,458,257)	\$	\$ (4,458,257)	\$

UNIVERSITY OF SOUTH ALABAMA
2008-2009 PROPOSED BUDGET SUMMARY
UNRESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	HOSPITALS	MITCHELL CANCER INSTITUTE	AUXILIARY ENTERPRISES	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:							
TUITION AND FEES	\$ 72,741,806	\$ 6,171,500	\$ 10,608,205	\$ 2,000,000	\$	\$ 78,913,306	\$ 67,246,401
STATE APPROPRIATION	76,193,699	33,053,069				121,854,973	139,736,929
FEDERAL GRANTS AND CONTRACTS	1,662,832	3,855,446				5,518,278	4,908,278
STATE AND LOCAL GRANTS AND CONTRACTS	291,349	236,373				527,722	403,651
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,683,100	52,180,000				53,863,100	48,563,100
MOBILE RACING COMMISSION		450,000				450,000	450,000
ENDOWMENT INCOME	25,000	150,000				175,000	175,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,429,650					3,429,650	1,404,650
HOSPITALS - SALES AND SERVICES			304,266,282			304,266,282	282,789,398
MITCHELL CANCER INSTITUTE - SALES AND SERVICES				11,763,112		11,763,112	10,995,938
AUXILIARY ENTERPRISES -							
- SALES AND SERVICES					18,356,301	18,356,301	17,038,205
OTHER SOURCES	6,025,029	763,034				6,788,063	7,439,069
TOTAL REVENUES	<u>162,052,465</u>	<u>96,859,422</u>	<u>314,874,487</u>	<u>13,763,112</u>	<u>18,356,301</u>	<u>605,905,787</u>	<u>581,150,619</u>
EDUCATIONAL AND GENERAL:							
INSTRUCTION	66,782,257	39,669,215				106,451,472	107,499,564
RESEARCH	1,629,453	1,521,435				3,150,888	2,954,829
PUBLIC SERVICE	3,656,452	37,641,778				41,298,230	37,764,276
ACADEMIC SUPPORT	15,311,642	5,782,806				21,094,448	20,709,157
STUDENT SERVICES	20,308,318	1,479,646				21,787,964	18,266,139
INSTITUTIONAL SUPPORT	19,759,957	3,859,890				23,619,847	22,795,873
OPERATION AND MAINTENANCE OF PLANT	17,363,861	5,360,609				22,724,470	22,720,750
SCHOLARSHIPS	4,822,267	1,143,600				5,965,867	5,965,867
EDUCATIONAL AND GENERAL EXPENDITURES	<u>149,634,207</u>	<u>96,458,979</u>				<u>246,093,186</u>	<u>238,676,455</u>
MANDATORY TRANSFERS FOR:							
PRINCIPAL AND INTEREST	9,727,996	400,443				10,128,439	10,498,441
LOAN FUND MATCHING GRANTS	171,239					171,239	171,239
TOTAL EDUCATIONAL AND GENERAL	<u>159,533,442</u>	<u>96,859,422</u>				<u>256,392,864</u>	<u>249,346,135</u>
HOSPITALS:							
EXPENDITURES AND MANDATORY TRANSFERS			310,976,369			310,976,369	289,652,279
MITCHELL CANCER INSTITUTE:							
EXPENDITURES AND MANDATORY TRANSFERS				17,019,655		17,019,655	16,026,406
AUXILIARY ENTERPRISES:							
EXPENDITURES					17,005,149	17,005,149	15,840,325
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST					1,170,652	1,170,652	1,197,880
TOTAL AUXILIARY ENTERPRISES					<u>18,175,801</u>	<u>18,175,801</u>	<u>17,038,205</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>159,533,442</u>	<u>96,859,422</u>	<u>310,976,369</u>	<u>17,019,655</u>	<u>18,175,801</u>	<u>602,564,689</u>	<u>572,063,025</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):							
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)		(6,010,859)	3,256,543	(180,500)	(10,425,398)	(11,668,062)
OTHER TRANSFERS		(450,000)				3,076,043	3,030,468
MOBILE RACING COMMISSION						(450,000)	(450,000)
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ (1,895,516)</u>	<u>\$ (450,000)</u>	<u>\$ (2,112,741)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (4,458,257)</u>	<u>\$</u>

**UNIVERSITY OF SOUTH ALABAMA
2008-2009 PROPOSED BUDGET SUMMARY
RESTRICTED CURRENT FUNDS**

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:					
FEDERAL GRANTS AND CONTRACTS	\$ 18,750,000	\$ 7,750,000	\$ 5,250,000	\$ 31,750,000	\$ 29,500,000
STATE AND LOCAL GRANTS AND CONTRACTS	5,750,000	750,000		6,500,000	6,500,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	5,250,000	1,750,000	500,000	7,500,000	6,750,000
OTHER		2,000,000	500,000	2,500,000	
TOTAL REVENUE	<u>29,750,000</u>	<u>12,250,000</u>	<u>6,250,000</u>	<u>48,250,000</u>	<u>42,750,000</u>
EXPENDITURES:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	8,500,000	1,500,000	1,250,000	11,250,000	10,000,000
RESEARCH	6,000,000	9,000,000	1,000,000	16,000,000	15,000,000
PUBLIC SERVICE	500,000	1,500,000	4,000,000	6,000,000	3,750,000
STUDENT SERVICES	1,500,000			1,500,000	1,500,000
SCHOLARSHIPS	13,250,000	250,000		13,500,000	12,500,000
TOTAL EXPENDITURES	<u>29,750,000</u>	<u>12,250,000</u>	<u>6,250,000</u>	<u>48,250,000</u>	<u>42,750,000</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**UNIVERSITY OF SOUTH ALABAMA
OPERATIONS AND MAINTENANCE
2008-2009 PROPOSED BUDGET
UNRESTRICTED CURRENT FUNDS**

	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:		
TUITION AND FEES	\$ 72,741,806	\$ 61,734,901
ALLOCATION OF STATE APPROPRIATION	76,193,699	85,639,310
FEDERAL GRANTS AND CONTRACTS	1,662,832	1,052,832
STATE GRANTS AND CONTRACTS	291,349	166,349
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,683,100	2,383,100
ENDOWMENT INCOME	25,000	25,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,429,650	1,404,650
OTHER SOURCES	6,025,029	6,676,035
TOTAL REVENUES	162,052,465	159,082,177
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	66,782,257	68,094,459
RESEARCH	1,629,453	1,433,394
PUBLIC SERVICE	3,656,452	3,651,412
ACADEMIC SUPPORT	15,311,642	14,938,682
STUDENT SERVICES	20,308,318	16,791,224
INSTITUTIONAL SUPPORT	19,759,957	19,389,339
OPERATION AND MAINTENANCE OF PLANT	17,363,861	15,277,624
SCHOLARSHIPS	4,822,267	4,822,267
EDUCATIONAL AND GENERAL EXPENDITURES	149,634,207	144,398,401
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	9,727,996	10,097,998
LOAN FUND MATCHING GRANTS	171,239	171,239
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	159,533,442	154,667,638
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)	(4,414,539)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ (1,895,516)	\$

**UNIVERSITY OF SOUTH ALABAMA
COLLEGE OF MEDICINE
2008-2009 PROPOSED BUDGET
UNRESTRICTED CURRENT FUNDS**

	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:		
TUITION AND FEES	\$ 6,171,500	\$ 5,511,500
ALLOCATION OF STATE APPROPRIATION	33,053,069	38,931,215
FEDERAL GRANTS AND CONTRACTS	3,855,446	3,855,446
STATE GRANTS AND CONTRACTS	236,373	237,302
PRIVATE GIFTS, GRANTS AND CONTRACTS	52,180,000	46,180,000
MOBILE RACING COMMISSION	450,000	450,000
ENDOWMENT INCOME	150,000	150,000
OTHER SOURCES	763,034	763,034
TOTAL REVENUES	96,859,422	96,078,497
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	39,669,215	39,405,105
RESEARCH	1,521,435	1,521,435
PUBLIC SERVICE	37,641,778	34,112,864
ACADEMIC SUPPORT	5,782,806	5,770,475
STUDENT SERVICES	1,479,646	1,474,915
INSTITUTIONAL SUPPORT	3,859,890	3,406,534
OPERATION AND MAINTENANCE OF PLANT	5,360,609	7,443,126
SCHOLARSHIPS	1,143,600	1,143,600
EDUCATIONAL AND GENERAL EXPENDITURES	96,458,979	94,278,054
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	400,443	400,443
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	96,859,422	94,678,497
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
RENEWALS AND REPLACEMENTS		(950,000)
MOBILE RACING COMMISSION	(450,000)	(450,000)
NET INCREASE (DECREASE) IN FUND BALANCES	\$ (450,000)	\$

**UNIVERSITY OF SOUTH ALABAMA
HOSPITALS
2008-2009 PROPOSED BUDGET
UNRESTRICTED CURRENT FUNDS**

	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:		
GROSS PATIENT REVENUE	\$ 396,898,239	\$ 389,920,895
CONTRACTUAL ADJUSTMENTS	118,514,205	130,456,718
OTHER ADJUSTMENTS	2,249,717	2,863,779
TOTAL DEDUCTIONS FROM REVENUE	<u>120,763,922</u>	<u>133,320,497</u>
NET PATIENT REVENUE	<u>276,134,317</u>	<u>256,600,398</u>
ALLOCATION OF STATE APPROPRIATION	10,608,205	13,166,404
MOBILE COUNTY HOSPITAL BOARD	13,220,924	12,356,000
MOBILE COUNTY INDIGENT CARE BOARD	3,082,000	3,082,000
MEDICAID DISPROPORTIONATE SHARE	2,891,459	2,185,000
OTHER REVENUE	<u>8,937,582</u>	<u>8,566,000</u>
TOTAL REVENUE	<u>314,874,487</u>	<u>295,955,802</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
NURSING SERVICES	91,578,408	81,868,716
PROFESSIONAL SERVICES	74,569,997	67,805,073
GENERAL DIVISION	16,222,441	15,876,749
ADMINISTRATIVE DIVISION	39,180,539	35,259,873
MEDICAL EDUCATION	15,051,027	14,111,539
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>72,887,535</u>	<u>72,704,633</u>
TOTAL EXPENDITURES	<u>309,489,947</u>	<u>287,626,583</u>
MANDATORY TRANSFERS FOR:		
PRINCIPAL AND INTEREST	<u>1,486,422</u>	<u>2,025,696</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>310,976,369</u>	<u>289,652,279</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
DEPRECIATION - DISPROPORTIONATE SHARE	(2,891,459)	(2,184,125)
DEPRECIATION - RENEWALS AND REPLACEMENTS	<u>(3,119,400)</u>	<u>(4,119,398)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ (2,112,741)</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA
MITCHELL CANCER INSTITUTE
2008-2009 PROPOSED BUDGET
UNRESTRICTED CURRENT FUNDS

	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:		
GROSS PATIENT REVENUE	\$ 11,180,465	\$ 10,920,000
CONTRACTUAL ADJUSTMENTS	5,434,030	3,709,400
TOTAL DEDUCTIONS FROM REVENUE	<u>5,434,030</u>	<u>3,709,400</u>
NET PATIENT REVENUE	<u>5,746,435</u>	<u>7,210,600</u>
ALLOCATION OF STATE APPROPRIATION OTHER REVENUE	<u>2,000,000</u> <u>6,016,677</u>	<u>2,000,000</u> <u>3,785,338</u>
TOTAL REVENUE	<u>13,763,112</u>	<u>12,995,938</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
PROFESSIONAL SERVICES	8,256,460	8,050,201
ADMINISTRATIVE DIVISION	7,627,537	7,307,805
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>1,135,658</u>	<u>668,400</u>
TOTAL EXPENDITURES	<u>17,019,655</u>	<u>16,026,406</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>17,019,655</u>	<u>16,026,406</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	<u>3,256,543</u>	<u>3,030,468</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$</u>	<u>\$</u>

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UNIVERSITY OF SOUTH ALABAMA
AUXILIARY ENTERPRISES
2008-2009 PROPOSED BUDGET
UNRESTRICTED CURRENT FUNDS

	HOUSING	FOOD SERVICES	BOOKSTORE	BROOKLEY CENTER	2008-2009 PROPOSED BUDGET	2007-2008 ORIGINAL BUDGET
REVENUES:						
RENTAL INCOME	\$ 5,378,883	\$	\$	\$ 2,145,934	\$ 7,524,817	\$ 7,130,363
SALES			9,643,933	49,800	9,693,733	8,930,510
COMMISSION INCOME		180,000			180,000	159,000
FEES				486,026	486,026	325,363
OTHER INCOME	313,984		39,060	118,681	471,725	492,969
TOTAL REVENUES	5,692,867	180,000	9,682,993	2,800,441	18,356,301	17,038,205
LESS: COST OF GOODS SOLD						
GROSS INCOME	5,692,867	180,000	2,593,993	9,775	7,098,775	6,596,199
EXPENDITURES:						
SALARIES AND WAGES	1,208,119		819,346	1,097,876	3,125,341	3,214,789
EMPLOYEE BENEFITS	335,842		266,100	357,583	959,525	983,430
OTHER EXPENDITURES	2,868,986	180,000	1,508,547	1,263,975	5,821,508	5,045,907
TOTAL EXPENDITURES	4,412,947	180,000	2,593,993	2,719,434	9,906,374	9,244,126
NET OPERATING INCOME	1,279,920			71,232	1,351,152	1,197,880
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):						
MANDATORY TRANSFERS:						
PRINCIPAL AND INTEREST	(1,099,420)			(71,232)	(1,170,652)	(1,197,880)
NON-MANDATORY TRANSFERS:						
RENEWALS AND REPLACEMENTS	(180,500)				(180,500)	
TOTAL TRANSFERS	(1,279,920)			(71,232)	(1,351,152)	(1,197,880)
NET INCREASE (DECREASE) IN FUND BALANCES	\$	\$	\$	\$	\$	\$

**UNIVERSITY OF SOUTH ALABAMA
STATE APPROPRIATIONS
2008-2009**

	<u>2008-2009 APPROPRIATIONS</u>	<u>2007-2008 APPROPRIATIONS</u>
REGULAR APPROPRIATIONS:		
OPERATIONS AND MAINTENANCE	\$ <u>121,854,973</u>	\$ <u>138,168,037</u>
SUPPLEMENTAL APPROPRIATION:		
OPERATIONS AND MAINTENANCE	<u> </u>	<u>1,568,892</u>
TOTAL REGULAR APPROPRIATIONS	\$ <u>121,854,973</u>	\$ <u>139,736,929</u>

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**UNIVERSITY OF SOUTH ALABAMA
BUDGET HIGHLIGHTS
2008 – 2009**

**University of South Alabama
Budget Highlights
2008– 2009**

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BUDGET HIGHLIGHTS

**Budget Highlights
2008-2009
Current Funds**

Schedule of Budget Changes

	<u>2008-2009</u>	<u>2007-2008</u>
Funding Sources		
Tuition and Fees	\$ 78,913,306	\$ 67,246,401
State Appropriations	121,854,973	139,736,929
Mobile Racing Commission	450,000	450,000
Gifts Grants and Contracts	105,659,100	96,625,029
Endowment Income	175,000	175,000
Hospitals - Sales and Services	304,266,282	282,789,398
Mitchell Cancer Institute - Sales and Services	11,763,112	10,995,938
Auxiliary Enterprises	18,356,301	17,038,205
Other Sources	12,717,713	8,843,719
Total Funding Sources	<u>654,155,787</u>	<u>623,900,619</u>
Funding Uses:		
Instruction and Academic Support	138,795,920	138,208,721
Research and Public Service	66,449,118	59,469,105
Student Services	23,287,964	19,766,139
Institutional Support	23,619,847	22,795,873
Operation and Maintenance of Plant	22,724,470	22,720,750
Hospitals	309,489,947	287,626,583
Mitchell Cancer Institute	17,019,655	16,026,406
Auxiliary Enterprises	17,005,149	15,840,325
Scholarships	19,465,867	18,465,867
Debt Service and Other	20,756,107	22,980,850
Total Funding Uses	<u>658,614,044</u>	<u>623,900,619</u>
Budget Balance	\$ <u>(4,458,257)</u>	\$ <u></u>

Schedule of Sources and Uses

	<u>2008-2009</u>	<u>%</u>
Funding Sources		
Tuition and Fees	\$ 78,913,306	12.06
State Appropriations	121,854,973	18.63
Mobile Racing Commission	450,000	0.07
Gifts Grants and Contracts	105,659,100	16.15
Endowment Income	175,000	0.03
Hospitals - Sales and Services	304,266,282	46.51
Mitchell Cancer Institute - Sales and Services	11,763,112	1.80
Auxiliary Enterprises	18,356,301	2.81
Other Sources	12,717,713	1.94
Total Funding Sources	<u>654,155,787</u>	<u>100.00</u>
Funding Uses:		
Instruction and Academic Support	138,795,920	21.07
Research and Public Service	66,449,118	10.09
Student Services	23,287,964	3.54
Institutional Support	23,619,847	3.59
Operation and Maintenance of Plant	22,724,470	3.45
Hospitals	309,489,947	46.99
Mitchell Cancer Institute	17,019,655	2.58
Auxiliary Enterprises	17,005,149	2.58
Scholarships	19,465,867	2.96
Debt Service and Other	20,756,107	3.15
Total Funding Uses	\$ <u>658,614,044</u>	<u>100.00</u>
Budget Balance	\$ <u>(4,458,257)</u>	

**Budget Highlights
2008-2009
Current Funds**

Schedule of Budget Changes

Sources of Funds:

Tuition and Fees Increase	\$ 5,860,000
Tuition and Fees Enrollment Increase Fy 08	1,139,655
Tuition and Fees Enrollment Increase Fy 09	875,000
Fees Increase - Football	3,792,250
State Appropriation Decrease	(17,881,956)
Federal Grants and Contracts Revenue Increase	2,860,000
State and Local Grants and Contracts Revenue Increase	124,071
Private Gifts, Grants and Contracts Revenue Increase	6,050,000
Sales and Service of Educational Activities Increase	2,025,000
Hospitals Sales and Services Revenue Increase	21,476,884
Mitchell Cancer Institute Revenue Increase	767,174
Auxiliary Enterprises Revenue Increase	1,318,096
Other Sources Increase	<u>1,848,994</u>

Total Sources of Funds	<u><u>30,255,168</u></u>
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Application of Funds:

Retirement Matching Cost Increase	3,475,020
Retiree Health Insurance Increase	568,404
Utilities, Building Maintenance and Custodial Services Increase	2,203,700
Contingencies Decrease	(2,153,326)
O & M and COM Expenses Increase	5,082,008
Hospitals Expenses Increase	20,423,301
Mitchell Cancer Center Expenses Increase	853,262
Debt Service and Renewals and Replacements and Transfers	(2,224,743)
Grants and Contracts Expenses Increase	4,349,263
Scholarships Increase	1,000,000
Auxiliaries Expenses Increase	<u>1,136,536</u>

Total Application of Funds	<u><u>34,713,425</u></u>
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Deficit	\$	<u><u>(4,458,257)</u></u>
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**2008 – 2009
Budgeted Revenue Changes**

Current year tuition increase and enrollment growth increased revenues \$11,666,905.

The state appropriation decreased \$17,881,956 a 14.67 percent decrease.

Gifts, grants and contracts increased \$11,059,071.

Hospitals' sales and services increased \$6,977,344 and contractual adjustments decreased \$12,556,575. Other revenues increased \$1,942,965.

Mitchell Cancer Institute revenues increased \$260,465 and contractual adjustments increased \$1,724,630. Other revenues (including gifts and contributions) increased \$2,231,339.

Auxiliary enterprises revenue increased \$1,318,096.

2008 – 2009
Budgeted Expenditure Changes

Teachers' Retirement employer matching cost increased from 11.06 percent to 12.07 percent, an increase of \$3,475,020.

Utilities, building maintenance, custodial service and building repairs and renovations increased \$2,203,700.

Scholarships increased \$1,000,000.

Transfer for renewals and replacement, debt services and other transfers decreased \$2,224,743.

Auxiliaries operating expenses increased \$1,136,536 not including fringe benefits and debt service.

Hospitals operating expenses increased \$20,240,399 and provision for uncollectible accounts increased \$182,902 not including, fringe benefits and debt service.

Operations and Maintenance and College of Medicine expenses increased \$5,082,008. Expenses increased primarily due to football and Health Services Foundation expenditures. Contingencies decreased \$2,153,326. Included are budget reductions of \$4,876,708.

Mitchell Cancer Institute expenses decreased \$2,853,262.

BUDGET-REDUCTION MEASURES




UNIVERSITY OF SOUTH ALABAMA
Office of the Vice President for Financial Affairs
AD 170

MEMORANDUM

DATE: September 3, 2008

TO: Vice Presidents, Deans, Directors, Department Chairs and Department Heads

FROM: M. Wayne Davis 
Vice President for Financial Affairs

SUBJECT: Budget-Reduction Measures

As part of the budgeting process for the 2008-2009 fiscal year and due to the funding crisis affecting higher education in the state of Alabama, the University is implementing a number of cost-reduction measures. These are summarized below, and additional information is provided in the pages accompanying this memorandum.

- Effective June 5, 2008, a hiring and reclassification freeze was implemented.
- Effective October 1, 2008, additional overtime controls are being implemented. Departments should eliminate or reduce to the absolute minimum the use of overtime pay.
- Effective October 1, 2008, the University will no longer pay for cellular telephones for University employees.
- Effective October 1, 2008, hourly employees may apply for the voluntary option, with supervisor approval, of working four 9-hour days for a total of 36 hours per week. Compensation of employees who choose this option will be reduced to a 36-hour work week. Such employees will continue to be eligible for all employee benefits and participation in the full state retirement program.

Additional controls may be added as deemed necessary.

MWD/cbm

UNIVERSITY OF SOUTH ALABAMA

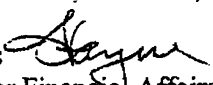
VICE PRESIDENT
FOR FINANCIAL AFFAIRS



TELEPHONE: (251) 460-6132
AD 170 • MOBILE, ALABAMA 36688-0002

June 5, 2008

TO: Vice Presidents, Deans, Directors, Department Chairs and Department Heads

FROM: M. Wayne Davis 
Vice President for Financial Affairs

SUBJECT: Reclassification and Hiring Freeze

Effective immediately, and until further notice, a position classification and hiring freeze is implemented. This action is necessary due to the reduction in state appropriations of \$16.3 million, as well as an additional \$3.9 million in state-mandated costs for retirement and retiree health insurance.

Appeals for exceptions to this freeze are discouraged due to this large reduction in state appropriations. However, if this creates an extreme hardship, you may submit a request for an exception, approved by your division head, to the Exceptions Committee, in care of this office.

Due to equal pay issues, please ensure that your staff employees are not regularly required to perform duties and responsibilities above the classification to which they are currently assigned.

MWD/ljf

c: President V. Gordon Moulton

OVERTIME CONTROL

Effective October 1, 2008, the following overtime controls are in force:

- Departments are expected to eliminate or reduce to the absolute minimum the use of overtime.
- All overtime must be approved by the division head prior to incurrence. The reason for overtime must be provided.
- All unforeseen emergency cases which require overtime must be approved after-the-fact by the division head. The nature of the emergency must be provided.

Division head approvals must be attached to the time sheets requesting overtime pay.

ELIMINATION OF UNIVERSITY-PAID CELLULAR TELEPHONES

Effective October 1, 2008, the University will no longer pay for individual cellular telephones for employees. The Computer Services Center will continue to provide support for compatible personally-owned PDA devices regarding connection to the GroupWise electronic mail and calendaring system. If an employee is required, as a condition of his/her employment, to maintain contact with his/her office, a pager may be provided. The University will continue to reimburse employees for long-distance toll charges incurred while using personal telephones for business calls.

If an employee has entered into a University contract, not a personal contract, for cellular service, and that employee does not wish to continue paying for the cellular service personally, the University may pay for the cancellation of the contract. The University Purchasing Department will provide assistance with this issue.

VOLUNTARY FOUR 9-HOUR-DAY (36-HOUR) WORK WEEK PILOT PROGRAM POLICY STATEMENT

This voluntary program has been developed to address the recent reduction in state funding and as an effort to help some employees cope with rising commuting costs.

Effective October 1, 2008, full-time regular non-exempt, non-hospital staff employees may request to participate in the Voluntary Four 9-Hour-Day (36-Hour) Work Week Pilot Program. When operationally feasible as determined by supervisors and department heads, employees participating in this program will work nine hours per day on four days per work week as designated by supervisors.

All USA departments are to continue to be open and staffed in accordance with established business hours. It is expected that departments be fully operational during established business hours. Business hours are not required to change to accommodate this program.

Procedures

An employee must submit a participation request in writing. The employee's supervisor will review and consider the request and discuss it with the department head. The department head will approve or deny the request as soon as administratively practicable.

USA reserves the right to rescind an employee's participation in the Four 9-Hour-Day (36-Hour) Work Week Program at any time for any reason. If rescinded, the employee will be given a two-week notice.

- This program is not intended for short-term schedule changes.
- Participants will work 36 hours weekly, which is four hours fewer or 10% fewer hours than the standard 40-hour work week.
- This results in a 10% reduction of actual weekly work time and a corresponding pay reduction of 10%.

Participants will continue to be treated as full-time (1.0 FTE – full time equivalent) employees for benefits purposes. All University employment policies including those pertaining to attendance and leave will remain applicable for participants in this program. It is important that supervisors continue to monitor hours worked and ensure accurate recording in accordance with established policy.

Employees remain subject to federal laws regarding overtime compensation requiring payment of time and one-half for all hours worked in excess of 40 hours in the University's established work week.

STATE APPROPRIATIONS

Budget Highlights
Fy 2008-2009 Regular Appropriation

	2007-2008 Appropriation	2008-2009 Appropriation Decrease	2008-2009 Appropriation
O & M	85,639,310	(9,445,611)	76,193,699
COM	38,931,215	(5,878,146)	33,053,069
Hospitals	13,166,404	(2,558,199)	10,608,205
Mitchell Cancer Institute	<u>2,000,000</u>	<u></u>	<u>2,000,000</u>
	<u>139,736,929</u>	<u>(17,881,956)</u>	<u>121,854,973</u>

HOSPITALS

**Proposed Budget
For the Fiscal Year Ending September 30, 2009**

	Current Budget	FY 2008 Projected	FY 2009 Proposed
Total Gross Patient Service Revenues	\$382,005,824	\$388,208,619	\$396,898,239
Deductions from Patient Service Revenues:			
Contractual Adjustments	122,035,746	117,629,791	118,514,205
Other Adjustments	2,863,779	3,804,587	2,249,717
Total Deductions	<u>124,899,525</u>	<u>121,434,378</u>	<u>120,763,922</u>
Net Patient Service Revenues	<u>257,106,299</u>	<u>266,774,241</u>	<u>276,134,317</u>
Other Operating Revenues:			
State Appropriation	13,166,404	13,166,404	10,608,205
Mobile County Hospital Board	12,356,000	12,356,004	13,220,924
Mobile County Indigent Care Board	3,082,000	3,081,996	3,082,000
Other Operating Revenue	8,706,073	9,136,178	8,937,582
Disproportionate Share Revenues	2,184,125	2,891,459	2,891,459
Total Other Operating Revenues	<u>39,494,602</u>	<u>40,632,041</u>	<u>38,740,170</u>
Total Operating Revenues	<u>296,600,901</u>	<u>307,406,282</u>	<u>314,874,487</u>
Operating Expenditures:			
Nursing Services	81,910,189	86,087,056	90,966,302
Professional Services	67,428,452	70,342,911	74,194,058
General Division	17,202,733	18,371,094	18,242,611
Administrative Division	37,861,025	38,629,142	38,628,449
Medical Education	13,952,936	14,905,515	14,970,289
Funded Depreciation	4,119,398	6,423,396	3,119,400
Funded Depreciation-Disproportionate Share	2,184,125	2,898,017	2,891,459
Provision for Uncollectible Accounts	71,942,043	72,504,773	72,887,535
Contingencies	0	0	1,087,125
Total Operating Expenditures	<u>296,600,901</u>	<u>310,161,904</u>	<u>316,987,228</u>
Net (Decrease) Increase in Fund Balance	<u>\$0</u>	<u>(\$2,755,622)</u>	<u>(\$2,112,741)</u>

MITCHELL CANCER INSTITUTE

University of South Alabama Mitchell Cancer Institute
Proposed Budget
For the Fiscal Year Ending September 30, 2009

	Current Budget	FY 2008 Projected	FY 2009 Proposed
Total Gross Patient Service Revenues	\$10,920,000	\$10,130,078	\$11,180,465
Deductions from Patient Service Revenues:			
Contractual Adjustments	3,709,400	5,206,429	5,434,030
Net Patient Service Revenues	7,210,600	4,923,649	5,746,435
Other Operating Revenues:			
Other Operating Revenue	3,785,338	5,617,242	8,016,677
Total Other Operating Revenues	3,785,338	5,617,242	8,016,677
Total Operating Revenues	10,995,938	10,540,891	13,763,112
Operating Expenditures:			
Professional Services	7,050,201	7,045,874	8,256,460
Administrative Division	6,307,805	5,036,079	7,627,537
Provision for Uncollectible Accounts	668,400	805,414	1,135,658
Total Operating Expenditures	14,026,406	12,887,368	17,019,655
Excess Expenditures (Over) Under Revenues:	(3,030,468)	(2,346,477)	(3,256,543)
Non-Mandatory Transfers:			
Other Transfers	(3,030,468)	(2,346,476)	(3,256,543)
Total Non-Mandatory Transfers	(3,030,468)	(2,346,476)	(3,256,543)
Net (Decrease) Increase in Fund Balance	\$0	\$0	\$0

AUXILIARY ENTERPRISES

2008-2009 HOUSING ASSUMPTIONS AND HIGHLIGHTS

1. Residence Hall income is based on 97% fall occupancy and 93% spring occupancy. It reflects 100% occupancy for all eight Greek houses, which total 184 beds, for fall and spring semesters.
2. Hillsdale income is based on 45% occupancy of current rentable houses. Hillsdale income and expenses is based on a twelve-month period.
3. We will not fund the following positions this budget year: 3698, 3695, 3712, 4519, 3714, 7823, 3720, 3726, 3724, 6805, 7000, 4518, 6806, 3713, 6802, 3702, 3725, 3704, 3706, 3722, 3699, 3703, 3904, 6214, 6801, 3709, 7001, 3716, 3705, 6688.
4. A 6% Residence Hall rate increase approved in June is budgeted. A rate increase is not budgeted for Hillsdale.
5. The revenue and expenses for the Laundry account have been separated from the Residence Hall accounts. The laundry fee, included in the room rate, will be transferred from the Residence Hall accounts to accurately reflect all accounts.

ACCOUNT	DESCRIPTION	PROPOSED BUDGET 08-09	BUDGET 07-08	PROJECTED INCOME & EXPENSE 07-08
610100-500	STAFF SALARIES	932,894	1,141,527	1,099,876
610900	OVERTIME	15,000	8,000	19,458
620100	STUDENT WAGES	260,225	245,495	245,495
630050-450	EMPLOYEE BENEFITS	335,842	409,279	381,816
711050	POSTAGE	13,000	10,250	12,522
711020-060	GENERAL SUPPLIES	10,000	1,000	13,352
711510-560	OFFICE SUPPLIES	8,500	7,500	13,809
712050-260	EQUIPMENT/FURNITURE	45,000	55,000	41,995
712520-50	EQUIP/BLDG MAINT REPAIR	18,000	18,000	18,568
712560	GROUNDS MAINTENANCE	1,000	500	934
712315	WORKSHOP & TRAINING	5,000	1,000	1,000
713010	ADVERTISING	10,000	1,500	2,250
713110	INSURANCE & BONDS	59,400	57,000	71,403
713140	MEMBERSHIP DUES	1,000	700	700
714510	AUTO SUPPLIES	3,900	4,300	3,887
714540	HOUSEKEEPING SUPPLIES	3,000	1,250	1,071
714580	MAINTENANCE SUPPLIES	151,160	178,434	155,434
715010	CABLE	105,813	114,080	102,202
715020	TELEPHONE-BASE	1,771	976	1,374
715030	CELLULAR PHONE CHGS	4,450	3,350	3,903
715040-110	TELE-LD & OTHER	158,580	147,060	152,690
718070	IC-NETWORK CONNECT FEE	268,090	252,705	238,670
718080	IC-COMP SERVICE & SUP	18,000	18,000	18,840
718120	IC-FUEL	6,000	9,500	9,500
718130	IC-GENERAL TRANSFERS	1,000	1,000	1,000
718320	IC-PUBLICATIONS	23,000	19,520	26,672
718380	IC-SAFETY & COMPLIANCE	20,922	20,922	26,922
718465	IC-AUX. ADMIN. ALLOCAT.	127,100	127,100	127,100
718703	IC-OVERHEAD-REG HSG	285,909	329,373	285,909
718803	IC-OVERHEAD-PLANT HSG	1,060,491	990,523	1,060,491
720100	ELECTRICITY	14,800	13,280	14,940
720200	GAS	5,400	6,900	5,475
720300	WATER	6,700	7,200	6,772
730010	TRAVEL	13,000	7,500	7,500
730050	TRAVEL-LOCAL MILEAGE	300	300	75
741070	CONTRACT LABOR	100,000	35,000	75,549
741090	CONTRACT SERVICE-GEN	295,500	265,500	240,609
750020	CHARGE CARD DISCOUNT	7,200	7,000	5,970
780100	BAD DEBT	15,000	21,000	21,000
792020	BILLING & COLLECT COST	1,000	1,000	0
822100	DEBT SERVICE	1,099,420	1,126,648	1,125,592
824600	RENEWAL & REPLACEMENT	180,500	0	543,891
TOTAL EXPENSES		5,692,867	5,666,172	6,186,216
INCOME		5,692,867	5,666,172	5,638,208
PROFIT (+) LOSS (-)		0	0	-548,008

OCCUPANCY: H'DALE 45%, RES. HALLS 97% FALL & 93% SPG

BUDGET 08-09 2008-2009												
Acct.	Description	CEN OFFICE 230110	PROGRAMS 230120	BETA 230200	DELTA 230300	EPSILON 230400	GAMMA 230500	HILLSDALE 230610	SMALL GROUP 230800	WASH/DRY 230900	TOTAL 2008-2009	BUDGET 2008-2009
610100-500	STAFF SALARIES	376,478		84,141	121,013	63,958	90,656	162,206	34,442		932,894	932,894
610900	OVERTIME	1,500		2,250	5,500	2,250	2,250	500	750		15,000	15,000
620100	STUDENT WAGES			22,540	94,480	66,440	40,585		36,180		260,225	260,225
630050-450	EMPLOYEE BENEFITS	135,532		30,291	43,565	23,025	32,636	58,394	12,399		335,842	335,842
711050	POSTAGE	13,000									13,000	13,000
711020-060	GENERAL SUPPLIES	100		1,000	5,000	1,000	2,000		900		10,000	10,000
711510-560	OFFICE SUPPLIES	2,500		500	1,750	1,750	1,750		250		8,500	8,500
712050-260	EQUIPMENT/FURNITURE	2,000		15,000	10,000	7,500	6,000		4,500		45,000	45,000
712520-50	EQUIP/BLDG MAINT REPAIR	2,000		3,500	4,000	2,500	3,000	500	2,500		18,000	18,000
712560	GROUNDS MAINTENANCE	1,000									1,000	1,000
712315	WORKSHOP & TRAINING	5,000									5,000	5,000
713010	ADVERTISING	10,000									10,000	10,000
713110	INSURANCE & BONDS	2,200		7,000	21,000	6,500	13,000	1,750	7,950		59,400	59,400
713140	MEMBERSHIP DUES	1,000			3,900						1,000	1,000
714510	AUTO SUPPLIES										3,900	3,900
714540	HOUSEKEEPING SUPPLIES	3,000									3,000	3,000
714580	MAINTENANCE SUPPLIES	1,000		12,500	85,000	14,160	22,500	2,500	13,500		151,160	151,160
715010	CABLE	103,653						2,160			105,813	105,813
715020	TELEPHONE-BASE							1,771			1,771	1,771
715030	CELLULAR PHONE CHGS	2,450			550	550	550		350		4,450	4,450
715040-110	TELE-LD & OTHER	700		15,794	84,397	25,857	31,832				158,580	158,580
718070	IC-NETWORK CONNECT FEE			33,540	126,650	50,435	57,465				268,090	268,090
718080	IC-COMP SERVICE & SUP	18,000									18,000	18,000
718120	IC-FUEL				6,000						6,000	6,000
718130	IC-GENERAL TRANSFERS	1,000									1,000	1,000
718320	IC-PUBLICATIONS	23,000									23,000	23,000
718380	IC-SAFETY & COMPLIANCE	20,922									20,922	20,922
718465	IC-AUX. ADMINS. ALLOCAT.		127,100								127,100	127,100
718703	IC-OVERHEAD-REG HSG	285,909									285,909	285,909
718803	IC-OVERHEAD-PLANT HSG	6,090		139,605	425,267	142,092	295,482		51,955		1,060,491	1,060,491
720100	ELECTRICITY							14,800			14,800	14,800
720200	GAS							5,400			5,400	5,400
720300	WATER							6,700			6,700	6,700
730010	TRAVEL	13,000									13,000	13,000
730050	TRAVEL-LOCAL MILEAGE	300									300	300
741070	CONTRACT LABOR				100,000						100,000	100,000
741090	CONTRACT SERVICE-GEN	5,000		20,500	68,500	46,625	59,600	4,775	18,500	72,000	295,500	295,500
750020	CHARGE CARD DISCOUNT	7,200									7,200	7,200
780100	BAD DEBT			1,000	4,000	2,000	3,000	3,500	1,500		15,000	15,000
792020	BILLING & COLLECT COST	1000									1,000	1,000
822100	DEBT SERVICE			45,760	256,996	27,946	161,685		607,033		1,099,420	1,099,420
824600	RENEWAL & REPLACEMENT			180,500							180,500	180,500
	TOTAL EXPENSES	1,044,534	127,100	615,421	1,467,568	484,588	823,991	264,956	792,709	72,000	5,692,867	5,692,867
	REVENUE										5,692,867	5,692,867

2008-2009 BUDGETED HOUSING REVENUES

ORGN.	AREA	ACCOUNT 550411-414 RENT	ACCOUNT 550430 OTHER	TOTAL
230200	BETA	653,661.00	9,350.00	663,011.00
230300	DELTA	2,392,198.00	48,500.00	2,440,698.00
230400	EPSILON	844,956.00	14,500.00	859,456.00
230500	GAMMA	1,080,848.00	10,500.00	1,091,348.00
230610	HILLSDALE	43,220.00	2,950.00	46,170.00
230800	SMALL GROUP	364,000.00	83,824.00	447,824.00
230900	LAUNDRY	-	144,360.00	144,360.00
	TOTAL	5,378,883.00	313,984.00	5,692,867.00

2008-2009 INCOME BUDGET / PROJECTION

RESIDENCE HALLS		RENT	DESIGNED	RENTABLE	100%	97%	93%	45%
AREA	ROOM TYPE	RATE	OCCUPANCY	SPACES	OCCUPANCY	OCCUPANCY	OCCUPANCY	OCCUPANCY
BETA	APT for 4	\$1,354	157	157	\$212,578	\$206,201	\$197,698	\$95,660
	EFF APT 1	\$2,260	4	4	\$9,040	\$8,769	\$8,407	\$4,068
	EFF APT 2	\$1,507	61	61	\$91,927	\$89,169	\$85,492	\$41,367
	APT/REHAB	\$2,260	4	4	\$9,040	\$8,769	\$8,407	\$4,068
	SUBTOTAL				\$322,585	\$312,907	\$300,004	\$145,163
GAMMA	LG PVT Suite	\$2,058	5	5	\$10,290	\$9,981	\$9,570	\$4,631
	PVT Suite	\$1,881	110	110	\$206,910	\$200,703	\$192,426	\$93,110
	APT for 2	\$2,032	80	80	\$162,560	\$157,683	\$151,181	\$73,152
	EFF APT 2	\$1,507	67	67	\$100,969	\$97,940	\$93,901	\$45,436
	REHAB/Suite	\$2,058	5	5	\$10,290	\$9,981	\$9,570	\$4,631
	REHAB/APT	\$2,260	5	5	\$11,300	\$10,961	\$10,509	\$5,085
	SUBTOTAL				\$502,319	\$487,249	\$467,157	\$226,044
DELTA	SUITE for 2	\$1,372	366	366	\$502,152	\$487,087	\$467,001	\$225,968
	SINGLE Suite	\$1,790	30	30	\$53,700	\$52,089	\$49,941	\$24,165
	LG PVT Suite	\$2,058	14	14	\$28,812	\$27,948	\$26,795	\$12,965
	D6 EFF for 2	\$1,500	142	142	\$213,000	\$206,610	\$198,090	\$95,850
	D6 Single EFF	\$1,987	12	12	\$23,844	\$23,129	\$22,175	\$10,730
	D4-5 LG PVT Suite	\$2,073	136	136	\$281,928	\$273,470	\$262,193	\$126,868
	D4-5 Single Suite	\$1,923	24	24	\$46,152	\$44,767	\$42,921	\$20,768
	D4-5 Suite for 2	\$1,529	16	16	\$24,464	\$23,730	\$22,752	\$11,009
	SUBTOTAL				\$1,174,052	\$1,138,830	\$1,091,868	\$528,323
EPSILON	SUITE for 2	\$1,451	273	273	\$396,123	\$384,239	\$368,394	\$178,255
	LG PVT Suite	\$2,176	21	21	\$45,696	\$44,325	\$42,497	\$20,563
	SUBTOTAL				\$441,819	\$428,564	\$410,892	\$198,819
RESIDENCE HALLS SUB-TOTAL - SEMESTER				1532	\$2,440,775	\$2,367,552	\$2,269,921	\$1,098,349
GREEK AREA		\$1,093	184	184	\$201,112	\$195,079	\$187,034	\$90,500
RESIDENCE HALLS TOTAL - SEMESTER				1716	\$2,641,887	\$2,562,630	\$2,456,955	\$1,188,849
(FALL & SPRING)								

HILLSDALE							
HILLSDALE	2 BDRM	\$240	3	2	\$480	\$466	\$446
	3 BDRM	\$265	7	4	\$1,060	\$1,028	\$986
	3 BDRM/ CPT	\$285	2	2	\$570	\$553	\$530
	LG 3 BDRM/CPT	\$300	19	15	\$4,500	\$4,365	\$4,185
	REF 3 BDRM	\$450	1	0	\$0	\$0	\$0
	REF 3 BDRM/CPT	\$485	6	4	\$1,940	\$1,882	\$1,804
							\$873
HILLDALE TOTAL - MONTHLY							
HILLSDALE TOTAL - QUARTERLY			38	27	\$8,550	\$8,294	\$7,952
HILLSDALE TOTAL - ANNUAL					\$25,650	\$24,881	\$23,855
					\$102,600	\$99,522	\$95,418
TOTALS - QUARTERLY							
TOTALS - FISCAL YEAR					\$2,667,537	\$2,587,511	\$2,480,809
					\$5,386,374	\$5,224,783	\$5,009,328
INCOME PROJECTION							
FOR 08-09 BUDGET							
					100%	97%	93%
					OCCUPANCY	OCCUPANCY	OCCUPANCY
RENT HILLSDALE							
RENT RESIDENCE HALLS					\$102,600	\$99,522	\$95,418
SUMMER SCHOOL					\$5,283,774	\$5,125,261	\$4,913,910
SUMMER CAMPS					\$550,000	\$550,000	\$550,000
SPECIAL PROGRAMS					\$30,000	\$30,000	\$30,000
GREEK AREA					\$27,000	\$27,000	\$27,000
	TOTAL				\$402,224	\$390,157	\$374,068
					\$6,395,598	\$6,221,940	\$5,990,396
INCOME PROJECTION							
FOR 08-09 BUDGET							
				PROPOSED BUDGET		PROJECTED	DIFFERENCE
RENT HILLSDALE				AT 45% OCCUPANCY	\$46,170	\$46,170	\$0
RENT RESIDENCE HALLS - FALL				AT 97% OCCUPANCY	\$2,367,552	\$2,367,552	\$0
RENT RESIDENCE HALLS - SPRING				AT 93% OCCUPANCY	\$2,269,921	\$2,269,921	\$0
SUMMER SCHOOL					\$550,000	\$550,000	\$0
SUMMER CAMPS					\$30,000	\$30,000	\$0
SPECIAL PROGRAMS					\$27,000	\$27,000	\$0
GREEK AREA				100% OCCUPANCY FALL & SPRING	\$402,224	\$402,224	\$0
	TOTAL				\$5,692,867	\$5,692,867	\$0

2008-2009 Housing Salary Budget

Orgn.	Central 230110	Beta 230200	Delta 230300	Epsilon 230400	Gamma 230500	Hillsdale 230610	Small Group 230800
Acct. 610100	151,227						
610300	115,002		25,813	23,660	32,518		
610400	110,249		40,032	25,688	24,679	23,587	
610500		69,539	36,058		33,459	99,941	
610600		14,602	19,110	14,610		38,678	34,442
Sub-Total	376,478	84,141	121,013	63,958	90,656	162,206	34,442

Total Salaries Budgeted: \$932,894

Positions not funded: 3698, 3695, 3712, 4519, 3714, 7823, 3720, 3726, 3724, 6805, 7000, 4518, 6806, 3713, 6802, 3702, 3725, 3704, 3706, 3722, 3699, 3703, 3904, 6214, 6801, 3709, 7001, 3716, 3705, 6688.

UNIVERSITY OF SOUTH ALABAMA
BOOKSTORE
BUDGET
2008-2009

SALES BY AREA	BUDGET CAMPUS FY 2007-08	BUDGET HE SCI BS FY 2007-08	BUDGET COMBINED FY 2007-08	PROPOSED BUDGET CAMPUS FY 2008-09	PROPOSED BUDGET HE SCI BS FY 2008-09	PROPOSED BUDGET COMBINED FY 2008-09	PROPOSED BUDGET DIFFERENCE
Software	262,650	14,400	277,050	229,780	27,600	257,380	(19,670)
New Text	3,391,200	758,770	4,149,970	3,608,765	416,400	4,025,165	(124,805)
Used Text	2,090,570	24,865	2,115,435	2,450,000	138,500	2,588,500	473,065
Trade Books	58,400	0	58,400	41,200	0	41,200	(17,200)
Supplies	1,221,900	18,100	1,240,000	1,308,600	11,000	1,319,600	79,600
Gifts	146,440	3,900	150,340	143,800	12,950	156,750	6,410
Specialties	75,550	290	75,840	72,850	290	73,140	(2,700)
Softgoods	242,450	19,565	262,015	297,320	20,550	317,870	55,855
Medical Books	0	311,870	311,870	0	648,000	648,000	336,130
Medical Supplies	0	164,560	164,560	0	135,710	135,710	(28,850)
Graduation	74,610	620	75,230	77,418	3,200	80,618	5,388
Other	21,400	20,600	42,000	18,060	21,000	39,060	(2,940)
Total Sales	7,585,170	1,337,540	8,922,710	8,247,793	1,435,200	9,682,993	760,283
EXPENSES							
Salaries	720,962	90,626	811,588	729,354	89,992	819,346	7,758
Benefits	220,512	27,459	247,971	238,000	28,100	266,100	18,129
General Supplies	145,450	56,081	201,531	147,000	28,250	175,250	(26,281)
Travel	13,000	1,050	14,050	14,000	1,050	15,050	1,000
Capital Expenses	3,000	0	3,000	0	0	0	(3,000)
Freight	130,000	38,000	168,000	140,000	42,000	182,000	14,000
Contract Labor	75,000	23,000	98,000	100,000	18,000	118,000	20,000
Contract Services	15,000	1,250	16,250	35,000	8,000	43,000	26,750
Charge Card Discount	72,000	0	72,000	116,000	0	116,000	44,000
Department Discount	5,000	4,000	9,000	5,500	5,000	10,500	1,500
Faculty/Staff Discount	30,000	8,800	38,800	33,000	9,500	42,500	3,700
Coupon Discount	75	0	75	0	0	0	(75)
Institutional Costs	293,506	0	293,506	293,506	0	293,506	0
Plant Operations	75,000	0	75,000	75,000	0	75,000	0
Rent	0	19,980	19,980	0	19,980	19,980	0
Internal Charges	47,535	0	47,535	50,000	0	50,000	2,465
Institutional Offset	(42,000)	42,000	0	(42,000)	42,000	0	0
Costs	220,000	0	220,000	294,433	73,328	367,761	147,761
Total Expenses	2,024,040	312,246	2,336,286	2,228,793	365,200	2,593,993	257,707
Cost of Goods	5,561,130	1,025,294	6,586,424	6,019,000	1,070,000	7,089,000	502,576
Total Costs	7,585,170	1,337,540	8,922,710	8,247,793	1,435,200	9,682,993	760,283
Profit/Loss	0	0	0	0	0	0	0

UNIVERSITY OF SOUTH ALABAMA

BOOKSTORE
BUDGET

2008-09

FUND	DESCRIPTION	CAMPUS BS BUDGET 2007-08	HE SCI BS BUDGET 2007-08	COMBINED BOOKSTORE BUDGET 2007-08	PROJECTED BOOKSTORE YR END 2007-08	PROJECTED HE SCI BS YR END 2007-08	PROJECTED COMBINED YR END 2007-08	CAMPUS BS PROJECTED BUDGET 2008-09	HE SCI BS PROJECTED BUDGET 2008-09	COMBINED BOOKSTORE PROJECTED BUDGET 2008-09
		0	167,430	167,430	0	446,000	446,000	0	446,000	446,000
550215	TAX-MED BKS	0	57,963	57,963	0	183,800	183,800	0	183,800	183,800
550220	TAX-NEW BKS	0	3,728,334	3,728,334	3,200,255	281,275	3,481,530	3,298,255	183,800	3,481,530
550225	TAX-USED BKS	3,124,100	604,234	3,728,334	303,100	113,000	416,400	312,500	118,400	430,900
550230	TAX-USED BKS	242,300	502,720	745,020	2,148,500	115,700	2,264,200	2,257,000	120,000	2,377,000
550235	TAX-PAPERBACKS	1,003,000	1,003,000	2,006,000	187,000	17,875	204,875	193,000	18,500	211,500
550240	TAX-PAPERBACKS	0	8,802	8,802	3,500	0	3,500	33,400	0	33,400
550245	TAX-PAPERBACKS	0	23,900	23,900	7,500	0	7,500	7,800	0	7,800
550250	TAX-GIFTS & JEW	0	1,735	1,735	107,325	12,000	119,025	110,600	12,500	123,100
550255	TAX-GIFTS & JEW	0	1,340	1,340	32,200	400	32,600	33,500	450	33,950
550260	GRAD INC-TAX	38,110	27,090	65,200	33,775	3,000	36,775	34,100	2,600	36,700
550265	GRAD-NON TAXABLE	450	0	450	375	0	375	400	0	400
550270	TAX-SOFTGOODS	216,700	230,193	446,893	265,650	19,000	284,650	273,650	18,600	293,250
550275	TAX-SOFTGOODS	25,750	25,750	51,500	23,000	900	23,900	23,700	560	24,260
550280	TAX-SOFTGOODS	75,100	75,100	150,200	70,500	250	70,750	72,600	260	72,960
550285	TAX-SPECIALS	450	0	450	200	25	225	250	30	280
550290	TAX S/S-SOFTWARE (5%)	0	0	0	99,300	11,000	110,300	102,280	11,300	113,580
550295	TAX-SOFTWARE (5%)	0	8,527	8,527	123,100	15,818	138,918	127,500	18,300	146,800
550300	TAX-MED SUPPLIES	0	147,200	147,200	0	113,125	113,125	0	118,500	118,500
550305	TAX-MED SUPPLIES	0	8,500	8,500	0	18,650	18,650	0	19,210	19,210
550310	TAX-SUPPLIES	284,200	284,850	569,050	348,133	4,200	352,333	358,600	4,300	362,900
550315	TAX-SUPPLIES	937,700	937,765	1,875,465	921,320	8,350	929,670	950,000	6,700	956,700
550320	GRAD INC CEG	36,050	36,415	72,465	41,000	0	41,000	42,230	0	42,230
550330	VENDOR REBATES	0	11,330	11,330	15,400	0	15,400	15,650	0	15,650
550340	OUTPATIENT REVENUE	0	0	0	0	0	0	0	0	0
550350	MISCELLANEOUS INCOME	0	0	0	0	0	0	0	0	0
550360	CASH OVER(SHORT)	0	0	0	0	0	0	0	0	0
550370	OTHER REV ROLLUP	7,520	0	7,520	0	0	0	0	0	0
550380	OTHER REVENUE	0	0	0	0	0	0	0	0	0
550390	OTHER REVENUE	0	0	0	0	0	0	0	0	0
550400	OVERSIGHT	0	0	0	0	0	0	0	0	0
550410	TAXABLE SALES	1,000	0	1,000	250	(1,000)	0	260	0	260
550420	SALES TAX DISCOUNT	1,500	1,500	3,000	1,800	0	1,800	1,950	0	1,950
550390	OTHER REVENUES	0	0	0	0	20,400	20,400	0	21,000	21,000
TOTAL REVENUES		7,585,170	1,220,845	8,806,015	7,863,083	1,381,916	9,244,999	8,247,793	1,435,200	9,682,993
610100	EXEC & ADMIN SAL	74,785	0	74,785	90,100	0	90,100	131,608	0	131,608
610300	PROF. SAL	83,016	0	83,016	42,000	35,677	77,677	66,224	32,762	101,386
610400	CLERICAL WAGES	376,582	46,327	422,909	322,110	50,230	372,340	343,634	58,236	431,864
610500	TEMP OFFICE SAL	6,000	0	6,000	6,000	0	6,000	6,000	0	6,000
610550	TEMP CHA/ITRAGE WGE	0	0	0	0	0	0	0	0	0
610600	SERVICE EMP SAL	0	0	0	5,000	0	5,000	5,000	0	5,000
610700	TECH SALARY & WAGES	33,435	0	33,435	16,355	0	16,355	33,428	0	33,428
610750	OVERTIME	23,514	0	23,514	20,000	0	23,514	23,462	0	23,462
620100	STUDENT WAGES	29,000	3,500	32,500	3,000	0	3,000	29,000	4,000	33,000
SALARIES		720,982	85,605	806,587	610,079	88,907	707,986	729,354	89,992	819,346
FRINGE BENEFITS		154,932	16,254	171,186	164,505	16,900	181,405	167,000	18,700	185,700
630110	EMPLOYEE INS	0	0	0	0	0	0	0	0	0
630120	EMPLOYEE FICA	0	0	0	0	0	0	0	0	0
630210	GROUP LIFE	0	0	0	0	0	0	0	0	0
630220	DISABILITY	0	0	0	0	0	0	0	0	0
603230	GROUP HEALTH	0	0	0	0	0	0	0	0	0
603320	TMA-CREF	0	0	0	0	0	0	0	0	0
630330	ST PD RETIREMENT	56,580	0	56,580	0	0	0	0	0	0
630130	EMPLOYEE BENEFITS	0	7,519	64,099	65,500	9,200	74,700	65,000	9,400	74,400
630411	TUITION-EMP-UNDERGRADUATE	0	0	0	0	0	0	0	0	0
630451	TUITION-SD-UNDERGRADUATE	0	0	0	3,000	0	3,000	0	0	0
630452	TUITION-SD-GRAD LEVEL	0	0	0	0	0	0	6,000	0	6,000
EMPLOYEE BENEFITS		220,512	23,773	244,285	233,005	26,100	259,105	238,000	28,100	266,100
GENERAL SUPPLIES		0	0	0	200	0	200	200	0	200
711020	POSTAGE	500	900	1,400	2,500	500	3,000	2,625	500	3,125
711060	POSTAGE CARD	0	0	0	0	0	0	0	0	0
711080	CONF. FORMS	2,500	0	2,500	0	0	0	0	0	0
711530	OFFICE SUPPLIES	12,000	1,000	13,000	11,500	3,000	14,500	12,000	3,000	15,000
711540	PRINTING PAPER	0	0	0	0	0	0	0	0	0
712050	EQUIP & FURNITURE 0-499	1,500	0	1,500	700	0	700	1,500	0	1,500
712100	MINOR EQUIP 500-1,999	0	0	0	3,500	170	3,670	5,000	0	5,000
712150	COMPUTERS \$1-\$1,999	0	0	0	2,500	0	2,500	0	0	0
712315	WORKSHOP & TRAINING	0	0	0	0	0	0	0	0	0
712350	BLDG MAIN & REPAIR	0	0	0	300	0	300	0	0	0
712355	EQUIP MAINT & REPAIR	21,500	11,500	33,000	24,000	0	24,000	26,000	0	26,000
712360	EQUIP MAINT & REPAIRS	3,500	300	3,800	1,000	10	1,010	1,500	300	1,800
712365	EQUIP MAINT & REPAIRS	3,500	2,500	6,000	4,500	300	4,800	5,300	500	5,800
713000	OTHER EXPENSES	0	0	0	0	0	0	0	0	0
713010	ADVERTISING	28,500	500	29,000	26,000	330	26,330	28,000	0	28,000
713050	COMPUTER SOFTWARE	0	0	0	0	0	0	0	0	0
713070	FREIGHT	130,000	25,200	155,200	133,000	44,000	177,000	140,000	42,000	182,000
713110	INSURANCE	4,200	0	4,200	4,400	0	4,400	4,400	0	4,400
713120	INTERFACILITY SERVICES	0	5,200	5,200	0	5,750	5,750	0	5,800	5,800
713140	MEMBERSHIP DUES	4,000	0	4,000	3,500	50	3,550	4,000	100	4,100
713150	OBsolete INV	1,000	0	1,000	1,000	0	1,000	1,000	0	1,000
713190	TRAVEL EXPENSES	0	0	0	0	0	0	0	0	0
713190	TAXES, LICENSES	0	0	0	15	0	15	0	0	0
713220	VENDOR REBATES/DISCOUNTS	620	0	620	0	0	0	0	0	0

UNIVERSITY OF SOUTH ALABAMA

BOOKSTORE

BUDGET
2008-09

FUND	DESCRIPTION	CAMPUS BS BUDGET 2007-08	HE SCI BS BUDGET 2007-08	COMBINED BOOKSTORE BUDGET 2007-08	PROJECTED BOOKSTORE YR END 2007-08	PROJECTED HE SCI BS YR END 2007-08	PROJECTED COMBINED YR END 2007-08	CAMPUS BS PROPOSED BUDGET 2008-09	HE SCI BS PROJECTED BUDGET 2008-09	COMBINED BOOKSTORE PROJECTED BUDGET 2008-09
71325	OTHR MISC EXPENSE	0	0	0	0	2,200	2,200	0	0	0
71326	BUDGET CONTINGENCY	47,535	0	47,535	0	0	0	50,000	0	0
71450	HOUSE, AUTO & MAINT SUPPLIES	0	0	0	250	0	250	0	0	0
71451	AUTO SUPPLIES	700	0	700	0	0	0	700	0	700
714020	RETAIL PHOTO MKTG	0	0	0	0	0	0	0	0	0
714540	HOUSEKEEPING SUP	3,000	0	3,000	2,500	0	2,500	3,300	400	3,700
714560	LAUNDRY	0	0	0	24	0	24	0	0	0
714580	MAINT SUPPLIES	0	0	0	0	0	0	0	0	0
714590	VEHICLE FUEL	0	0	0	0	0	0	0	0	0
715000	TELEPHONE CABLE	0	0	0	0	0	0	0	0	0
715020	TELEPHONE CARRIER	0	0	0	0	0	0	0	0	0
715030	PHONE-INTERNAL TRANSFERS	5,600	0	5,600	0	0	0	0	0	0
715040	PHONE-LONG DIS	0	0	0	0	0	0	0	0	0
715050	PHONE-INT TRANSFERS	320	0	320	350	0	350	350	150	500
715070	PHONE-OTHER	5,400	0	5,400	4,500	6,500	11,000	4,500	6,500	11,000
715080	PHONE-OTHER INT TRANSFERS	0	0	0	0	0	0	0	0	0
715530	BOOKS	475	0	475	25	0	25	0	0	0
715830	SUBSCRIPTIONS	2,100	0	2,100	460	0	460	475	0	475
716130	RETAIL SALE SUP	14,000	600	14,600	12,000	200	12,200	14,000	1,000	15,000
718000	INTERNAL CHARGES	0	0	0	0	0	0	0	0	0
718035	CABLE	125	0	125	335	0	335	350	0	350
718070	COMPUTER INSTALLATION	0	0	0	525	0	525	0	0	0
718120	FUEL	2,500	0	2,500	1,565	0	1,565	2,500	0	2,500
718130	DEPARTMENT TRANSFERS	(42,000)	0	(42,000)	0	42,000	0	0	42,000	0
718200	PUBLICATIONS	27,500	0	27,500	25,000	8,500	31,500	27,000	0	27,000
718370	RENTAL SHC	0	19,980	19,980	19,980	19,980	19,980	0	19,980	19,980
718702	OVERHEAD REGULAR BOOKSTORE	293,506	0	293,506	293,506	295,436	295,436	293,506	2,000	295,506
718802	OVERHEAD PLANT OPERATIONS	75,000	0	75,000	75,000	75,000	75,000	75,000	0	75,000
TOTAL	ADMIN & GEN EXPENDITURES	644,491	130,480	774,971	594,795	134,020	728,815	663,506	132,230	795,736
730010	TRAVEL	8,000	1,500	9,500	5,230	0	5,230	10,000	1,000	11,000
730050	TRAVEL-LOCAL MILEAGE	0	50	50	0	0	0	0	0	0
730070	TRAVEL-REG FEE	4,000	0	4,000	3,400	0	3,400	4,000	50	4,050
730100	TRAVEL-TAXIABLE	0	0	0	3,500	0	3,500	0	0	0
TOTAL	TRAVEL	12,000	1,550	13,550	12,130	0	12,130	14,000	1,050	15,050
740000	PURCHASED SERVICES	0	0	0	0	0	0	0	0	0
741060	CONSULTANTS	1,000	0	1,000	0	0	0	0	0	0
741070	CONTRACT LABOR	75,000	23,400	98,400	95,904	18,000	113,904	100,000	18,000	118,000
741090	CONTRACT SERVICES	15,000	1,250	16,250	32,000	7,500	38,500	35,000	8,000	43,000
TOTAL	PURCHASED SERVICES	91,000	24,650	115,650	127,904	25,500	153,404	135,000	26,000	161,000
750010	BEVERAGES	0	0	0	0	0	0	0	0	0
750020	CHARGE CARD DISCNT	72,000	0	72,000	110,250	0	110,250	116,000	0	116,000
750030	PUR-COMPUTER SOFTW	0	0	0	0	0	0	0	0	0
750040	DISC FOR DISCOUNT	0	0	0	0	0	0	0	0	0
750050	DEPT FOR DISCOUNT	75	0	75	50	0	50	0	0	0
750060	FACTORY DISCNT	5,000	2,310	7,310	5,600	4,800	10,400	5,000	5,000	10,500
750070	GIFTS & JEWELRY	30,000	9,975	39,975	33,000	9,500	42,500	33,000	9,500	42,500
750080	GRADUATION PURCHASES	0	0	0	0	0	0	0	0	0
750090	PUR-MED BKS	5,561,130	1,023,655	6,584,785	5,900,200	1,028,000	6,928,200	6,019,000	1,070,000	7,089,000
750100	PUR-MED SUPPLIES	0	0	0	0	0	0	0	0	0
750110	PUR-MED SUPPLIES	0	0	0	0	0	0	0	0	0
750120	PURCHASES FOR SUPPLIES	0	0	0	0	0	0	0	0	0
750130	SOFT GOODS PURCHASES	0	0	0	0	0	0	0	0	0
750140	PUR-SPECIALTIES	0	0	0	0	0	0	0	0	0
750150	PUR-NEW BKS	0	0	0	0	0	0	0	0	0
750160	PUR-USED BKS	0	0	0	0	0	0	0	0	0
750305	INV. ADJUST	0	0	0	0	0	0	0	0	0
750120	PAPERBACK PURCHASES	0	0	0	0	0	0	0	0	0
TOTAL	COST OF GOODS	5,661,205	1,035,940	6,704,145	5,949,100	1,042,300	6,991,400	6,173,500	1,064,500	7,258,000
760400	OFFICE EQUIP-5000	3,000	0	3,000	0	0	0	0	0	0
760700	CAPITAL SOFTWARE	0	0	0	0	0	0	0	0	0
TOTAL	CAPITAL EXPENDITURE	3,000	0	3,000	0	0	0	0	0	0
762000	OTHER DEDUCTIONS	220,000	0	220,000	0	0	0	294,433	73,328	367,761
TOTAL	OTHER DEDUCTIONS	220,000	0	220,000	0	0	0	294,433	73,328	367,761
NET		0	16,647	16,647	427,470	65,089	492,559	0	0	0

DINING SERVICES

		Budget	Projected	
		FY 2007-08	Budget	Difference
			FY 2008-09	
Account				
550610	Other Revenue	159,000	180,000	21,000
		-----	-----	-----
		159,000	180,000	21,000
712520	Bldg M & R	3,000	3,000	0
712540	Equip M & R	1,200	1,300	100
712535	Equip Maintenance Contracts	40,000	40,000	0
715000	Telephone-Other	200	200	0
715020	Telephone-Base	1,000	0	(1,000)
715050	Telephone-Long Distance	0	0	0
715040	Telephone-Internal Transfers	0	0	0
713000	Other Expenses	3,000	3,000	0
713140	Membership Dues	300	300	0
713240	Budget Contingency	3,118	25,518	22,400
713110	Insurance	11,000	10,500	(500)
718704	Admin O/H	16,182	16,182	0
720000	Utilities	68,000	68,000	0
740000	Contract Budget	12,000	12,000	0
		-----	-----	-----
	Total Expenses	159,000	180,000	21,000
	Profit/Loss	0	0	0

The amount of the estimated commissions was the guarantee provided by ARAMARK in their contract
The line item for maintenance contracts consists mainly of equipment repairs, and items such as trash removal
Waste pick up has doubled after this service was last put out for bid

USA BROOKLEY CENTER
FY BUDGET 2008-2009

Description:	Proposed Budget FY 2008-2009	Budget FY 2007-2008
Staff Salaries	\$1,097,876.00	\$1,016,179.00
Student Wages	\$0.00	\$0.00
Overtime	\$0.00	\$0.00
Employee Benefits	\$357,583.16	\$326,180.08
Office & General Supplies	\$12,342.00	\$4,683.45
Maintenance Supplies	\$17,500.00	\$27,968.16
Housekeeping Supplies	\$16,500.00	\$10,029.66
Vehicle Fuel	\$31,745.00	\$26,739.86
Golf Range Supplies	\$20,000.00	\$18,945.89
Travel	\$4,500.00	\$2,476.80
Local Travel	\$2,000.00	\$3,960.00
Workshop & Training	\$3,000.00	\$1,080.00
Contract Labor & Services	\$259,744.00	\$214,275.07
Bldg Maint & Repair	\$90,625.00	\$71,562.15
Bldg & Equip Rental	\$28,331.00	\$21,616.32
Equip Maint & Repair	\$78,514.00	\$47,593.60
Grounds	\$87,230.00	\$61,899.12
Electric	\$276,895.03	\$222,973.06
Water	\$217,173.04	\$174,480.88
Gas	\$48,863.53	\$37,774.28
Sewer	\$0.00	\$0.00
Telephone-Base	\$24,608.00	\$20,600.00
Telephone-Long Distance	\$2,000.00	\$2,700.00
Telephone-Repair	\$250.00	\$250.00
Membership Dues	\$1,500.00	\$0.00
Legal Fees	\$0.00	\$0.00
Insurance & Bonds	\$65,400.00	\$52,407.92
Advertising	\$32,870.00	\$20,847.60
Reception & Events	\$500.00	\$720.00
Bad Debt Expense	\$3,000.00	\$3,000.00
Other General Expenses	\$149,514.00	\$0.00
Equipment	\$15,600.00	\$14,033.30
Motor Vehicles	\$17,000.00	\$11,520.00
Expense Offset	-\$34,050.00	\$0.00
Other Transfers	\$0.00	\$0.00
1% of Salary Contingency	\$0.00	\$0.00
Total Expenses	\$2,928,613.76	\$2,416,496.20
Ed Support Allocation	*** (\$207,180.00)	(\$207,180.00)
Expenses After Allocation	\$2,721,433.76	\$2,209,316.20
Revenue-Admin	\$84,633.61	\$86,103.21
Revenue-Housing	\$810,780.16	\$688,197.37
Revenue-Golf	\$530,913.74	\$430,293.58
Revenue-Food Service	\$85,406.04	\$25,363.74
Revenue-Continuing Education	\$578,736.44	\$496,372.79
Revenue-Educational Leasing	\$700,195.77	\$552,217.51
Total Revenue	\$2,790,665.76	\$2,278,548.20
Net	\$71,232.00	\$71,232.00
Transfers:		
Unexpended Plant Funds	\$0.00	\$0.00
Principal & Interest	\$71,232.00	\$71,232.00
FICA	\$0.00	\$0.00
Retirement	\$0.00	\$0.00
Total Transfers	\$71,232.00	\$71,232.00
Balance	\$0.00	\$0.00

USA BROOKLEY CENTER
BUDGET FOR FY 2007-2008

PAGE ONE

	SUB CODE	Administration 311010	Housing 311060	Golf Course 311020	Rec Ctr	Educational Leasing 311050	Continuing Education 311070	University Services 311080	Food Service 311040	Brookley Center Total
REVENUES:										
Sales-Tax Mdse.	550510	\$0.00	\$0.00	\$49,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$49,000.00
Sales-Non-Tax Mdse.	550515	\$0.00	\$0.00	\$800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$800.00
Less Charge Disc.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Less COGS	750000	\$0.00	\$0.00	\$9,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,500.00
Less Inv Adj.	713175	\$0.00	\$0.00	\$275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$275.00
GROSS PROFIT		\$0.00	\$0.00	\$40,025.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$40,025.00
Fees-Green, Etc.	550530	\$0.00	\$0.00	\$400,620.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$400,620.16
Fees-Food Comm.	550610	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$85,406.04	\$85,406.04
Rentals	550520	\$0.00	\$810,780.16	\$90,268.58	\$0.00	\$700,195.77	\$566,665.84	\$0.00	\$0.00	\$2,167,910.35
Other-CA/Bldg 2002	550530	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$34,048.00	\$0.00	\$0.00	\$34,048.00
Other-Over/Short		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bad Debt Recov.	550520	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Misc. Revenue	550530	\$2,530.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,530.41
Fees-FA Dean	550525	\$50,004.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50,004.00
Fees-FA-250	550525	\$32,099.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$32,099.20
NET REVENUE		\$84,633.61	\$810,780.16	\$530,913.74	\$0.00	\$700,195.77	\$600,713.84	\$0.00	\$85,406.04	\$2,812,643.16
OPERATING EXPENSE:										
Salaries-Exec/Adm	610100	\$211,463.83	\$0.00	\$45,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$256,463.83
Salaries-Prof	610300	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries-Tech	610700	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$77,839.42	\$0.00	\$0.00	\$77,839.42
Salaries-Office	610400	\$55,223.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$55,223.16
Salaries-Crft/Trade	610500	\$380,389.95	\$60,410.00	\$43,034.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$483,833.95
Salaries-Service	610600	\$181,458.64	\$0.00	\$43,057.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$224,515.64
Salaries-Temp Cr/Trade	610590	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries-Student	620100	\$828,535.58	\$60,410.00	\$131,091.00	\$0.00	\$0.00	\$77,839.42	\$0.00	\$0.00	\$1,097,876.00
1% of Salaries/Conting.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Benefits-Unemployment	630110	\$1,205.02	\$207.76	\$560.96	\$0.00	\$0.00	\$103.88	\$0.00	\$0.00	\$2,077.62
Benefits-Emp FICA	630120	\$53,545.50	\$9,231.98	\$24,926.35	\$0.00	\$0.00	\$4,615.99	\$0.00	\$0.00	\$92,319.82
Benefits-Gr Life	630210	\$2,099.06	\$361.91	\$977.15	\$0.00	\$0.00	\$180.95	\$0.00	\$0.00	\$3,619.07
Benefits-Disability	630220	\$4,373.04	\$753.97	\$2,035.73	\$0.00	\$0.00	\$376.99	\$0.00	\$0.00	\$7,539.73
Benefits-TIAA-CREF	630320	\$2,429.47	\$418.87	\$1,130.96	\$0.00	\$0.00	\$209.44	\$0.00	\$0.00	\$4,188.74
Benefits-Gr Health	630230	\$59,606.28	\$10,276.95	\$27,747.75	\$0.00	\$0.00	\$5,138.47	\$0.00	\$0.00	\$102,769.45
Benefits-Tuition	630452	\$408.15	\$70.37	\$190.00	\$0.00	\$0.00	\$35.19	\$0.00	\$0.00	\$703.71
Benefits-St. Pd. Retire.	630330	\$83,731.72	\$14,436.50	\$38,978.55	\$0.00	\$0.00	\$7,218.25	\$0.00	\$0.00	\$144,365.02
Office Supplies&Gen.	711530	\$207,398.24	\$35,758.31	\$96,547.45	\$0.00	\$0.00	\$17,879.16	\$0.00	\$0.00	\$357,583.16
Maintenance Supplies	714580	\$5,868.16	\$1,000.00	\$3,500.00	\$0.00	\$0.00	\$2,358.55	\$0.00	\$0.00	\$12,342.00
Housekeeping Supplies	714540	\$6,429.66	\$6,031.84	\$2,500.00	\$0.00	\$200.00	\$900.00	\$0.00	\$0.00	\$17,500.00
Vehicle Fuel	714600	\$27,045.00	\$0.00	\$4,100.00	\$0.00	\$500.00	\$5,470.34	\$0.00	\$0.00	\$16,500.00
Golf Range Supplies	711030	\$0.00	\$0.00	\$4,700.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,745.00
Travel	730010	\$2,623.20	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20,000.00
			\$0.00	\$1,876.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,500.00

Local Travel	730050	\$801.50	\$397.00	\$801.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,000.00
Contract Labor	741070	\$114,337.06	\$0.00	\$45,534.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$159,871.26
Contract Service	741090	\$73,710.62	\$4,606.91	\$15,105.53	\$0.00	\$0.00	\$1,842.78	\$0.00	\$0.00	\$0.00	\$0.00	\$99,872.74
Bldg. Maint. & Repair	712520	\$22,000.00	\$31,343.93	\$5,000.00	\$0.00	\$0.00	\$13,000.00	\$0.00	\$0.00	\$3,500.00	\$0.00	\$90,625.00
Grounds	712560	\$31,974.78	\$27,055.66	\$28,199.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$87,230.00
USA BROOKLEY CENTER		\$1,328,207.25	\$166,603.65	\$358,956.04	\$0.00	\$21,087.97	\$119,290.25	\$0.00	\$0.00	\$3,500.00	\$0.00	\$1,997,645.16
BUDGET FOR FY 2006-2007												
PAGE TWO	SUB CODE	311010	311060	311020		311050	311070	311080	311040		TOTAL	BROOKLEY
Electricity	720100	\$43,432.03	\$14,000.00	\$22,000.00	\$0.00	\$69,698.06	\$90,000.00	\$0.00	\$37,764.94	\$0.00	\$276,895.03	
Gas	720200	\$8,586.53	\$2,200.00	\$3,300.00	\$0.00	\$11,774.00	\$14,000.00	\$0.00	\$9,003.00	\$0.00	\$48,863.53	
Water	720300	\$84,829.04	\$82,000.00	\$50,344.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$217,173.04	
Sewer		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Equip Maint & Repair	712540	\$22,000.00	\$0.00	\$41,093.60	\$0.00	\$0.00	\$7,500.00	\$0.00	\$7,920.40	\$0.00	\$78,514.00	
Bldg. & Equip Rental	712550	\$4,056.32	\$0.00	\$24,274.68	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28,331.00	
Telephone-Base	715020	\$9,298.60	\$0.00	\$3,337.87	\$0.00	\$0.00	\$11,971.53	\$0.00	\$0.00	\$0.00	\$24,608.00	
Telephone-LD	715050	\$650.00	\$0.00	\$400.00	\$0.00	\$0.00	\$950.00	\$0.00	\$0.00	\$0.00	\$2,000.00	
Telephone-Other	715070	\$250.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250.00	
Workshop/Train.	730070	\$3,000.00	\$0.00	\$800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00	
Membership Dues	713140	\$700.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00	
Books & Subscrip.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Legal & Audit Fees	741040	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Taxes & Licenses	713190	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Insurance & Bonds	713110	\$59,040.25	\$0.00	\$2,000.00	\$0.00	\$0.00	\$4,000.00	\$0.00	\$359.75	\$0.00	\$65,400.00	
Receptions	713180	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$500.00	
Advertising	713010	\$12,847.60	\$3,000.00	\$5,000.00	\$0.00	\$0.00	\$9,022.40	\$0.00	\$3,000.00	\$0.00	\$32,870.00	
Equipment	712200	\$4,100.00	\$0.00	\$11,500.00	\$0.00	\$0.00	(\$34,050.00)	\$0.00	\$0.00	\$0.00	(\$34,050.00)	
Expense Offset		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Bad Debt Expense		\$0.00	\$3,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other-General Expense	792020	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Motor Vehicles		\$17,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$17,000.00	
Ed Support Alloc. 250	9720	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Ed Support Alloc. 260	9700	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Oper Cost Alloc.-200	9800	(\$1,259,590.38)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$207,180.00)	
Oper Cost Alloc.-210	9060	\$0.00	\$352,685.31	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,259,590.38)	
Oper Cost Alloc.-220	9060	\$0.00	\$0.00	\$100,767.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$352,685.31	
Oper Cost Alloc.-230	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100,767.23	
Oper Cost Alloc.-240	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Oper Cost Alloc.-250	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$125,959.04	
Oper Cost Alloc.-260	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$251,918.08	\$0.00	\$0.00	\$0.00	\$251,918.08	
Oper Cost Alloc.-290	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$377,877.11	\$0.00	\$0.00	\$377,877.11	
TOTAL OPER. EXP.		\$338,907.24	\$623,488.96	\$623,773.42	\$0.00	\$228,519.07	\$474,602.26	\$170,697.11	\$111,931.71	\$50,383.62	\$2,571,919.76	
Excess Rev over Exp		\$71,232.00	\$187,291.20	(\$92,859.68)	\$0.00	\$471,676.70	\$126,111.58	(\$170,697.11)	(\$26,525.67)	\$566,229.03		
OTHER EXPENSES:												
Renovations	760940	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
TOTAL OTHER EXP.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Cost Alloc.-200	9810	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Cost Alloc.-210	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Cost Alloc.-220	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	

Other Cost Alloc-230	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-240	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-250	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-260	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-290	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL EXPENSES		\$338,907.24	\$623,488.96	\$623,773.42	\$0.00	\$228,519.07	\$474,602.26	\$170,697.11	\$111,931.71	\$2,571,919.76		
TRAN. AMONG FUNDS:												
Principal & Interest	791020	(\$71,232.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$71,232.00)		
Unexpen. Plant Funds	9870	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
FICA Allocation	9900	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Retirement Reimburse.	9910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
TOTAL TRANSFERS		(\$71,232.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$71,232.00)		
Excess Rev. over Exp. (LOSS)		\$0.00	\$187,291.20	(\$92,859.68)	\$0.00	\$471,676.70	\$126,111.58	(\$170,697.11)	(\$26,525.68)	\$494,997.85		

**USA BROOKLEY CENTER
BUDGET FOR FY 2007-2008**

PAGE ONE

SUB CODE	Administration 311010	Housing 311060	Golf Course 311020	Rec Ctr	Educational Leasing 311050	Continuing Education 311070	University Services 311080	Food Service 311040	Brookley Center Total
REVENUES:									
Sales-Tax Mdse.	\$0.00	\$0.00	\$49,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$49,000.00
Sales-Non-Tax Mdse.	\$0.00	\$0.00	\$800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$800.00
Less Charge Disc.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Less COGS	\$0.00	\$0.00	\$9,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,500.00
Less Inv Adj.	\$0.00	\$0.00	\$275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$275.00
GROSS PROFIT	\$0.00	\$0.00	\$40,025.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$40,025.00
Fees-Green, Etc.									
Fees-Food Comm.	\$0.00	\$0.00	\$400,620.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$400,620.16
Rentals	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$85,406.04	\$85,406.04
Other-CA/Bldg 2002	\$0.00	\$810,780.16	\$90,268.58	\$0.00	\$700,195.77	\$566,665.84	\$0.00	\$0.00	\$2,167,910.35
Other-Over/Short	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$34,048.00	\$0.00	\$0.00	\$34,048.00
Bad Debt Recov.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Misc. Revenue	\$2,530.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,530.41
Fees-FA Dean	\$50,004.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50,004.00
Fees-FA-250	\$32,099.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$32,099.20
NET REVENUE	\$84,633.61	\$810,780.16	\$530,913.74	\$0.00	\$700,195.77	\$600,713.84	\$0.00	\$85,406.04	\$2,812,643.16
OPERATING EXPENSE:									
Salaries-Exec/Adm	\$211,463.83	\$0.00	\$45,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$256,463.83
Salaries-Prof	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries-Tech	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$77,839.42	\$0.00	\$0.00	\$77,839.42
Salaries-Office	\$55,223.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$55,223.16
Salaries-Crft/Trade	\$380,389.95	\$60,410.00	\$43,034.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$483,833.95
Salaries-Service	\$181,458.64	\$0.00	\$43,057.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$224,515.64
Salaries-Temp Cr/Trade	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries-Student	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1% of Salaries/Conting.	\$828,535.58	\$60,410.00	\$131,091.00	\$0.00	\$0.00	\$77,839.42	\$0.00	\$0.00	\$1,097,876.00
Benefits-Unemployment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Benefits-Emp FICA	\$1,205.02	\$207.76	\$560.96	\$0.00	\$0.00	\$103.88	\$0.00	\$0.00	\$2,077.62
Benefits-Gr Life	\$53,545.50	\$9,231.98	\$24,926.35	\$0.00	\$0.00	\$4,615.99	\$0.00	\$0.00	\$92,319.82
Benefits-Disability	\$2,099.06	\$361.91	\$977.15	\$0.00	\$0.00	\$180.95	\$0.00	\$0.00	\$3,619.07
Benefits-TIAA-CREF	\$4,373.04	\$753.97	\$2,035.73	\$0.00	\$0.00	\$376.99	\$0.00	\$0.00	\$7,539.73
Benefits-Gr Health	\$2,429.47	\$418.87	\$1,130.96	\$0.00	\$0.00	\$209.44	\$0.00	\$0.00	\$4,188.74
Benefits-Tuition	\$59,606.28	\$10,276.95	\$27,747.75	\$0.00	\$0.00	\$5,138.47	\$0.00	\$0.00	\$102,769.45
Benefits-St. Pd. Retire.	\$408.15	\$70.37	\$190.00	\$0.00	\$0.00	\$35.19	\$0.00	\$0.00	\$703.71
Office Supplies&Gen.	\$83,731.72	\$14,436.50	\$38,978.55	\$0.00	\$0.00	\$7,218.25	\$0.00	\$0.00	\$144,365.02
Maintenance Supplies	\$207,398.24	\$35,758.31	\$96,547.45	\$0.00	\$0.00	\$17,879.16	\$0.00	\$0.00	\$357,583.16
Housekeeping Supplies	\$5,483.45	\$1,000.00	\$3,500.00	\$0.00	\$0.00	\$2,358.55	\$0.00	\$0.00	\$12,342.00
Vehicle Fuel	\$7,868.16	\$6,031.84	\$2,500.00	\$0.00	\$200.00	\$900.00	\$0.00	\$0.00	\$17,500.00
Golf Range Supplies	\$6,429.66	\$0.00	\$4,100.00	\$0.00	\$500.00	\$5,470.34	\$0.00	\$0.00	\$16,500.00
Travel	\$27,045.00	\$0.00	\$4,700.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,745.00
	\$0.00	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20,000.00
	\$2,623.20	\$0.00	\$1,876.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,500.00

Local Travel	730050	\$801.50	\$397.00	\$801.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,000.00
Contract Labor	741070	\$114,337.06	\$0.00	\$45,534.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$159,871.26
Contract Service	741090	\$73,710.62	\$4,606.91	\$15,105.53	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$99,872.74
Bldg. Maint. & Repair	712520	\$22,000.00	\$31,343.93	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,500.00	\$90,625.00
Grounds	712560	\$31,974.78	\$27,055.66	\$28,199.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$87,230.00
		\$1,328,207.25	\$166,603.65	\$358,956.04	\$0.00	\$0.00	\$119,290.25	\$0.00	\$0.00	\$3,500.00	\$1,997,645.16
USA BROOKLEY CENTER											
BUDGET FOR FY 2006-2007											
PAGE TWO	SUB	311010	311060	311020			311050	311070	311080	311040	TOTAL
	CODE										BROOKLEY
Electricity	720100	\$43,432.03	\$14,000.00	\$22,000.00	\$0.00	\$0.00	\$69,698.06	\$90,000.00	\$0.00	\$37,764.94	\$276,895.03
Gas	720200	\$8,586.53	\$2,200.00	\$3,300.00	\$0.00	\$0.00	\$11,774.00	\$14,000.00	\$0.00	\$9,003.00	\$48,863.53
Water	720300	\$84,829.04	\$82,000.00	\$50,344.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$217,173.04
Sewer		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Equip Maint & Repair	712540	\$22,000.00	\$0.00	\$41,093.60	\$0.00	\$0.00	\$0.00	\$7,500.00	\$0.00	\$7,920.40	\$78,514.00
Bldg. & Equip Rental	712550	\$4,056.32	\$0.00	\$24,274.68	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28,331.00
Telephone-Base	715020	\$9,298.60	\$0.00	\$3,337.87	\$0.00	\$0.00	\$0.00	\$11,971.53	\$0.00	\$0.00	\$24,608.00
Telephone-LD	715050	\$650.00	\$0.00	\$400.00	\$0.00	\$0.00	\$0.00	\$950.00	\$0.00	\$0.00	\$2,000.00
Telephone-Other	715070	\$250.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250.00
Workshop/Train.	730070	\$3,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00
Membership Dues	713140	\$700.00	\$0.00	\$800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
Books & Subscrip.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Legal & Audit Fees	741040	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Taxes & Licenses	713190	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance & Bonds	713110	\$59,040.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Receptions	713180	\$500.00	\$0.00	\$2,000.00	\$0.00	\$0.00	\$0.00	\$4,000.00	\$0.00	\$359.75	\$65,400.00
Advertising	713010	\$12,847.60	\$3,000.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$9,022.40	\$0.00	\$0.00	\$500.00
Equipment	712200	\$4,100.00	\$0.00	\$11,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00	\$32,870.00
Expense Offset		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15,600.00
Bad Debt Expense	792020	\$0.00	\$3,000.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$34,050.00)	\$0.00	\$0.00	(\$34,050.00)
Other-General Expense		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00
Motor Vehicles		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$17,000.00
Ed Support Alloc. 250	9720	\$17,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ed. Support Alloc. 260	9700	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Oper Cost Alloc.-210	9800	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$207,180.00)	\$0.00	(\$207,180.00)
Oper Cost Alloc.-220	9060	\$0.00	\$352,685.31	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,259,590.38)
Oper Cost Alloc.-230	9060	\$0.00	\$0.00	\$100,767.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$352,685.31
Oper Cost Alloc.-240	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100,767.23
Oper Cost Alloc.-250	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Oper Cost Alloc.-260	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$125,959.04
Oper Cost Alloc.-290	9060	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$251,918.08
TOTAL OPER. EXP.		\$338,907.24	\$623,488.96	\$623,773.42	\$0.00	\$0.00	\$228,519.07	\$474,602.26	\$377,877.11	\$50,383.62	\$377,877.11
Excess Rev over Exp		\$71,232.00	\$187,291.20	(\$92,859.68)	\$0.00	\$0.00	\$471,676.70	\$126,111.58	\$170,697.11	\$111,931.71	\$2,571,919.76
OTHER EXPENSES:					\$0.00	\$0.00			(\$170,697.11)	(\$26,525.67)	\$566,229.03
Renovations	760940	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL OTHER EXP.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-200	9810	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-210	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-220	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Other Cost Alloc.-230	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-240	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-250	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-260	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Cost Alloc.-290	9070	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL EXPENSES		\$338,907.24	\$617,097.75	\$623,773.42	\$0.00	\$228,519.07	\$474,602.26	\$170,697.11	\$111,931.71	\$32,664.47		
TRAN. AMONG FUNDS:												
Principal & Interest	791020	(\$71,232.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$71,232.00)		
Unexpen. Plant Funds	9870	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
FICA Allocation	9900	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Retirement Reimburse.	9910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
TOTAL TRANSFERS		(\$71,232.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$71,232.00)		
Excess Rev. over Exp. (LOSS)		\$0.00	\$71,099.62	(\$92,859.68)	\$0.00	\$471,676.70	\$126,111.58	(\$170,697.11)	(\$26,525.68)	(\$0.00)		



UNIVERSITY OF SOUTH ALABAMA
Office of the President
AD 122

REC'D
OFFICE OF THE PRESIDENT

SEP 02 2008

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

August 28, 2008

TO: USA Board of Trustees

FROM: V. Gordon Moulton

Attached is a memorandum from Mr. Wayne Davis regarding the proposed bond issue, which will be presented for approval at the September 11, 2008, meeting.

Should you have questions or would like to discuss, please call me.

VGM/cbm

Attachment

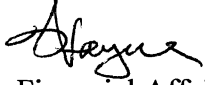


UNIVERSITY OF SOUTH ALABAMA
Office of the Vice President for Financial Affairs
AD 170

MEMORANDUM

DATE: August 28, 2008

TO: President V. Gordon Moulton

FROM: M. Wayne Davis 
Vice President for Financial Affairs

SUBJECT: Bond Issue

We have completed the bond issue due diligence and planning for the University Facilities Revenue Capital Improvement Bonds, Series 2008, which was authorized at the June 5, 2008, meeting of the Board of Trustees. During this process we worked closely with our financial advisor, Mr. Louis Cardinal of Thornton Farish, Inc., our bond counsel, Mr. John Harrell of Bradley Arant Rose and White LLP, and our lead underwriters, Mr. Bob Young of The Frazer Lanier Company, Inc., and Mr. Rory Hartley of Protective Securities.

The key points of the new bond issue are as follows:

- The total of the Series 2008 bond issue will be approximately \$105 million.
- The term of bonds will be 30 years, as the yield curve makes the interest rate differential between 20- and 30-year bonds favorable.
- The bonds may not be insured because of the current status of the leading bond insurance companies.
- Total transaction fees will be at or below historical transaction costs paid by the University.
- The University's bond rating has been upgraded from A2 to A1 by Moody's Investors Services
- The University is also being rated by Standard & Poor's for the first time.

Proceeds of the Series 2008 Bonds will be used to make capital improvements representing a portion of the University's five- and ten-year capital improvement program. The primary project to be funded with the Series 2008 Bonds is the construction of the addition to the Children's and Women's Hospital. Other projects which may be included are an auditorium; renovations to the student center, physical education building and the existing student recreation center; and various capital improvements throughout the campus.

**A RESOLUTION AUTHORIZING THE ISSUANCE
OF \$ _____ PRINCIPAL AMOUNT
OF UNIVERSITY FACILITIES REVENUE CAPITAL IMPROVEMENT BONDS
SERIES 2008**

BE IT RESOLVED by the Board of Trustees (herein called the "Board") of **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) It is necessary, advisable, in the interest of the University and in the public interest that the University make certain capital improvements representing a portion of the University's five and ten-year capital improvement program including, without limitation, the construction and acquisition of capital improvements to the University of South Alabama Children's and Women's Hospital (the "USACW") consisting of approximately 39,000 square feet of new renovations and 147,000 square feet of new construction to provide new operating room suites, OB/GYN ICU beds, Neonatal ICU beds, new Pediatric ICU rooms, additional Labor/Delivery/Recovery rooms, new pediatric beds, new office space, a new kitchen and cafeteria, a new auditorium, new classrooms and various other capital improvements at the USACW; improvements to the cafeteria on the campus of the University; renovations to the auditorium and student center; improvements to the recreation center and physical education building; and other capital improvements throughout the campus of the University (collectively, the "Improvements"); and

(2) It is necessary, advisable, in the interest of the University and in the public interest that the University issue its \$ _____ University Facilities Revenue Capital Improvement Bonds, Series 2008 (the "Bonds") in order to pay the costs of constructing and acquiring the Improvements and to pay a portion of the costs of issuing the Bonds.

(b) Bonds to be Issued as Additional Parity Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. The Bonds 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, and 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 Bonds shall be designated Series 2008;

(3) the persons to whom the Bonds are to be delivered are set forth in Sections 6 hereof;

(4) all of the Bonds are to be issued by sale in accordance with Section 6 hereof;

(5) the sale price of the Bonds is set forth in Section 6 hereof;

(6) (a) the only bonds that have previously been issued by the University under the Indenture are its (i) \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (the "Series 1996 Bonds"), which were issued under and pursuant to the Trust Indenture dated February 15, 1996, further described in Section 2 hereof, (ii) \$7,055,000 original principal amount of University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (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 of University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Bonds"), which were issued under and pursuant to the Second Supplemental Trust Indenture dated as of October 15, 1996, (iv) \$51,080,000 original principal amount of Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated as of March 15, 2004, and (v) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, dated December 1, 2006 (the "Series 2006 Bonds" and, together with the Series 1999 Bonds and Series 2004 Bonds, the "Outstanding Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006; and (b) in Article VIII of the Indenture, the University has reserved the right to issue additional bonds, secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds and with such additional bonds as shall have thereafter been issued thereunder, upon compliance with the applicable provisions of said Article VIII; and

(7) the Bonds are being issued for the purpose of paying the costs of the Improvements and paying a portion of the costs of issuing the Bonds.

The Trustee is hereby requested to authenticate and deliver the Bonds to the purchasers specified in Section 6 hereof upon payment of the purchase price designated therein.

Section 2. Authorization of Bonds. For the purposes specified in Section 1 of this resolution, there are hereby authorized to be issued by the University \$_____ aggregate principal amount of University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Bonds"), all under the terms, conditions and provisions set out in the Sixth Supplemental Trust Indenture dated as of September 1, 2008, between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), which is supplemental to the Trust Indenture between the University and the Trustee dated as of February 15, 1996 (the said Trust Indenture, as heretofore supplemented and amended and as further supplemented and amended by the said Sixth Supplemental Trust Indenture, herein called the "Indenture"). All the provisions of the Indenture respecting the Bonds are hereby adopted as a part of this resolution as fully as if set out at length herein.

Section 3. Source of Payment of the Bonds. The principal of and the interest on the Bonds shall be payable solely from the Pledged Revenues as defined in the Indenture. Nothing contained in this resolution, in the Bonds or in the Indenture shall be deemed to impose any obligation on the University to pay the principal of or the interest on the Bonds except from and to the extent of the Pledged Revenues. The Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama and shall not be payable out of moneys appropriated to the University by the State of Alabama. The agreements, covenants or representations contained in this resolution, in the 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 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 of Alabama, and neither the Bonds nor any obligation arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama. 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.

Section 4. Bonds Payable at Par. All remittances of principal of and interest on the Bonds to the holders thereof shall be made at par without any deduction for exchange or other cost, fees or expenses. The bank or banks at which the Bonds shall at any time be payable shall be considered by acceptance of their duties hereunder to have agreed that they will make or cause to be made remittances of principal of and interest on the 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 or banks all reasonable charges made and expenses incurred by them in making such remittances in bankable funds at par.

Section 5. Authorization of Indenture. The Board does hereby authorize and direct the President of the University 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 under the aforesaid Trust Indenture, a Sixth Supplemental University Facilities Revenue Trust Indenture 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) and does hereby authorize and direct the Secretary of the Board to affix to the Sixth Supplemental University Facilities Revenue Trust Indenture the corporate seal of the University and to attest the same.

Section 6. Sale of the Bonds. The Bonds are hereby sold and awarded to The Frazer Lanier Company, Incorporated, Protective Securities, a Division of Proequities, Inc., Morgan Keegan & Company, Inc., Raymond James and Associates, Inc., Merchant Capital, LLC, First Tuskegee Bank, and Gardnyr Michael Capital, Inc. (collectively, herein called the "Underwriters"), at and for a purchase price equal to \$_____ (reflecting an underwriting discount of \$_____ and net original issue _____ of \$_____), plus accrued interest on the Bonds from September 1, 2008, to the date of delivery thereof.

Section 7. Authorization of the Official Statement. The Board does hereby authorize and direct the President of the University to execute, for and in the name and behalf of the University, an Official Statement with respect to the Bonds, to be dated the date of the adoption of this resolution, in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit II to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), with such changes as shall be necessary to conform to the provisions of this resolution. The Board does hereby declare that the Official Statement so executed by the President of the University shall be the Official Statement of the University with respect to the Bonds. The actions of the Underwriters in circulating, on behalf of the University, a Preliminary Official Statement respecting the Bonds, dated September ____, 2008, and attached hereto as Exhibit III, are hereby ratified and confirmed and the said Preliminary Official Statement is hereby adopted as the Preliminary Official Statement of the University and the Board hereby deems the said Official Statement "final" within the meaning of SEC Rule 15c2-12(b)(1) for the purposes of such rules.

Section 8. Authorization of Continuing Disclosure Agreement. The President of the University is hereby authorized and directed to execute and deliver, on behalf of the University, a Continuing Disclosure Agreement for the benefit of the beneficial owners of the Bonds, in substantially the form presented to the meeting at which this resolution is adopted (which form shall be attached as Exhibit IV to the minutes of said meeting and which is hereby adopted in all respects as if set out in full in this resolution). The said Continuing Disclosure Agreement is to be entered into contemporaneously with the issuance of the Bonds in order to assist the Underwriters of the Bonds in complying with Rule 15c2-12 of the Securities and Exchange Commission. The rights of enforcement of the said Continuing Disclosure Agreement shall be as provided therein, and in no event shall a default by the University thereunder constitute a default hereunder or under the Indenture.

Section 9. Execution and Delivery of Bonds. The Board does hereby authorize and direct the President of the University to execute the Bonds, in the name and on behalf of the University, by causing a manual or facsimile of his signature to be imprinted thereon, and does hereby authorize and direct the Secretary of the Board to cause the corporate seal of the University to be imprinted or impressed on each of the Bonds and to attest the same

by causing a manual or facsimile of the signature of said Secretary to be imprinted thereon, all in the manner provided in the Indenture, and the President of the University is hereby authorized and directed to deliver the Bonds, subsequent to their execution as provided herein and in the Indenture, to the Trustee under the Indenture, and to direct the Trustee to authenticate all the Bonds and to deliver them to the Underwriters, upon payment to the University of the purchase price therefor in accordance with the provisions of Section 6 hereof.

Section 10. Application of Proceeds. The entire proceeds derived by the University from the sale of the Bonds shall be paid to said Trustee under the Indenture, which is thereupon authorized and directed to apply and disburse such moneys for the purposes and in the order specified in Section 1.6 of the Sixth Supplemental Trust Indenture herein authorized.

Section 11. Resolution Constitutes Contract. The provisions of this resolution shall constitute a contract between the University and each holder of the Bonds.

Section 12. Severability. 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 13. General Authorization. The President of the University, the Vice-President for Financial Affairs and the Secretary of the Board are hereby authorized to execute such further certifications or other documents and to take such other action as any of them may deem appropriate or necessary for the consummation of the matters covered by this resolution, to the end that the Bonds may be executed and delivered as promptly as practicable.

**SIXTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

between

UNIVERSITY OF SOUTH ALABAMA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

SIXTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE between the **UNIVERSITY OF SOUTH ALABAMA**, public body corporate under the laws of Alabama (herein called the "University"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (as successor Trustee to AmSouth Bank of Alabama and being herein called the "Trustee"), a banking corporation in its capacity as Trustee under the Trust Indenture of the University dated as of February 15, 1996, as heretofore supplemented and amended (herein called the "Indenture")

RECITALS

The University makes the following findings as a basis for the undertakings herein contained:

(a) Pursuant to the provisions of the aforesaid Indenture (herein called the "Indenture"), the University has issued and sold its \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (the "Series 1996 Bonds"), which are no longer outstanding, its \$7,055,000 University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (the "Series 1996B Bonds"), which are no longer outstanding, its \$40,130,00.70 University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Bonds"), its \$51,080,000 Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), and its \$100,000,000 University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds").

(b) In Article VIII of the Indenture, the University has reserved the right to issue Additional Bonds, secured by a pledge of the Pledged Revenues on a parity with all Additional Bond outstanding under the Indenture, including the Series 1999 Bonds, the Series 2004 Bonds, and the Series 2006 Bonds (collectively, the Outstanding Bonds"), and with such Additional Bonds as shall hereafter be issued upon compliance with the applicable provisions of said Article VIII. The University now desires to issue Additional Bonds in the principal amount of \$ _____ for the purpose of providing funds to pay costs of certain capital improvements at the University. The University has duly adopted a resolution authorizing the issuance of such Additional Bonds. This Sixth Supplemental University Facilities Revenue Trust Indenture is executed in order to specify the details with respect to such Additional Bonds.

(c) This Sixth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series 2008 Bonds (hereinafter referred to) as Additional Bonds under the Indenture and to subject to the lien of the Indenture additional revenues of the University as security for payment of the Series 2008 Bonds, the Outstanding Bonds, and any Additional Bonds issued hereafter.

Additional Definitions

The following definitions are in addition to those contained in the Indenture:

"Improvements" means certain capital improvements at the University and within the University's five and ten-year capital improvement program, including, without limitation, capital improvements to the University of South Alabama Children's and Women's Hospital (the "USACW") consisting of approximately 39,000 square feet of new renovations and 147,000 square feet of new construction to provide new operating room suites, OB/GYN ICU beds, Neonatal ICU beds, new Pediatric ICU rooms, additional Labor/Delivery/Recovery rooms, new pediatric beds, new office space, a new kitchen and cafeteria, a new auditorium, new classrooms and various other capital improvements at the USACW; improvements to the cafeteria on the campus of the University; renovations to the auditorium and student center; improvements to the recreation center and physical education building; and other various capital improvements throughout the campus of the University.

"Interest Payment Date" means, with respect to the Series 2008 Bonds, each February 1 and August 1, commencing February 1, 2009.

"Record Date" as used in the Indenture shall be, with respect to the Series 2008 Bonds, the January 15 and July 15 preceding each Interest Payment Date.

**NOW, THEREFORE, THIS SIXTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

W I T N E S S E T H:

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holders at any time of the Series 2008 Bonds hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

ARTICLE I

SERIES 2008 BONDS

Section 1.1 (a) Authorization and Description of the Series 2008 Bonds. There is hereby authorized to be issued by the University under the Indenture an issue or series of Bonds designed University Facilities Revenue Capital Improvement Bonds, Series 2008, dated as of September 1, 2008, which shall be issued in the aggregate principal amount of \$ _____. The Series 2008 Bonds shall mature and become payable on August 1 in the years and amounts shown below. Interest shall be payable on February 1, 2009, and on each Interest Payment Date thereafter, and shall bear interest at the per annum rates set forth below:

Maturity Date (August 1)	Principal Amount	Interest Rate
-------------------------------------	-----------------------------	--------------------------

The Series 2008 Bonds shall be issued in denominations of \$5,000 or any multiple thereof. The Series 2008 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall be designated by the purchaser of the Series 2008 Bonds from the University.

Section 1.2 Redemption Provisions. (a) **Optional Redemption.** Those of the Series 2008 Bonds having stated maturities in ____ and thereafter shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of \$5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series 2008 Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on _____, and on any date thereafter, at and for a redemption price for each Series 2008 Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(b) **Scheduled Mandatory Redemption of Series 2008 Term Bonds due _____.** The Series 2008 Bonds due _____ shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2008 Bonds, at and for a redemption price, with respect to each such Series 2008 Bond or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the Redemption Date (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on August 1 in the following years:

Year	Amount Redeemed
-------------	----------------------------

The Trustee will, no later than sixty (60) days preceding each August 1 of the years shown above, take such action as may be necessary to effect the redemption, on the next succeeding August 1, of the respective principal amounts shown above of the Series 2008 Bonds due August 1, _____. In the event that less than the entire principal of the Series 2008 Bonds of a maturity is redeemed and prepaid, the Trustee shall select by lot that portion of the principal of the Series 2008 Bonds of such maturity to be redeemed and prepaid, such redemption to be in increments of \$5,000 or any multiple thereof.

(c) **Payments into Bond Fund.** The University will pay into the Bond Fund created in the Tuition Revenue Trust Indenture dated as of February 15, 1996, in addition to all other payments required to be paid therein, an amount sufficient to pay the principal of and interest on the Series 2008 Bonds when due and to redeem Series 2008 Bonds required to be redeemed pursuant to the provisions for scheduled mandatory redemption required by the provisions of Section 1.2(b) hereof. Any Supplemental Indenture hereafter executed respecting the issuance of Additional Bonds subject to a Mandatory Redemption Provision shall contain a provision substantially similar hereto and providing for payments into the Bond Fund of amounts sufficient to pay the principal of and interest on said Bonds when scheduled for redemption pursuant to the provisions for scheduled mandatory redemption.

Section 1.3 Method of Payment. (a) The principal of the Series 2008 Bonds shall be payable at maturity at the designated office of the Trustee in Birmingham, Alabama. Interest on the Series 2008 Bonds shall be payable by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Series 2008 Bonds; provided that the final payment of such interest shall be made only upon surrender of the appropriate Series 2008 Bond to the Trustee. The principal and the interest on the Series 2008 Bonds shall be payable only upon maturity and only upon surrender of such Series 2008 Bonds of the Trustee. All installments of principal of and interest on each Series 2008 Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2008 Bond.

(b) **Issued in Book-Entry Form.** The Series 2008 Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"). So long as the said book-entry only system remains in effect, the provisions of this First Supplemental Indenture, including the provisions governing the registration and exchange of Series 2008 Bonds, places and manner of payment of Series 2008 Bonds, requirements for presentment of Series 2008 Bonds shall be subject to the standard procedures of the Depository Trust Company.

(c) **Book-Entry Only System; Payment Provisions.**

The Series 2008 Bonds will be issued as fully-registered Series 2008 Bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2008 Bonds. Purchasers of such Series 2008 Bonds will not receive physical delivery of Series 2008 Bond certificates. For purposes of this Official Statement, so long as all of the Series 2008 Bonds are

in the custody of DTC, references to Series 2008 Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee ("Cede") or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Series 2008 Bond certificate will be issued for each maturity of the Series 2008 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest Rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008 Bonds, in the denomination of \$5,000 principal amount or any integral multiple of \$5,000 in excess thereof, under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected, however, to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008 Bonds, except in the event that

use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other nominee as may be requested by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of Cede or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2008 Bonds to be redeemed.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Series 2008 Bonds will be made by the Trustee to Cede or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the University or The Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY

RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2008 BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2008 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2008 BONDHOLDERS UNDER THE FIFTH SUPPLEMENTAL INDENTURE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE SERIES 2008 BONDS WITH RESPECT TO LESS THAN ALL OF THE SERIES 2008 BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED SERIES 2008 BONDHOLDER.

For every transfer and exchange of the Series 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and the costs incurred in preparing Series 2008 Bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the University. In the event of the discontinuance of the book-entry system for the Series 2008 Bonds, Series 2008 Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series 2008 Bonds will be payable upon surrender of the Series 2008 Bonds at the designated office of the Trustee; (ii) Series 2008 Bonds may be transferred or exchanged for other Series 2008 Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series 2008 Bonds will be issued in denominations as described in the front portion of the Official Statement under "THE SERIES 2008 BONDS".

In the event of the discontinuance of the use of the system of book-entry-only transfers through DTC (or a successor depository), Series 2008 Bond certificates will be printed and delivered to DTC.

Section 1.4 Form of Series 2008 Bonds. The Series 2008 Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.

No. _____

**UNITED STATES OF AMERICA
STATE OF ALABAMA
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Capital Improvement Bonds
Series 2008**

Interest Rate

Maturity Date

CUSIP Number

Subject to the provisions as herein stated

For value received, **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to CEDE & CO., or registered assigns, the principal sum of

_____ DOLLARS (\$_____)

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, payable on February 1, 2009, and semiannually thereafter on each August 1 and February 1 until and at the maturity hereof. The principal of this bond is payable only upon presentation and surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to. Interest on this bond is payable by check or draft mailed by the Trustee on the interest payment date to the registered holder hereof and at the address shown on the registry books of the Trustee pertaining to the Bonds as of the close of business on the July 15 or January 15, as the case may be, next preceding the date of payment of such interest.

Interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SERIES 2008 BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HERE.

This bond is one of a duly authorized issue of bonds (herein called the "Bonds") issuable in series without express limit as to principal amount under a Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008 (the said Trust Indenture, as so supplemented, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., New York (herein called the "Trustee"). The principal of and the interest on the Bonds are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues. Payment of the principal of and the interest on the Bonds is secured, pro rata and without preference or priority of one Bond over another or of the Bonds of any one series over the Bonds of any other, by a valid pledge of the revenues out of which they are payable.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the holders of the Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for

such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The series of bonds of which this is one is designated Series 2008 and is authorized to be issued in the aggregate principal amount of \$_____.

Those of the Series 2008 Bonds having a stated maturity on _____, or thereafter shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part on _____, and on any date thereafter (but if redeemed in part, (i) of such maturity or maturities as the University shall designate, and if less than all the Series 2008 Bonds of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot, and (ii) only in installments of \$5,000 or any integral multiple thereof), at and for a redemption price equal to the par or face amount thereof plus accrued interest to the date fixed for redemption.

The Series 2008 Bonds having a stated maturity in _____ shall be subject to scheduled mandatory redemption commencing _____, but only in the dates and amounts set forth in the Indenture (with those to be redeemed to be selected by the Trustee by lot) at and for a redemption price, with respect to each such Series 2008 Bond (or portion thereof) redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption, but only to the extent required by the Indenture.

The Series 2008 Bonds are not general obligations of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. The Series 2008 Bonds are not obligations or debts of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on said bonds is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor herewith will be issued to the transferee in exchange therefore, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the University and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated as of September 1, 2008.

UNIVERSITY OF SOUTH ALABAMA

By _____
President
University of South Alabama

[S E A L]

Attest:

Secretary of the

Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
Trustee**

By _____
Its Authorized Officer

Form of Assignment

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) _____ and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company or Firm)*

By _____
(Authorized Officer)

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 1.5 Execution and Delivery of the Series 2008 Bonds. The Series 2008 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 1.6 Application of Proceeds from Sale of Series 2008 Bonds. The entire proceeds derived by the University from the sale of the Series 2008 Bonds shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(a) accrued interest on the Series 2008 Bonds shall be paid into the Bond Fund and applied for payment of the interest due on the Series 2008 Bonds on February 1, 2009; and

(b) the balance of the principal proceeds derived from the sale of the Series 2008 Bonds shall be paid into the Construction Fund created in Article III hereof and applied for payment of the costs of the Improvements and the expenses of issuing the Series 2008 Bonds.

ARTICLE II

CONCERNING THE CODE

Section 2.1 Concerning the Code. (a) General. The University recognizes that the Code imposes certain conditions to the exemption from federal income taxation of interest income on the Series 2008 Bonds. Accordingly, the University agrees that it will continually comply with all requirements imposed by the Code as a condition to the exemption from Federal income taxation of the interest income on the Series 2008 Bonds. With respect to any question arising under this Section 2.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) **Bonds not to be “Private Activity Bonds”.** The University will not apply the proceeds of the Series 2008 Bonds in a manner that would cause any of the Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code.

(c) **Concerning the Arbitrage Provisions of the Code.** The University agrees that it will comply with all provisions of the Code necessary to preclude the Series 2008 Bonds being considered “arbitrage bonds” within the meaning of Section 148 of the Code.

(d) **Provisions Respecting Registration of Series 2008 Bonds to Comply with Provisions of Code.** The University and the Trustee recognize that the provisions of the Code require that the Series 2008 Bonds be in “registered form” and that, in general, each Series 2008 Bond must be registered as to both principal and interest and any transfer of any Series 2008 Bond must be effected only by the surrender of the old Bond and either by the reissuance of the old Bond to a new Holder or the issuance of a new Bond to a new Holder. The Trustee may

rely upon an opinion of nationally recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Series 2008 Bonds.

ARTICLE III

CONSTRUCTION FUND

Section 3.1 2008 Construction Fund. There is hereby created a special trust fund, the full name of which shall be the "2008 Construction Fund," for the purpose of providing funds for acquisition and construction of the Improvements. The President of the University may designate one or more banks as the depository, custodian and disbursing agent for the 2008 Construction Fund. Moneys shall be paid into the 2008 Construction Fund in accordance with the provisions of Section 1.3 hereof. The moneys in the 2008 Construction Fund shall be paid out from time to time upon order of the University. Moneys on deposit in the Construction Fund may be used to pay the expenses of issuing the Series 2008 Bonds and to pay costs of acquiring, providing and constructing the Improvements, including reimbursement to the University of amounts heretofore advanced by the University in payment of such costs.

Section 3.2 Investment of 2008 Construction Fund. In the event of investment of moneys on deposit in the 2008 Construction Fund, the investment, the securities or certificates in which such moneys are so invested, together with all income derived therefrom, shall become a part of the 2008 Construction Fund to the same extent as if they were moneys originally deposited therein. Any depository for the 2008 Construction Fund may at any time and from time to time upon the direction of the University sell or otherwise convert into cash such securities or certificates whereupon the net proceeds therefrom shall become a part of the 2008 Construction Fund. Each depository shall be fully protected in making any such investment, sale or conversion in accordance with the provisions of this section. In any determination of the amount of moneys at any time forming a part of the 2008 Construction Fund, all such securities and certificates in which any portion of the 2008 Construction Fund is at the time so invested shall be included therein at their then market value. Moneys on deposit in the Construction Fund may be invested in Eligible Certificates or Federal Securities, including money market funds consisting solely of Federal Securities.

ARTICLE IV

CERTAIN AMENDMENTS TO THE INDENTURE

Section 4.1 Amendment of Section 1.1 of the Indenture. (a) Amendment of Definition of Pledged Revenues. Section 1.1 of the Indenture shall be amended so that the definition of "Pledged Revenues" shall be deleted in its entirety and the following shall be substituted in its place:

"Pledged Revenues" means the General Fees, any and all additional fees that have heretofore become subject to the lien of the Indenture pursuant to a Supplemental Indenture, any additional fee, if any,

that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture hereafter, the Auxiliary Enterprises Revenues and the Children's and Women's Hospital Revenues."

(b) **Additional Defined Terms.** Section 1.1 of the Indenture shall be amended to add the following definitions:

"Auxiliary Enterprises Revenues" means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University."

"Children's and Women's Hospital Revenues" means an amount not exceeding \$10,000,000 of the gross revenue derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital."

Section 4.2 Amendment of Agreements Respecting Maintenance of Pledged Revenues. The Indenture is hereby amended by deleting Section 10.4 of the Indenture in full and substituting the following therefor:

"Section 10.4 Agreements Respecting Maintenance of Pledged Revenues. The University agrees that, so long as the principal of or the interest on any of the Bonds remain unpaid or until payment thereof shall have been provided for, the University will during each Fiscal Year levy and collect Pledged Revenues, other than those constituting Children's and Women's Hospital Revenues, in such amounts as will produce Pledged Revenues during such Fiscal Year not less than the Annual Debt Service Requirement referable to such Fiscal Year."

Section 4.3 Amendment of Title of Trust Indenture and Certain Supplemental Trust Indentures. (a) **Amendment of Title of Trust Indenture.** The title designation respecting that certain Tuition Revenue Trust Indenture dated as of February 15, 1996, between the University and the Trustee pursuant to which the Series 1996 Bonds were issued is hereby amended and restated and shall hereafter be entitled "University Facilities Revenue Trust Indenture".

(b) **Amendment of Title of Second Supplemental Trust Indenture.** The title designation respecting that certain Second Supplemental Trust Indenture dated as of March 1, 1999, between the University and the Trustee pursuant to which the Series 1999 Bonds were issued is hereby amended and restated and shall hereafter be entitled "Second Supplemental University Facilities Revenue Trust Indenture".

(c) **Amendment of Title of Fourth Supplemental Trust Indenture.** The title designation respecting that certain Fourth Supplemental Trust Indenture dated as March 15, 2004, between the University and the Trustee pursuant to which the Series 2004 Bonds were issued is hereby amended and restated and shall hereafter be entitled "Fourth Supplemental University Facilities Revenue Trust Indenture".

(d) **Amendment of Title of Fifth Supplemental Trust Indenture.** The title designation respecting that certain Fifth Supplemental Trust Indenture dated as December 1, 2006, between the University and the Trustee pursuant to which the Series 2006 Bonds were issued is hereby amended and restated and shall hereafter be entitled "Fifth Supplemental University Facilities Revenue Trust Indenture".

ARTICLE V

CONCERNING PLEDGED REVENUES; CONFIRMATION OF INDENTURE, AS SUPPLEMENTED

Section 5.1 Confirmation of Indenture. All the terms, covenants and conditions of the Indenture, as supplemented hereby, are hereby in all respects ratified and confirmed, and the Indenture as so supplemented shall continue in full force and effect.

Section 5.2 Confirmation of Pledges. The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

Section 5.3 Construction of Sixth Supplemental University Facilities Revenue Trust Indenture. No provisions of this Sixth Supplemental University Facilities Revenue Trust Indenture shall be construed to limit or restrict, either expressly or impliedly, the obligations of the University contained in the Indenture or the powers of the Trustee thereunder, nor shall the provisions of this Sixth Supplemental University Facilities Revenue Trust Indenture be construed in any manner inconsistent with the provisions of the Indenture or in any manner that would adversely affect the interest of the Holders of any Bonds.

Section 5.4 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the University has caused this Sixth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf by the President of the University, has caused its corporate seal to be hereunto affixed, and has caused this Sixth Supplemental University Facilities Revenue Trust Indenture to be attested by the Secretary of its Board of Trustees, and the Trustee has caused this Sixth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf, has caused its corporate seal to be hereunto affixed and has caused this Sixth Supplemental University Facilities Revenue Trust Indenture to be attested, all by its duly authorized officers, and the University and the Trustee have caused this Sixth Supplemental University Facilities Revenue Trust Indenture to be so executed in several counterparts, each of which shall be deemed an original, and have caused this Fifth Supplemental Trust Indenture to be dated as of September 1, 2008, although actually executed and delivered on September _____, 2008.

UNIVERSITY OF SOUTH ALABAMA

By _____
President

[S E A L]

Attest:

Secretary of the Board of Trustees

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**

By _____

Its _____

[S E A L]

Attest:

Its _____

STATE OF ALABAMA)
 :
COUNTY OF MOBILE)

I, _____, a Notary Public in and for said county in said state, hereby certify that V. Gordon Moulton , whose name as the President of the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this _____ day of _____, 2008.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF MOBILE)

I, _____, a Notary Public in and for said county in said state, hereby certify that _____, whose name as _____ of The Bank of New York Mellon Trust Company, N. A., in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this ____ day of _____, 2008.

Notary Public

[NOTARIAL SEAL]

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 5, 2008

NEW ISSUE – BOOK-ENTRY ONLY

**Ratings: Moody's: Aaa/A1
Standard & Poor's: AAA/A+
See "RATINGS" herein**

In the opinion of Bond Counsel, assuming continuing compliance by the University with the covenants set forth in the Indenture herein referred to pertaining to certain requirements of the Internal Revenue Code of 1986, the interest income on the Series 2008 Bonds will be excludable from gross income of the recipient thereof for Federal income tax purposes. However, see "Tax Exemption" herein for certain other Federal tax consequences to the recipient of the interest income on the Series 2008 Bonds. In the opinion of Bond Counsel, the interest income on the Series 2008 Bonds will be exempt from Alabama income taxation.



\$106,015,000*
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Capital Improvement Bonds
Series 2008

Dated: September 1, 2008

Due: August 1, as shown herein

SEE INSIDE COVER FOR MATURITIES, INTEREST RATES AND PRICES OR YIELDS

The Series 2008 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company ("DTC"), New York, New York, and, when issued, will be registered in the name of and held by Cede & Co., as nominee. Purchases of beneficial interests in the Series 2008 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2008 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2008 Bonds. The principal of and interest on the Series 2008 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2008 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2008 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2007 BONDS – General Description" and in Appendix D hereto.

The Series 2008 Bonds are being issued by the University of South Alabama (the "University") pursuant to the University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by a Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008 (the "Indenture"), to pay (i) the costs of constructing new facilities and making other capital improvements at the University, (ii) the costs and expenses of issuing the Series 2008 Bonds; and (iii) the premium for a financial guaranty insurance policy respecting the Series 2008 Bonds. The principal of and interest on the Series 2008 Bonds are limited obligations of the University payable solely from the Pledged Revenues, as defined and further described herein.

The scheduled payment of principal of and interest on the Series 2008 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2008 Bonds by

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

The Series 2008 Bonds are subject to redemption prior to maturity as more fully described herein.

The Series 2008 Bonds will not be obligations or debts of the State of Alabama nor will any principal of or interest on the Series 2008 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2008 Bonds will be special and limited obligations of the University, secured by a pledge of and payable solely from certain fees and revenues of the University as described herein and in the Indenture. Neither the Series 2008 Bonds nor the pledge of the said fees and revenues and other agreements provided in the Indenture shall be or constitute a general obligation of the University or an obligation of any nature whatsoever of the State of Alabama, or be payable out of any moneys appropriated by the State to the University.

The Series 2008 Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without notice, and to the approval of legality of the Series 2008 Bonds by Bradley Arant Rose & White LLP, Birmingham, Alabama, Bond Counsel to the University. It is expected that the Series 2008 Bonds in definitive form will be available for delivery in New York, New York, on or about September 25, 2008.

**The Frazer Lanier Company
Incorporated**

Morgan Keegan & Company, Inc.

Merchant Capital, LLC

**Protective Securities
A Division of ProEquities, Inc.**

Raymond James and Associates, Inc.

Gardnry Michael Capital, Inc.

First Tuskegee Bank

* Preliminary, subject to change.

\$106,015,000*
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Capital Improvement Bonds
Series 2008
Dated September 1, 2008

Date of Maturity (August 1)	Principal*	Interest Rate	Price or Yield
2009	\$ 375,000		
2010	690,000		
2011	760,000		
2012	1,925,000		
2013	2,010,000		
2014	2,100,000		
2015	2,205,000		
2016	2,315,000		
2017	2,430,000		
2018	2,555,000		
2019	2,680,000		
2020	2,815,000		
2021	2,955,000		
2022	3,105,000		
2023	3,260,000		
2024	3,420,000		
2025	3,595,000		
2026	3,775,000		
2027	3,960,000		
2028	4,160,000		
2029	4,365,000		
2030	4,585,000		
2031	4,815,000		
2032	5,055,000		
2033	5,310,000		
2034	5,575,000		
2035	5,850,000		
2036	6,145,000		
2037	6,450,000		
2038	6,775,000		

*Preliminary, subject to change

**UNIVERSITY OF SOUTH ALABAMA
ADMINISTRATION**

President

V. Gordon Moulton

Trustees:

Dr. Scott A. Charlton	Physician
Mr. J. L. Chestnut, Jr.	Attorney
Dr. Steven P. Furr	Physician
Mr. J. Cecil Gardner	Attorney
The Honorable Samuel L. Jones	Mayor, City of Mobile
Mr. Donald L. Langham	Labor Relations Leader, Retired
Ms. Bettye R. Maye	Educator, Retired
Ms. Christie D. Miree	Business Administration
Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer
The Honorable Bryant Mixon	Sheriff, Dale County, Alabama, Retired
The Honorable James P. Nix	Mayor, City of Fairhope, Retired
Mr. John M. Peek	Attorney
Dr. Steven H. Stokes	Physician
Mr. Larry D. Striplin, Jr.	Businessman
Mr. James A. Yance	Attorney, Retired

Ex Officio:

The Honorable Bob Riley	Governor, State of Alabama
Dr. Joseph B. Morton	State Superintendent of Education

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the University from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the University.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the University or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2008 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the University's beliefs as well as assumptions made by and information currently available to the University.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2008 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Appendix A - Audited Financial Statements for the Fiscal Year Ended September 30, 2007

Appendix B - Proposed Form of Opinion of Bond Counsel

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Appendix D - DTC Procedures

Appendix E - Form of Financial Guaranty Insurance Policy to be issued by Berkshire Hathaway Assurance Corporation

Other than with respect to information concerning Berkshire Hathaway Assurance Corporation ("BHAC") contained under the caption "Bond Insurance" and in Appendix E - "Form of Financial Guaranty Insurance Policy to be issued by Berkshire Hathaway Assurance Corporation", none of the information in this Official Statement has been supplied or verified by BHAC and BHAC makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 Bonds; or (iii) the tax exempt status of the interest on the Series 2008 Bonds.

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OFFICIAL STATEMENT

pertaining to

\$106,015,000*

UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Capital Improvement Bonds
Series 2008
Dated September 1, 2008

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information to all who may become owners of the \$106,015,000* University of South Alabama University Facilities Revenue Capital Improvement Bonds, Series 2008 (the "Series 2008 Bonds"). The Series 2008 Bonds are being issued pursuant to the provisions of a Sixth Supplemental Trust Indenture dated as of September 1, 2008, which is supplemental to the Trust Indenture between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), dated as of February 15, 1996 (the "Indenture"). The Series 2008 Bonds, together with all presently outstanding Bonds and any Additional Bonds which may hereafter be issued under the Indenture, are herein collectively referred to as the "Bonds."

Definitions of certain words and terms having initial capital letters used herein are defined in the Indenture or in the instrument or document in the description of which such word or term is used. Reference is hereby made to the full text of the documents and instruments briefly described herein which may be obtained from the Underwriters or from the University during the period of the offering.

The Governor, the State Superintendent of Education and the appointed trustees together constitute a public body corporate under the name University of South Alabama (the "University"). The University is located in the City of Mobile, Alabama, and its address is Mobile, Alabama 36688.

PURPOSE

General. Proceeds of the Series 2008 Bonds will be applied to pay: (i) the costs of constructing new facilities and other capital improvements at the University, (ii) the costs and expenses of issuing the Series 2008 Bonds; and (iii) the premium for a financial guaranty insurance policy respecting the Series 2008 Bonds.

General Capital Improvements. Proceeds of the Series 2008 Bonds will be used to make capital improvements representing a portion of the University's five and ten-year capital improvement program. In addition to the USA Children's and Women's Hospital capital improvements described in the next paragraph, the capital improvements to be funded with the Series 2008 Bonds generally consist of improvements to the cafeteria on the campus of the University, renovations to the auditorium and student center, improvements to the recreation center and physical education building, and various other capital improvements throughout the campus of the University.

Children's and Women's Capital Improvements. The University of South Alabama Children's and Women's Hospital (USACW) expects to undertake an expansion to meet the current and future demand for services. Over the past four years, USACW has experienced a 20% increase in average daily census, a 14% increase in surgeries, and a 15% increase in deliveries. In 2007, USACW delivered 2916 babies, nearly twice as many births as any other Mobile hospital.

Construction of the expansion USACW is scheduled to begin in January 2009, and is expected to conclude on or about October 2011. The expansion includes approximately 39,000 square feet of renovations to existing facilities and 147,000 square feet of new construction. The expansion includes 10 new operating room suites, 4 new OB/GYN ICU beds, 20 additional Neonatal ICU beds, 20 new Pediatric ICU rooms, 2 additional Labor/Delivery/Recovery rooms and 80 new pediatric beds. The expansion also will provide for new office space, a new kitchen and cafeteria, a new auditorium and new classrooms.

*Preliminary, subject to change

THE SERIES 2008 BONDS

General Description

The Series 2008 Bonds will be dated September 1, 2008, and will bear interest (payable on February 1, 2009, and on each August 1 and February 1 thereafter until maturity) at the rates and will mature on August 1 in the years and in the amounts set forth on the inside cover page of this Official Statement. The Series 2008 Bonds will be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

The Series 2008 Bonds will be initially issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2008 Bonds. Purchasers of such Series 2008 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2008 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee. DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee Cede or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Series 2008 Bond certificate will be issued for each maturity of the Series 2008 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D for DTC payment and other related provisions.

During any period in which the Series 2008 Bonds are not held in the Book-Entry System, principal of the Series 2008 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the Series 2008 Bonds as they mature. Interest on Series 2008 Bonds will be paid by the Trustee by check or draft mailed to the persons who are the registered owners of record as of the close of business on the January 15 or July 15 immediately preceding each interest payment date by check or draft mailed to such owners at their addresses shown on the registry books of the Trustee pertaining to the Series 2008 Bonds.

No charge will be made for any exchange or transfer of the Series 2008 Bonds, but the registered owners thereof shall be responsible for paying all taxes and other governmental charges relating to such transfer or exchange. In the event a Series 2008 Bond is lost, stolen, destroyed or mutilated, the University and the Trustee may require satisfactory indemnification for the replacement thereof and may charge the holder or owner of such bond with their fees and expenses in connection with the replacement thereof.

Redemption of the Series 2008 Bonds Prior to Maturity

Optional Redemption. Those of the Series 2008 Bonds having a stated maturity on _____, _____, and thereafter will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on _____, _____, and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2008 Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2008 Bond redeemed plus accrued interest to the date fixed for redemption.

Notice of Redemption. Notice of redemption is required to be mailed by United States registered or certified mail to the registered owner of each Series 2008 Bond not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption at the address shown on the registry books of the Trustee. No further interest will accrue after the date fixed for redemption on the principal of any Series 2008 Bond called for redemption upon notice duly given as provided in the Indenture and if payment therefor has been duly provided and in such event, any Series 2008 Bond (or portion thereof) called for redemption will no longer be protected by the provisions of the Indenture.

In the event that less than all of the outstanding principal of any Series 2008 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2008 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2008 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2008 Bond.

SECURITY

General

The University of South Alabama has previously issued five series of Bonds under the Indenture, of which three series of Bonds are now outstanding and consist of the following:

- (a) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Bonds");
- (b) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvements Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"); and
- (c) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, dated December 1, 2006 (the "Series 2006 Bonds" and, together with the Series 1999 Bonds and the Series 2004 Bonds, the "Outstanding Bonds").

The Outstanding Bonds, the Series 2008 Bonds and any Additional Bonds issued hereafter are hereinafter referred to collectively as the "Bonds".

The University is amending the Indenture to subject to the lien of the Indenture and each Supplemental Indenture issued pursuant to the provisions of the Indenture and for the benefit of Outstanding Bonds, the Series 2008 Bonds and any Additional Bonds at anytime issued hereafter, revenues in addition to those already pledged under the Indenture consisting of (a) a portion of the gross revenues derived from the University of South Alabama Children's and Women's Hospital in an amount not to exceed in any fiscal year \$10,000,000, and (b) gross revenues from certain auxiliary enterprises services furnished by the University. The Indenture shall also be amended to designate the Indenture and each Supplemental Indenture heretofore executed as a University Facilities Revenue Trust Indenture.

The Series 2008 Bonds will be issued under the Indenture, as amended and as supplemented by a Sixth Supplemental Trust Indenture dated as of September 1, 2008 (the "Sixth Supplemental Indenture"), and will constitute limited obligations of the University payable solely from and secured by a lien on and a pledge of the Pledged Revenues (hereinafter defined) levied and collected by the University. The Series 2008 Bonds are secured pro rata and on an equal lien basis one with the other, with the Outstanding Bonds and with any Additional Bonds that may be hereafter issued under and subject to the terms and conditions of the Indenture, by a pledge of the Pledged Revenues

The Bonds shall never be payable from any funds at any time provided for or appropriated by the State of Alabama, and shall not be a charge on the general credit or tax revenues of the State of Alabama. Neither the State of Alabama nor the University shall be obligated, directly or indirectly, to contribute any funds, property or resources to the payment of the Bonds except the Pledged Revenues.

The Series 2008 Bonds are payable solely out of the Pledged Revenues as defined in the Indenture, as amended, on a parity of lien with the Outstanding Bonds and any Additional Bonds at anytime issued under the Indenture. Pledged Revenues is defined in the Indenture as follows:

"Pledged Revenues" means the Auxiliary Enterprises Revenues, the Children's and Women's Hospital Revenues, the General Fees, and additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture.

"Auxiliary Enterprises Revenues" means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University.

"Children's and Women's Hospital Revenues" means an amount not exceeding \$10,000,000 of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital.

"General Fees" means all fees now or hereafter levied as a general tuition fee against students enrolled at the University.

Additional Bonds

In the Indenture, the University has reserved the right to issue and deliver from time to time and at any time Bonds ("Additional Bonds") secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds, the Series 2008 Bonds, and any other Additional Bonds then outstanding for any purpose permitted by law and upon compliance with certain requirements set forth under the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" below.

Estimated Debt Service Requirements – Series 2008 Bonds

The following sets forth the estimated amount of principal and interest payable on the Series 2008 Bonds for each fiscal year of the University ended September 30, 2009 through and including September 30, 2038:

Fiscal Year Ending September 30	Principal*	Interest*	Total*
2009	\$ 375,000	\$4,827,579.17	\$5,202,579.17
2010	690,000	5,251,450.00	5,941,450.00
2011	760,000	5,222,125.00	5,982,125.00
2012	1,925,000	5,189,825.00	7,114,825.00
2013	2,010,000	5,103,200.00	7,113,200.00
2014	2,100,000	5,012,750.00	7,112,750.00
2015	2,205,000	4,907,750.00	7,112,750.00
2016	2,315,000	4,797,500.00	7,112,500.00
2017	2,430,000	4,681,750.00	7,111,750.00
2018	2,555,000	4,560,250.00	7,115,250.00
2019	2,680,000	4,432,500.00	7,112,500.00
2020	2,815,000	4,298,500.00	7,113,500.00
2021	2,955,000	4,157,750.00	7,112,750.00
2022	3,105,000	4,010,000.00	7,115,000.00
2023	3,260,000	3,854,750.00	7,114,750.00
2024	3,420,000	3,691,750.00	7,111,750.00
2025	3,595,000	3,520,750.00	7,115,750.00
2026	3,775,000	3,341,000.00	7,116,000.00
2027	3,960,000	3,152,250.00	7,112,250.00
2028	4,160,000	2,954,250.00	7,114,250.00
2029	4,365,000	2,746,250.00	7,111,250.00
2030	4,585,000	2,528,000.00	7,113,000.00
2031	4,815,000	2,298,750.00	7,113,750.00
2032	5,055,000	2,058,000.00	7,113,000.00
2033	5,310,000	1,805,250.00	7,115,250.00
2034	5,575,000	1,539,750.00	7,114,750.00
2035	5,850,000	1,261,000.00	7,111,000.00
2036	6,145,000	968,500.00	7,113,500.00
2037	6,450,000	661,250.00	7,111,250.00
2038	6,775,000	338,750.00	7,113,750.00

*Preliminary, subject to change

**Estimated Debt Service Requirements – Outstanding Bonds
and Series 2008 Bonds**

The following table sets forth the estimated debt service requirements on the Series 2008 Bonds and the debt service requirements on the Series 1999 Bonds, the Series 2004 Bonds and the Series 2006 Bonds, all as of the fiscal years of the University ended September 30, 2008, through and including September 30, 2038.

Fiscal Year Ended September 30	Series 2008 Bonds*	Series 1999 Bonds	Series 2004 Bonds	Series 2006 Bonds	Total Debt Service*
2008	-	-	\$1,144,815.00	-	\$ 1,144,815.00
2009	\$5,202,579.17	\$3,448,590.00	3,605,880.00	\$5,000,000.00	17,257,049.17
2010	5,941,450.00	3,848,977.50	3,611,505.00	5,000,000.00	18,401,932.50
2011	5,982,125.00	4,051,238.75	2,818,755.00	5,000,000.00	17,852,118.75
2012	7,114,825.00	4,250,000.00	2,638,255.00	5,000,000.00	19,003,080.00
2013	7,113,200.00	4,450,000.00	2,635,880.00	5,000,000.00	19,199,080.00
2014	7,112,750.00	4,650,000.00	2,495,755.00	5,000,000.00	19,258,505.00
2015	7,112,750.00	4,650,000.00	2,497,880.00	5,000,000.00	19,260,630.00
2016	7,112,500.00	4,650,000.00	2,496,575.00	5,000,000.00	19,259,075.00
2017	7,111,750.00	7,550,000.00	2,599,720.00	5,000,000.00	22,261,470.00
2018	7,115,250.00	7,545,000.00	2,599,300.00	5,000,000.00	22,259,550.00
2019	7,112,500.00	7,545,000.00	2,597,215.00	5,000,000.00	22,254,715.00
2020	7,113,500.00	-	8,670,125.00	5,000,000.00	20,783,625.00
2021	7,112,750.00	-	8,670,000.00	5,000,000.00	20,782,750.00
2022	7,115,000.00	-	8,671,625.00	5,000,000.00	20,786,625.00
2023	7,114,750.00	-	8,674,000.00	5,000,000.00	20,788,750.00
2024	7,111,750.00	-	8,666,375.00	5,000,000.00	20,778,125.00
2025	7,115,750.00	-	-	10,460,000.00	17,575,750.00
2026	7,116,000.00	-	-	10,457,875.00	17,573,875.00
2027	7,112,250.00	-	-	10,461,000.00	17,573,250.00
2028	7,114,250.00	-	-	10,458,625.00	17,572,875.00
2029	7,111,250.00	-	-	10,460,000.00	17,571,250.00
2030	7,113,000.00	-	-	10,459,250.00	17,572,250.00
2031	7,113,750.00	-	-	10,460,500.00	17,574,250.00
2032	7,113,000.00	-	-	10,457,875.00	17,570,875.00
2033	7,115,250.00	-	-	10,460,375.00	17,575,625.00
2034	7,114,750.00	-	-	10,461,875.00	17,576,625.00
2035	7,111,000.00	-	-	10,461,375.00	17,572,375.00
2036	7,113,500.00	-	-	10,457,875.00	17,571,375.00
2037	7,111,250.00	-	-	10,460,125.00	17,571,375.00
2038	7,113,750.00	-	-	-	7,113,750.00

*Preliminary, subject to change

Pledged Revenues

The following is a summary of the amount of Pledged Revenues collected by the University for the fiscal years ended September, 2003, through September 30, 2007:

	Pledged Revenues				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fees	\$39,663,135	\$43,183,114	\$47,852,645	\$54,077,519	\$57,338,678
Auxiliary Enterprises Revenues	14,290,000	14,936,000	15,254,000	16,988,000	17,065,000
Children's and Women's Hospital Revenues*	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total Pledged Revenues	<u>\$63,953,135</u>	<u>\$68,119,114</u>	<u>\$73,106,645</u>	<u>\$81,065,519</u>	<u>\$84,403,678</u>

Tuition increases were placed into effect for certain of the years shown above. The foregoing information has been extracted by the University from the audited financial statements of the University and is believed to be reliable; however, because such financial information was not presented in the financial statements of the University in the foregoing form, such information is not audited. Reference is hereby made to the audited financial statements of the University for the fiscal year ended September 30, 2007, appearing as Appendix A hereto, and the audited financial statements of the University for the other periods which are available on request from the Underwriters during the period of the offering made hereby.

Subsequent to the issuance of the Series 2008 Bonds, the total estimated principal amount (including the current compounded amount of Series 1999 Capital Appreciation Bonds) of indebtedness of the University payable from Pledged Revenues is expected to be approximately \$294,683,749.85 (the principal amount of the Series 2008 Bonds is subject to change).

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2008 Bonds, Berkshire Hathaway Assurance Corporation ("BHAC") will issue its financial guaranty insurance policy for the Series 2008 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal and interest on the Series 2008 Bonds when due as set forth in the form of Policy included as Appendix E to this Official Statement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Laws.

Berkshire Hathaway Assurance Corporation

BHAC is a New York stock insurance corporation that writes financial guaranty insurance. BHAC was organized on December 21, 2007, and received its New York Certificate of Authority on December 28, 2007. BHAC is licensed in New York to write financial guaranty insurance, surety insurance and credit insurance. As of April 11, 2008, BHAC was licensed to write financial guaranty insurance in 47 additional states and the District of Columbia.

BHAC's shareholders and their respective percentage of outstanding common stock are as follows: Columbia Insurance Company ("Columbia"), a Nebraska corporation – 51%, and National Indemnity Company, a Nebraska corporation – 49%. Columbia and National Indemnity Company are each indirect, wholly owned subsidiaries of Berkshire Hathaway Inc.

BHAC is subject to the insurance laws and regulations of the State of New York, BHAC's state of domicile. Pursuant to New York's financial guaranty insurance law, financial guaranty insurers are limited to writing financial guaranty insurance and related lines, including surety and credit insurance. In addition, New York's financial guaranty insurance law (i) requires such insurers to maintain a minimum surplus as regards policyholders, (ii) establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as a percentage of surplus as regards policyholders; and (iii) establishes contingency, loss and unearned premium reserve requirements. BHAC is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations vary by jurisdiction.

At March 31, 2008, BHAC had surplus as regards policyholders of slightly less than \$1,000,000,000, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by the New York Department of Insurance.

Copies of BHAC's most recently published SAP Annual Statement is available upon request to: Berkshire Hathaway Assurance Corporation, 100 First Stamford Place, Stamford, CT 06902, Attention: General Counsel. BHAC's telephone number is (203) 363-5200.

BHAC's Credit Ratings

Standard & Poor's Rating Services ("S&P"), a Division of the McGraw Hill Companies, Inc., has assigned its "AAA" financial strength and financial enhancement ratings to BHAC. S&P has assigned its "AAA" financial enhancement rating to Columbia. The ratings on BHAC are based on a guaranty from Columbia in favor of BHAC. The guaranty issued by Columbia applies to BHAC's policy issued with respect to the Series 2008 Bonds. Any explanation of these ratings may only be obtained from S&P. The ratings are not a recommendation to buy, sell or hold the Series 2008 Bonds, and are subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2008 Bonds.

In addition, Moody's Investors Service ("Moody's") has assigned its "Aaa" insurance financial strength ratings to BHAC and Columbia. Any explanation of these ratings may only be obtained from Moody's. The ratings are not a recommendation to buy, sell or hold the Series 2008 Bonds, and are subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2008 Bonds. On April 25, 2008, the date that Moody's assigned its rating to BHAC, BHAC ultimate parent company, Berkshire Hathaway Inc., maintained an investment in Moody's parent company of approximately 19.6% of the common shares then outstanding.

BHAC does not guarantee the market price or investment value of the Series 2008 Bonds nor does it guarantee that the ratings on the Series 2008 Bonds will not be revised or withdrawn.

Neither BHAC nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Series 2008 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to BHAC or the Policy under the heading "Bond Insurance Policy." In addition, BHAC makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds.

ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Series 2008 Bonds (exclusive of accrued interest) are expected to be applied substantially as follows:

Sources

Par Amount	\$ _____
TOTAL	\$ _____

Uses

Capital Improvements	\$ _____
Cost of issuance (including underwriting discount, legal fees, printing fees, etc.)	\$ _____
TOTAL	\$ _____

*As to revenues from the USA Children's and Women's Hospital, only \$10,000,000 of the gross revenues are pledged to payment of the Bonds. See "HEALTH CARE SYSTEM" below for total gross revenues from USA Children's and Women's Hospital for the years shown.

CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY OF SOUTH ALABAMA

General

The University is a comprehensive, coeducational, state-assisted institution, which serves as a major center of undergraduate, graduate, and professional education for Alabama, the Gulf Coast region, and the southeastern United States. It was created by an act of the Alabama State Legislature in May, 1963. The University's mission encompasses the three traditional academic functions of teaching, research, and public service through which it pursues the discovery, preservation, and communication of knowledge. The University was admitted to membership in the Southern Association of Colleges and Schools on December 4, 1968. Total enrollment for Fall 2007 was 11,114. Of those students, 8,819 are classified as undergraduate students and 2,295 are enrolled in graduate or professional programs. For the academic year ended June, 2007, the University awarded 2,384 degrees, of which 1,445 were Baccalaureate Degrees, 746 were Masters Degrees, 64 were M.D. Degrees, 49 were Ph.D. Degrees, and 80 were Para-Professional Health Degrees.

The University of South Alabama main campus, located in a section of Mobile called Springhill, consists of 1,200 wooded acres. The primary instructional buildings are contained on this campus, as well as the medical college, dormitory facilities and a residential subdivision. A 750-acre municipal park is adjacent to the main campus.

The Brookley Campus, an additional 327 acres on Mobile Bay, serves as a center for conventions, seminars and the School of Continuing Education. In an effort to meet the needs of college students on all levels, the School of Continuing Education offers evening and Saturday classes, credit courses via television and the Personalized Studies Program for Adults. These activities, as well as nationally accredited seminars, are coordinated at the Brookley Center. The Brookley Campus also contains an 18-hole golf course, a cafeteria, instructional building, a pool, and the Brookley Conference Center, as well as housing for staff, faculty, students and possible rentals. The University Baldwin County Campus was established as a branch campus in 1984 to better meet the needs of Baldwin County students, and offers graduate courses, upper-level undergraduate courses, and non-credit courses/public service programs. The University of South Alabama Springhill Avenue Center is a multi-

purpose facility of approximately 510,000 square feet located in Midtown Mobile, and houses various academic and health-related programs of the University.

The University of South Alabama Health System is composed of a medical faculty practice plan and two hospitals located in Mobile, Alabama: the University of South Alabama Medical Center and the USA Children's & Women's Hospital. The System provides primary and tertiary care for a multi-county service area. The University of South Alabama Medical Center is a 406-bed hospital which includes a level one trauma center, a burn unit, a transplant program and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques. The USA Children's & Women's Hospital is a 152-bed facility specializing in pediatric, obstetric and gynecological services. The USA Children's & Women's Hospital includes neonatal intensive care nurseries, progressive care nurseries, and other facilities for dealing with high risk deliveries.

For the academic year ended June 2008, the University employed 739 full-time faculty persons. Approximately 43% of non-medical faculty are tenured. The University employs 5,122 persons in all categories.

The main campus in Mobile, Alabama, consists of 498 major buildings, including hospital and medical related facilities. Those facilities include buildings providing 1,715 spaces available for student residency on campus.

For its fiscal year ended September 30, 2007, the University reported grants and contracts revenue from Federal, State and private sources of approximately \$103,145,000, and an additional \$120,388,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2007 (net of scholarship allowances) were approximately \$49,579,000, and total revenues from the University's Hospital and related medical facilities during such period were approximately \$205,337,000. See Appendix A.

*Summary Enrollment Profile – Fall 2007
(excluding Medical Residents)*

	Number	Percent
College of Allied Health Professions	1,472	10.7
College of Arts and Sciences	3,961	28.7
Mitchell College of Business	1,807	13.1
College of Education	2,205	16.0
College of Engineering	1,093	7.9
College of Medicine	321	2.3
College of Nursing	2,184	15.9
School of Continuing Education and Special Programs	332	2.4
School of Computer and Information Sciences	399	2.9
Graduate School (M.S. Environmental Toxicology)	<u>5</u>	<u><0.1</u>
Total*	<u>13,779</u>	<u>100.0%</u>

*Excludes 224 medical residents.

Through its ten colleges and schools, the University awards the bachelor's degree in almost fifty majors or areas, the master's degree in thirty-two majors or areas and the doctorate degree in eight majors or areas. In addition, post-secondary certificates are offered in four areas.

Faculty, Enrollment and Staff

Faculty, student enrollment and staff employees for the University were as follows at September 30 for the years shown:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Full-time faculty by rank:					
Professor	196	188	200	207	201
Associate professor	163	160	160	161	158
Assistant professor	243	235	246	252	241
Instructor	133	134	117	97	110
Lecturer	4	5	6	3	2
TOTAL	739	722	729	720	712
Full-time faculty by length of service:					
Up to 2 years	178	164	215	196	191
3-4 years	114	133	106	80	75
5-9 years	147	125	113	135	170
10-14 years	97	93	89	109	61
15+ years	203	207	206	200	215
TOTAL	739	722	729	720	712
Percent of faculty tenured (University instructional faculty only)	40%	41%	46%	47%	44%
Part-time faculty	304	297	263	266	266
Non-faculty	4,079	3,782	4,156	4,289	4,490
Total University employees	5,122	4,801	5,148	5,275	5,468

Student Enrollment

Total student enrollment was as follows at September 30 for the years shown:

Total Enrollment by Head Count

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Undergraduate	10,459	9,874	9,957	10,136	9,905
Graduate/Professional	3,089	3,012	2,978	2,990	2,925
Unclassified	<u>231</u>	<u>204</u>	<u>187</u>	<u>214</u>	<u>266</u>
Total	<u>13,779</u>	<u>13,090</u>	<u>13,122</u>	<u>13,340</u>	<u>13,096</u>

Enrollment and Trends

The following table shows applications, acceptances and matriculations for freshmen students of the University in each of the academic years shown:

Applications

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Applications	3,028	2,845	2,627	2,750	2,859
Acceptances	2,684	2,629	2,269	2,562	2,409
Matriculations	1,468	1,372	1,258	1,300	1,304
Acceptance/Applications	88.6%	92.4%	86.4%	93.2%	84.3%
Matriculations/Acceptances	54.7%	52.2%	55.4%	50.7%	54.1%

Total Enrollment by Full Time Equivalent

	Fall 2007	Fall 2006	Fall 2005	Fall 2004	Fall 2003
Undergraduate	8,819	8,430	8,414	8,477	8,374
Graduate/Professional	<u>2,295</u>	<u>2,093</u>	<u>1,928</u>	<u>1,893</u>	<u>1,752</u>
Total	<u>11,114</u>	<u>10,523</u>	<u>10,342</u>	<u>10,370</u>	<u>10,127</u>

Retention Rate Full-Time Freshmen

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Number Entered	1,457	1,355	1,152	1,179	1,218
Number Returned	N/A	955	827	828	876
Retention Rate	N/A	70%	72%	70%	72%

Graduation Rates

Cumulative Graduation Rate - Freshmen

Fall Class	Number Matriculated	Four Years Number Percent	Five Years Number Percent	Six Years Number Percent
2001	4,051	161 14.7	322 29.4	404 36.8
2000	4,086	167 16.0	332 31.9	413 39.6
1999	4,100	121 13.9	222 25.6	284 32.7
1998	4,414	143 13.7	286 27.4	350 33.5
1997	4,514	138 12.2	293 25.9	355 31.4

Test Scores

Average ACT Scores of Matriculated Students

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
21.7	21.4	21.7	21.7	22.8

Geographic Concentrations of Students

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Mobile County	7,453	7,155	7,322	7,546	7,073
Baldwin County	1,273	1,225	1,244	1,260	1,283
Other Alabama Counties	1,510	1,560	1,575	1,634	1,905
Florida	464	446	470	474	559
Mississippi	1,297	1,209	1,142	1,110	1,047
Other U. S. States	829	656	555	503	361
International	<u>953</u>	<u>839</u>	<u>814</u>	<u>813</u>	<u>868</u>
Total	13,779	13,090	13,122	13,340	13,096

Main Schools in Competitive Group and Listed Tuition- 2007-2008 Year

	Undergraduate ¹		Graduate ²	
	Resident	Non-Resident	Resident	Non-Resident
University of South Alabama	\$4,822	\$8,842	\$5,026	\$9,250
In-State Reference Group				
Alabama A&M University	4,930	9,220	5,882	11,114
Alabama State University	4,508	8,516	5,108	9,716
Athens State University	4,050	7,350	N/A	N/A
Auburn University	5,834	16,334	5,754	16,254
Troy University	4,264	8,428	4,468	8,836
University of Alabama	5,700	16,518	5,700	16,518
University of Alabama at Birmingham	5,186	11,546	5,192	11,744
University of Alabama in Huntsville	5,216	11,024	6,548	13,466
Mean of In-State Reference Group	\$4,961	\$11,117	\$5,522	\$12,521
Regional Reference Group				
University of Southern Mississippi	\$4,915	\$9,949	\$4,914	\$11,692
³ University of New Orleans	3,954	10,998	3,828	8,674
⁴ University of West Florida	3,351	16,233	6,054	21,886

¹ Based on 30 undergraduate credit hours per academic year

² Based on 24 graduate credit hours per academic year

³ Based on 12 hours per semester undergraduate and 9 hours per semester graduate

⁴ Based on 15 hours per semester undergraduate and 12 hours per semester graduate

Certain Fees and Charges

Undergraduate and Graduate. The following shows the fee schedule for the periods shown. Except as otherwise indicated, course fees are per semester hour. Graduate School does not include the College of Medicine.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Application fee	\$ 35.00	\$ 25.00	\$ 25.00	\$25.00	\$25.00
Course fee, per semester hour (in-state)					
Undergraduate	134.00	127.00	127.00	113.00	103.00
Graduate	176.00	167.00	167.00	149.00	135.00
Registration fee	60.00	60.00	60.00	60.00	50.00
Late Registration Fee	50.00	50.00	50.00	50.00	25.00
Out of state fee, per semester hour					
Undergraduate	268.00	254.00	254.00	226.00	206.00
Graduate	352.00	334.00	334.00	298.00	270.00

Medical College. Fees and certain charges for the College of Medicine were for the periods indicated, as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Application fee	\$ 75.00	\$ 75.00	\$ 75.00	\$ 50.00	\$ 25.00
Registration fee	66.00	66.00	66.00	65.00	50.00
Course fee					
In-state	13,480	12,254	11,040	9,770	8,700
Out-of-state	26,960	24,508	22,080	19,540	17,400

Degrees Awarded

The University awarded the following degrees for the academic years ending June 30 for the years shown below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Baccalaureate Degrees	1,445	1,502	1,365	1,303	1,371
Master Degrees	746	697	714	601	623
Certification - Health Para Professionals	80	80	71	79	91
Professional Degrees					
M.D.	64	60	59	60	59
Ph.D.	<u>49</u>	<u>15</u>	<u>11</u>	<u>12</u>	<u>11</u>
TOTAL	2,384	2,354	2,264	2,055	2,155

Student Financial Aid

The University awarded and paid financial aid at the following levels for the fiscal years ended September 30, 2003, through September 30, 2007, as follows:

	2007	2006	2005	2004	2003
Federal government:					
Student loans	\$55,759,058	\$57,347,790	\$59,064,146	\$56,010,310	\$45,350,803
Grants	9,106,324	9,320,301	10,112,792	11,007,900	9,666,417
Student employment	236,711	343,929	595,354	421,622	658,008
University:					
Loans	35,657	39,712	39,712	39,712	39,712
Scholarships	<u>7,814,853</u>	<u>7,486,296</u>	<u>5,907,253</u>	<u>5,918,944</u>	<u>5,248,164</u>
Total financial aid awarded	\$72,952,603	\$74,358,028	\$75,719,257	\$73,398,488	\$60,963,104

GOVERNING BODY

State law provides for a Board of Trustees as the governing body of the University with all of the rights, privileges and authorities necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a State University in Mobile County, Alabama. The Board of Trustees consists of seventeen members. The Governor and the State Superintendent of Education are ex-officio members of the Board of Trustees. Three members of the Board of Trustees are appointed from Mobile County. Three members are appointed from the State at large. One member is appointed from each of the nine State Senatorial Districts as these Districts were designated at the time the University was organized. All Trustees except ex-officio members are appointed by the Governor by and with the advice and consent of the State Senate, and hold office for a term of twelve years and until their successors shall be appointed and qualified. The present members of the Board of Trustees are as follows:

Name of Trustee	Occupation	Term of Office
Dr. Scott A. Charlton	Physician	September 30, 2019
Mr. J. L. Chestnut, Jr.	Attorney	September 30, 2013
Dr. Steven P. Furr	Physician	September 30, 2017
Mr. J. Cecil Gardner	Attorney	September 30, 2013
The Honorable Samuel L. Jones	Mayor, City of Mobile	September 30, 2013
Mr. Donald L. Langham	Labor Union Leader, Retired	September 30, 2009
Ms. Bettye R. Maye	Educator, Retired	September 30, 2017
Ms. Christie D. Miree	Business Administration	September 30, 2013

Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer	September 30, 2009
The Honorable Bryant Nixon	Sheriff, Dale County, Alabama	September 30, 2013
The Honorable James P. Nix	Mayor, City of Fairhope, Retired	September 30, 2009
Mr. John M. Peek	Attorney	September 30, 2017
Dr. Steven H. Stokes	Physician	September 30, 2017
Mr. Larry D. Striplin, Jr.	Businessman	September 30, 2017
Mr. James A. Yance	Attorney, Retired	September 30, 2009
The Honorable Bob Riley	Governor, State of Alabama	Ex Officio
Dr. Joseph B. Morton	State Superintendent of Education	Ex Officio

The Board of Trustees appoints the President of the University. Mr. V. Gordon Moulton has served as President of the University since July 29, 1998. Mr. Moulton received his M.B.A. from Emory University. He joined the faculty of the College of Business at the University in 1966. In 1968, he was appointed Director of University Computer Services, while continuing to serve as a faculty member. He was appointed Dean of Administrative Services in 1977, and, in 1980, he was instrumental in establishing the Department of Computer and Information Sciences and served as its Dean. From 1983 until his appointment as President, Mr. Moulton served as Vice President for Services and Planning.

The organization below the Board of Trustees is composed of the President and seven Vice Presidents: Senior Vice President for Academic Affairs; Vice President for Health Sciences; Vice President for Development and Alumni Relations; Vice President for Student Affairs; Vice President for Health Systems; Vice President for Research; and Vice President for Financial Affairs.

HEALTH CARE SYSTEM

The University of South Alabama Health System consists of two academic tertiary medical centers and a physician practice plan. The USA Medical Center (USAMC) is a 406 bed tertiary care center with a level-one trauma center and burn unit. The Vice-President, USA Health System, manages both the hospitals and the practice plan. Patients treated at USAMC tend to require medically complex and extensive care and treatment. The physician practice plan consists of approximately 200 academic physicians representing multiple specialties and sub-specialties. The practice plan is separately organized as a not-for-profit entity.

Over the past four years, the USA Children's and Women's Hospital ("USACW") has experienced a 20% increase in average daily census, a 14% increase in surgeries, and a 15% increase in deliveries. In 2007, USACW delivered 2916 babies, nearly twice as many births as any other Mobile hospital. The services provided by USACW are among those provided by fewer than ten hospitals nationwide dedicated solely to the provision of care for both children and women. USACW has Mobile's only Neonatal ICU unit, Pediatric ICU unit, 24-hour Pediatric Evaluation Unit, High-risk Obstetrics program and Pediatric Surgery Anesthesia Services. USACW also supports the teaching and research mission of the University of South Alabama.

Gross Revenues of the USA Children's and Women's Hospital for the last five fiscal years were as follows:

Year	Gross Revenues
2007	\$ 112,778,104
2006	98,417,571
2005	89,058,486
2004	87,899,447
2003	89,653,349

TECHNOLOGY & RESEARCH PARK

The USA Technology & Research Park (the "Research and Technology Corporation") was incorporated in 2002 as a not-for-profit corporation under the laws of the State of Alabama. The mission of the Research and Technology Corporation is to facilitate new and enhanced types of interaction between the University

and the wider public and private sectors and to serve as a catalyst for regional development by furthering innovation and enterprise in a collaborative and principled fashion that respects and elevates the social and economic well-being of the community. The facilities of the Research and Technology Corporation are located on approximately 160 acres adjacent to the main campus of the University. The following are among the achievements of the Research and Technology Corporation since its incorporation:

- Growth in the asset base of 253%, up from the original building (75,000 square feet) to a total of 265,000 square feet of facilities. Currently, 260,000 square feet are now under contract or are in final negotiation, representing a 98% occupancy level.
- For the fiscal year ended September 30, 2007, the Research and Technology Corporation produced a gross income of \$2,176,411, yielding a net operating cash flow of \$554,986 after debt service.
- 73 tenant employees and their dependants attended classes at the University. This is a participation rate of 44%, based upon average Research and Technology Corporation tenant employee count of 167 over the same period.
- Total tenant employment (non-University) has grown to 338 with the addition of the most recent tenant, including 77 University graduates. In addition, there were seven student interns employed at the Research and Technology Corporation over the course of the past year.
- During the fiscal year ended September 30, 2007, there were approximately \$840,800 in active research grant collaborations/contracts between the University and corporate Research and Technology Corporation tenants, with an additional \$831,500 funded and pending.
- As a result of interaction with one of the tenants and a grant from the US Navy, the USA Department of Continuing Education is offering a certificate in ShipConstructor's engineering and design software as part of a regional workforce enhancement initiative. This program is also now under consideration to form an additional offering within the School of Engineering graduate for-credit curriculum.

FACILITIES

Current Facilities

The University's campus has almost 5,400,000 gross square feet of building space presently in use. Existing main campus structures include the Administration Building; Instructional Laboratory Building; Engineering Building; Library; Biomedical Library; Chemistry Building; Life Science Building; Health, Physical Education and Recreation Building; Student Center; Humanities Building; Medical Sciences Building; Health Services Building; Cancer Center; Multi-Purpose Arena; Performing Arts Building; Business Building; two hospitals; Student Services Building; Archaeology Building; Intramural Fieldhouse; Transportation Services Building; two Technology and Research buildings; and a variety of residence halls. The Bethel Theater, Mobile Townhouse Gallery, and Alumni Hall, all located on the campus, are renovated buildings of great historic value.

Historical details of construction, acquisition and renovations at the University campus are as follows:

Years of construction or acquisition	Gross Square Feet Constructed or Acquired	Gross Square Feet Renovated
Prior to 1960	1,091,119	207,676
1960-1969	1,348,143	302,671
1970-1979	1,072,407	192,963
1980-1989	910,706	81,712
1990-1999	617,968	0
2000-2007	<u>324,811</u>	<u>158,309</u>
Total	<u>5,365,154</u>	<u>943,331</u>

The campus is served by water, gas and electric utilities supplied by public utilities serving the greater Mobile metropolitan area.

Insurance

Claims for damages to the University's campus property are covered by the State Insurance Fund of the State of Alabama's Division of Risk Management. All buildings and contents are covered by the State Insurance Fund policy. The University uses two self-insured trust funds to pay general liability and professional liability claims. Injuries from work-related incidents to those employees covered by the University's self-insured health plan are covered by that plan. Work-related injuries to employees not covered by the health plan are reviewed by the State Board of Adjustment for final resolution.

Student Housing

With respect to on-campus student housing, 1,715 spaces are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 87%, with the Fall 2008 semester at 100%. Approximately 11% of total headcount enrollment occupied student housing for the Fall 2007 semester.

The demand for student housing and the scarcity of suitable rental housing in the Mobile area prompted the University in the winter of 2006 to explore adding additional student housing on campus. In August 2006 a land lease was signed under which Campus Crest at Mobile, L.L.C., a Campus Crest company, built, owns and manages a 504-bed student apartment complex located on approximately 12 acres of campus land near the intramural fields and other student housing. Eleven additional acres at the same location were leased to Campus Crest in March 2008. The complex was expanded by another 504 beds, which became available in August 2008. The University is under no obligation to guarantee the financing or occupancy or any other revenue source with respect to the apartments.

SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING

State Appropriations

The University has received appropriations from the State of Alabama for certain of its operating costs and other non-operating cash requirements, including capital expenditures. State appropriations may not lawfully be used for the payment of debt service on the Bonds, including the Series 2008 Bonds. There can be no assurance that future Legislatures will continue to make such appropriations, or, if made, that they will be timely or sufficient when added to operating revenues and General Fees, Auxiliary Enterprise Revenues and Children's and Women's Hospital Revenues remaining after the payment of debt service, to cover in full, operating expenses of the University.

The following tabulation compiled by the University staff from University accounting records shows State appropriations to the University for the fiscal years ended September 30, 2003, through September 30, 2007:

Fiscal Year Ended September 30	Total Appropriations	
	Authorized	Received
2007	\$120,388,263	\$120,388,263
2006	101,202,677	101,202,677
2005	86,621,887	86,621,887
2004	84,233,051	84,233,051
2003	83,845,516	83,845,516

Endowment assets for the University are deposited both in the University and in the Foundation (described below). Net endowment assets in the accounts of the University at September 30, 2007 were \$68,829,000. Of the net endowment assets, \$16,828,000 are classified as restricted, unexpendable, while the

remainder are classified as restricted, expendable. The Board of Trustees has an approved endowment management and investment policy that includes an established spending rate of 5% based on the 3-year moving average net assets of endowments. In maintaining its endowment, it is the goal of the University to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes. Net assets of endowments are allocated as follows at September 30, 2007:

Pooled equity mutual funds	\$35,938,000
Pooled debt mutual funds	12,710,000
Managed income alternative investments	10,532,000
Other	<u>9,649,000</u>
Total	<u>\$68,829,000</u>

The University of South Alabama Foundation (the "Foundation"), a legally separate entity, exists for the primary purpose of advancing the purpose of the University in furthering, improving, and expanding its properties, services, facilities, and activities. Its total assets at June 30, 2007, its most recent audited fiscal year-end, were \$319,568,000, and its net assets were \$318,769,000 at the same date. Assets are primarily invested in marketable securities (45%), timber and mineral properties (47%), and real estate (6%). Cash and non-cash distributions to the University over the past five fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2003, through June 30, 2007, as follows:

2007	\$7,011,000
2006	6,074,000
2005	6,213,000
2004	6,892,000
2003	5,654,000

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, as heretofore amended and supplemented and as further amended and supplemented by the Sixth Supplemental Indenture, to which Indenture and Sixth Supplemental Indenture in their entirety reference is made for the detailed provisions thereof. Unless the context clearly indicates otherwise, all references herein shall be deemed to include the Series 2008 Bonds, the Series 2006 Bonds, the Series 2004 Bonds, the Series 1999 Bonds, and any Additional Bonds hereafter issued under the Indenture.

As used in the following summary, the following definitions shall have the following respective meanings.

"Annual Debt Service Requirement" means, as of any date of determination, the amount of principal and interest maturing with respect to the then outstanding Bonds in such Bond Year; provided, (i) that the principal amount of any Bonds subject to a Mandatory Redemption Provision during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs; (ii) in the case of Bonds (whether outstanding or proposed to be issued) that bear interest at a variable or adjustable rate, the interest payable on such Bonds shall be calculated on the assumption that such Bonds bear interest at a fixed rate of interest estimated by a professional consulting firm or investment banking firm acceptable to the Trustee by reference to bonds of similar credit rating maturity and tax characteristics on the date such calculation is made; and (iii) for purposes of the foregoing formula, Bonds that are "deemed paid" under the Indenture shall not be deemed outstanding.

"Bond Year" means the period beginning August 2 in each calendar year and ending on August 1 of the next succeeding calendar year.

"Mandatory Redemption Provision" means any provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a redemption price equal to the principal amount thereof.

"Principal Payment Date" means (a) with respect to the Series 2008 Bonds, each February 1 and August 1, commencing February 1, 2009, and (b) with respect to any series of Additional Bonds, a date (which shall in every case be the first day of a Month) specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"Supplemental Indenture" means an agreement supplemental to the Indenture.

Special Funds

Bond Fund. The Indenture provides for the creation of a special trust fund called the "Bond Principal and Interest Fund." The University is required to pay into the Bond Fund, in addition to all other amounts required by the Indenture, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the University (or the Trustee on behalf of the University) is required to pay into the Bond Fund such part of the proceeds from the sale as is allocable to premium (if any) and accrued interest.

(b) On or before the Business Day next preceding each interest payment date until the principal and the interest on the Bonds is paid in full, the University is required to pay into the Bond Fund, out of the Pledged Revenues, an amount equal to the sum of (i) the semiannual installment of interest that will mature on the Bonds on the then next succeeding semiannual Interest Payment Date with respect thereto, plus (ii) the principal that will become due on the Bonds on the then next succeeding Principal Payment Date, plus (iii) the principal required to be redeemed on the next succeeding Principal Payment Date pursuant to any Mandatory Redemption Provision.

All moneys paid into the Bond Fund are required to be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Provision. If at the final maturity of the Bonds, however such Bonds may mature, there are in the Bond Fund moneys in excess of what is required to pay in full the principal of and the interest on the Bonds, then any such excess will be returned to the University.

Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing a provision that the semiannual payments into the Bond Fund be adjusted to provide for such additional amounts as may be necessary to pay the principal of and interest on such Additional Bonds provided, however, that in making such adjustment the principal amount of any such Additional Bonds required by the terms of the Supplemental Indenture to be redeemed during any Bond Year shall be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs.

The Indenture authorizes the issuance of Additional Bonds, subject to the provisions of the Indenture. Among the conditions to the issuance of any Additional Bonds are the following:

(a) Supplemental Indenture. Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount, the series designation, the denomination or denominations, the interest rate or rates (or provisions for determining the same), the maturity or maturities and the form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; and (iii) any other provisions that do not conflict with the provisions of the Indenture.

(b) Certificate as to Pledged Revenues. The item or items required by either of the following subparagraphs (i) or (ii):

(i) A certificate by the Vice President for Financial Affairs of the University certifying that the amount of Pledged Revenues received during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current or any then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds, which certificate shall set forth the figures on which it is based and shall recite that the Pledged Revenues for such Fiscal Year specified therein were taken from the annual audit of the University for such Fiscal Year or, if such audit shall not have been completed for the most recent Fiscal year at the date of such certificate, were taken from the official records of the University, or

(ii) A Resolution or Resolutions adopted by the University after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds either (i) increasing the General Fees, or (ii) levying new fees and charges of a type or kind different from the General Fees, or (iii) a combination thereof, accompanied by a certificate of the Vice President for Financial Affairs stating that if the increased General Fees or the new fees set forth in the said Resolution or Resolutions had been in effect throughout the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds, the amount of Pledged Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds would have been not less than 125% of the maximum Annual Debt Service Requirement during the then current or any then succeeding Bond Year with respect to Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; and

(c) Opinion of Independent Counsel. An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel acceptable to the Trustee, approving the forms of all documents required above to be delivered to the Trustee and reciting that they comply with the applicable requirements set out above.

Maintenance of Pledged Revenues

The University has covenanted in the Indenture that, so long as any of the Bonds remain outstanding and unpaid, the University will fix, levy and collect General Fees and Auxiliary Enterprises Revenues from all students attending the University during each Fiscal Year in such amounts and at such times as shall be required to produce revenues sufficient to pay the principal of, unamortized premium, if any, and interest on the Bonds during the same Fiscal Year. No covenant with respect to the Children's and Women's Hospital Revenue has been made.

Supplemental Indentures

Supplemental Indentures Without Bondholder Consent. The University and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for in the Indenture) as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed and performed by the University, provided that such other covenants and agreements may not either expressly or impliedly limit or restrict any of the obligations of the University contained in the Indenture;

(b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture

for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the holders of the Bonds;

(c) to subject to the pledge contained in the Indenture additional revenues or to identify more precisely any of the revenues of the University subject to the Indenture;

(d) to cause the Indenture to comply with the provisions of the Trust Indenture Act of 1939 or such other federal securities laws as may hereafter be applicable to the Indenture; or

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture.

Any such Supplemental Indenture will not require the consent of any bondholders.

Supplemental Indentures Requiring Bondholders Consent. In addition to those Supplemental Indentures described above, the Indenture provides that the University and the Trustee may, at any time and from time to time, with the written consent of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the University and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted.

(i) an extension of the maturity of any installment of principal of or interest on any Bond;

(ii) any change in any Mandatory Redemption Provision;

(iii) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained in the Indenture;

(iv) the establishment of preferences or priorities as between the Bonds (but only with respect to the security provided for all Bonds); or

(v) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions described above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the University, the Trustee and all holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Defaults and Remedies

Events of Default under the Indenture include the following:

(a) failure by the University to pay principal of, the interest on or the premium (if any) on any Bond as and when the same shall become due, as provided therein and in the Indenture (whether such shall become due pursuant to any Mandatory Redemption Provisions or otherwise);

(b) failure by the University to perform and observe any of the agreements and covenants on its part contained in the Indenture (other than in the manner described in (a) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the University by the Trustee or by the holders of not less than twenty-five percent (25%) in outstanding amount of Bonds, unless during such period or any extension thereof the University has commenced and is diligently pursuing appropriate corrective action; or

(c) determination by a court having jurisdiction that the University is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the University or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the University or rearrangement or readjustment of the obligations of the University under any provisions of the bankruptcy laws of the United or the State of Alabama.

Upon the occurrence of an Event of Default the Trustee shall have the following rights and remedies:

(a) Acceleration. The Trustee may, by written notice to the University and with the consent of the bond insurer respecting any Bonds then outstanding, declare the principal of all the Bonds forthwith due and payable, and such principal shall thereupon become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. If, however, the University makes good that default and every other default under the Indenture (except for those installments of principal declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and made reimbursement of all of the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the University, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) Mandamus and Other Remedies. The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the University and any officers, agents or employees of the University, including but not limited to the right to require the University and its officers, agents or employees to perform and observe all of its or their duties under Section 16-3-28 of the Code of Alabama 1975, as amended.

Concerning the Trustee

The Trustee shall be under no obligation to institute suit or to take any proceedings under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant or to take steps in the execution of trust created or in the enforcement of any rights or powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expense, outlays and counsel fees and other reasonable disbursements and against all liability.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its gross negligence or willful misconduct.

The University has agreed to pay to the Trustee from time to time reasonable compensation for all services rendered by it under the Indenture, including the services of bond registrar and paying agent and also all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys and employees incurred in and about the performance of its powers and duties under the Indenture prior to the Bonds. Nothing contained in the Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that the repayment of such funds or the making whole in respect of such liability is not reasonably assured to it.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services ("S&P") have given the Series 2008 Bonds ratings of "Aaa" and "AAA", respectively, with the understanding that, upon delivery of the Series 2008 Bonds a financial guaranty insurance policy insuring the timely payment of the principal of and interest on the Series 2008 Bonds will be issued by Berkshire Hathaway Assurance Corporation. Moody's and S&P have also assigned an underlying rating on the Series 2008 Bonds of "A1" and "A+".

Such credit ratings reflect only the view of such credit rating agencies, and an explanation of the significance of such credit ratings may be obtained only from the credit rating agencies furnishing the same. There is no assurance that either such credit rating will remain in effect for any given period of time or that either may not be lowered or withdrawn entirely if, in the judgment of the credit rating agency in question, circumstances should warrant such action. Any such downward revision or withdrawal of any credit rating assigned to the Series 2008 Bonds may have an adverse effect on the market price of the Series 2008 Bonds.

LITIGATION

The University has been notified by the Equal Employment Opportunity Office ("EEOC") of charges filed with the EEOC against the University. The charges arise from alleged employment practices and policies. The University has been notified by the United States Housing and Urban Development department with respect to alleged housing discrimination in one instance. In addition, the University has been notified of claims against it filed in the State Board of Adjustment but none of these claims involve any significant sums in excess of the sums otherwise provided for and would not have an impact upon the collection of the Pledged Revenues. In the opinion of the University Attorney, the aggregate exposure of the University with respect to all pending claims and suits would not be material to the University's financial position.

LEGALITY

The Series 2008 Bonds will be issued subject to the approving opinion of Bradley Arant Rose & White, LLP, Birmingham, Alabama, Bond Counsel to the University. It is anticipated that the opinion of Bond Counsel to the University will be in substantially the form set forth in Appendix B.

TAX EXEMPTION

General

In the opinion of Bradley Arant Rose & White LLP, Bond Counsel to the University, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2008 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and others in connection with the Series 2008 Bonds, and Bond Counsel has assumed compliance by the University with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2008 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2008 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2008 Bonds.

Bond counsel is further of the opinion that the interest income on the Series 2008 Bonds is exempt from present Alabama income taxation.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2008 Bonds in order that interest on the Series 2008 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2008 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2008 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2008 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2008 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Series 2008 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2008 Bonds.

Prospective owners of the Series 2008 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2008 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

CONTINUING DISCLOSURE

The University will enter into a Continuing Disclosure Agreement for the benefit of holders of the Series 2008 Bonds wherein the University has agreed to provide annually certain financial information and operating data relating to the University (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports will be filed by the University with each nationally recognized municipal securities information repository ("NRMSIR") and with the state information depository of Alabama ("SID"), if any. The notices of material events will be filed by the University with the Municipal Securities Rulemaking Board or each NRMSIR and with the SID, if any. The specific nature of the information to be contained in the Annual Reports or the notices of material events and the other provisions of the Continuing Disclosure Agreement are summarized in Appendix C hereto. The Continuing Disclosure Agreement has been entered into in order to assist the Underwriters of the Series 2008 Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. A failure by the University to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2008 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2008 Bonds and their market price.

STATE NOT LIABLE ON SERIES 2008 BONDS

The Series 2008 Bonds are special obligations of the University payable solely out of, and secured by a pledge of, the Pledged Revenues. Neither the principal of nor the interest on the Series 2008 Bonds nor the

aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2008 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama.

FINANCIAL INFORMATION

Appendix A contains audited financial statements of the University for the fiscal year ended September 30, 2007.

SPECIAL CONSIDERATIONS REPECTING THE SERIES 2008 BONDS

Limited Source of Payment

The Series 2008 Bonds are limited obligations of the University payable solely out of the Pledged Revenues. The Series 2008 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2008 Bonds will not be payable out of any money provided to or appropriated to the University by the State of Alabama.

Limitation On Remedies Upon Default

The Indenture does not create or constitute a mortgage on or security interest in any properties of the University, and no foreclosure or sale proceedings with respect to any property of the University may occur. The University is exempt from all suits, but agents and employees of the University may, by mandamus, be compelled to apply the Pledged Revenues to the payment of the Series 2008 Bonds in accordance with the terms of the Indenture.

Enforcement of remedies under the Indenture may be limited or restricted by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and general principles of equity, including the exercise of judicial discretion in appropriate cases.

State Proration

The State of Alabama appropriates money each year to the University for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. It is expected that proration will be implemented from time to time in the future, and when proration does occur, the University may be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact the University's budget, the Series 2008 Bonds are not payable from State appropriations.

Certain Factors Affecting Pledged Revenues

No representation can be made and no assurance can be given that receipts from the Pledged Revenues will be sufficient to make the required payment of debt service on the Series 2008 Bonds and to pay necessary operating expenses. The amount of Pledged Revenues collected by the University will be subject to a variety of factors that could adversely affect debt service coverage on the Series 2008 Bonds, including general economic conditions, population in the University's basic service area, the demand for higher education, and the impact of legislative and administrative requirements on the University's operations.

FINANCIAL ADVISOR

Thornton Farish Inc., Montgomery, Alabama, has served as financial advisor to the University in connection with the issuance of the Series 2008 Bonds.

UNDERWRITING

The Series 2008 Bonds are being purchased for reoffering by the underwriters shown on the front cover hereof (the "Underwriters") at an aggregate purchase price of \$_____, reflecting underwriting discount of \$_____, plus accrued interest, if any, from September 1, 2008. The public offering price of the Series 2008 Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters and the Underwriters may allow a concession from the public offering price to certain dealers.

MISCELLANEOUS

The references herein to statutory provisions, the Indenture and other documents and instruments are summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is hereby made to the specific statutory provision, document or instrument to which such summary relates.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2008 Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from sources believed to be reliable; however, the University makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice. Accordingly, neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that, since the date hereof, there has been no change in the affairs of the University or any other governmental agencies or entities discussed herein.

The distribution of this Official Statement and its use in the offering and sale of the Series 2008 Bonds have been approved by the governing body of the University.

UNIVERSITY OF SOUTH ALABAMA

/s/ V. Gordon Moulton

President

Dated: September ____, 2008

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APPENDIX A

**AUDITED FINANCIAL STATEMENT FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

Basic Financial Statements

September 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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

Basic Financial Statements

September 30, 2007 and 2006

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

Management's Discussion and Analysis (Unaudited)

September 30, 2007 and 2006

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 Hospitals (the Hospitals), a division of the University, at September 30, 2007 and 2006 and for the years then ended. This discussion was 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 are either 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. As more fully described in note number 1 to the basic financial statements, the University of South Alabama Professional Liability Trust Fund and the University of South Alabama General Liability Trust Fund are reported as blended component units. The University of South Alabama Foundation, the University of South Alabama Health Services Foundation, and the USA Research and Technology Corporation are discretely presented.

Financial Highlights

At September 30, 2007, 2006, and 2005, the University has total assets of \$707,687,000, \$545,649,000, and \$485,986,000, respectively; total liabilities of \$323,171,000, \$234,291,000, and \$230,030,000, respectively; and net assets of \$384,516,000, \$311,358,000, and \$255,956,000, respectively. University net assets increased \$73,158,000 during the year ended September 30, 2007 compared to increases of \$55,402,000 and \$21,846,000 in the years ended September 30, 2006 and 2005, respectively.

An overview of each statement is presented herein along with a 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

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the University at September 30, 2007 and 2006. The net assets are displayed in three parts: invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purpose. The statement of net assets, 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 statement of net assets are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and hospital patient accounts receivable. Of these amounts, cash and cash equivalents, investments, and accounts receivable comprise approximately 19%, 56%, and 11%, respectively, of current assets at September 30, 2007. Noncurrent assets at September 30, 2007 consist primarily of capital assets and restricted investments.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

The Condensed Schedule of Net Assets at September 30, 2007, 2006, and 2005 follows (in thousands):

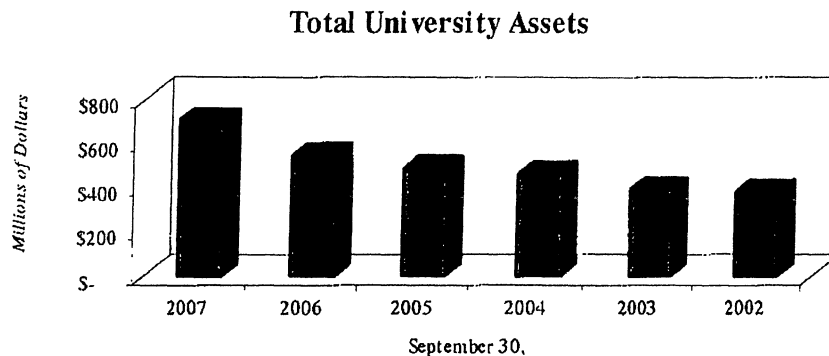
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current	\$ 271,983	223,412	169,358
Capital assets	286,890	247,875	231,027
Other noncurrent	148,814	74,362	85,601
Total assets	<u>707,687</u>	<u>545,649</u>	<u>485,986</u>
Liabilities:			
Current	80,389	71,071	72,834
Noncurrent	242,782	163,220	157,196
Total liabilities	<u>323,171</u>	<u>234,291</u>	<u>230,030</u>
Net assets:			
Invested in capital assets, net of related debt	163,688	137,642	127,805
Restricted, nonexpendable	16,828	12,612	12,208
Restricted, expendable	35,955	25,966	9,997
Unrestricted	168,045	135,138	105,946
Total net assets	<u>\$ 384,516</u>	<u>311,358</u>	<u>255,956</u>

University cash, cash equivalents, and investments (current and noncurrent) increased between September 30, 2007 and 2006 by \$117,564,000 to \$335,647,000. This increase is primarily due to increases in state appropriations, investment income, the proceeds from the sale of two buildings to the USA Research and Technology Corporation, and the issuance of additional bonded indebtedness during 2007. This follows a significant increase between 2005 and 2006, which resulted from cash generated by increases in state appropriations, investment income and gifts to the University. Patient accounts receivable increased from \$26,399,000 to \$30,950,000 between 2006 and 2007, reflecting increased patient care activity at the USA Hospitals and the Mitchell Cancer Institute.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

Total assets of the University as of September 30 are as follows:



Noncurrent liabilities consist primarily of bonded indebtedness and notes payable. Long-term debt (including the current portion of long-term debt) increased from \$121,969,000 to \$199,799,000 between September 30, 2006 and 2007 primarily as a result of the issuance of additional bonded indebtedness.

Net assets represent the residual interest in the University's assets after liabilities are deducted. Net assets are classified into one of four categories:

Net assets invested in capital assets, net of related debt, represent 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 assets consist primarily of the University's permanent endowment funds. While earnings from these funds may be expended, the corpus may not be expended for any reason and must remain intact with the University in perpetuity.

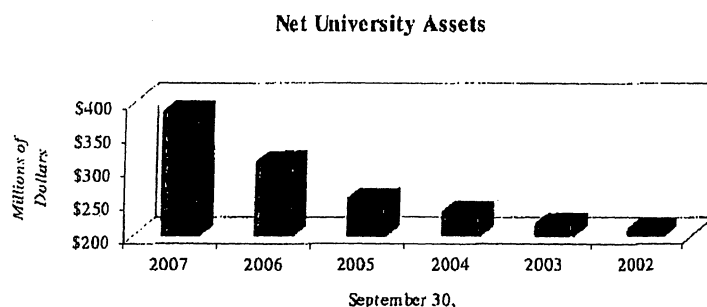
Restricted expendable net assets are subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans, and scholarship purposes.

Unrestricted net assets represent those net assets not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net assets have been internally designated for various projects, all supporting the missions of the University. These unrestricted net assets include funds for various academic and research programs, auxiliary operations (including the bookstore, student housing and dining services), student programs, capital projects and general operations.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

Net assets of the University as of September 30 are as follows:



Net assets invested in capital assets, net of related debt, increased approximately \$26,046,000 between September 30, 2006 to 2007. This increase was due primarily to an increase in construction activity and the repayment of principal on notes and bonds payable. Restricted expendable net assets increased to \$35,955,000 at September 30, 2007 primarily due to restricted gift activity primarily related to the Mitchell Cancer Institute. Unrestricted net assets increased from \$135,138,000 to \$168,045,000 between 2006 and 2007 primarily as the result of increases in state appropriations and unrestricted gifts.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total University net assets as reported in the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of this statement is to present the change in net assets resulting from revenues earned by the University, both operating and nonoperating, and the expenses incurred by the University, both operating and nonoperating, 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 hospital patient care services, tuition and fees (net of scholarship discounts and allowances), most noncapital grants and contracts and revenues from auxiliary activities and sales and services of education 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 and are revenues generally earned for which goods and services are not provided, such as investment income, capital appropriations, gifts and other contributions. State appropriations are required by the Governmental Accounting Standards Board 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 and losses related to the disposition of capital assets.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

The Condensed Schedule of Revenues, Expenses, and Changes in Net Assets for the years ended September 30, 2007, 2006, and 2005 follows (in thousands):

Condensed Schedule of Revenues, Expenses, and Changes in Net Assets			
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues:			
Tuition and fees	\$ 49,579	47,236	43,737
Net patient service revenue	205,337	201,373	201,413
Federal, state and private grants and contracts	83,238	78,217	68,647
Other	45,803	47,533	45,915
	<u>383,957</u>	<u>374,359</u>	<u>359,712</u>
Operating expenses:			
Salaries and benefits	333,688	317,626	307,039
Supplies and other services	111,297	109,653	105,116
Other	35,977	35,336	32,432
	<u>480,962</u>	<u>462,615</u>	<u>444,587</u>
Operating loss	<u>(97,005)</u>	<u>(88,256)</u>	<u>(84,875)</u>
Nonoperating revenues (expenses):			
State appropriations	120,388	101,203	86,622
Investment income	19,534	9,418	7,121
Other, net	6,491	23,250	3,281
Net nonoperating revenues	<u>146,413</u>	<u>133,871</u>	<u>97,024</u>
Income before capital contributions and additions to endowment	49,408	45,615	12,149
Capital contributions and additions to endowment	<u>23,750</u>	<u>9,787</u>	<u>9,697</u>
Increase in net assets	73,158	55,402	21,846
Beginning net assets	<u>311,358</u>	<u>255,956</u>	<u>234,110</u>
Ending net assets	<u>\$ 384,516</u>	<u>311,358</u>	<u>255,956</u>

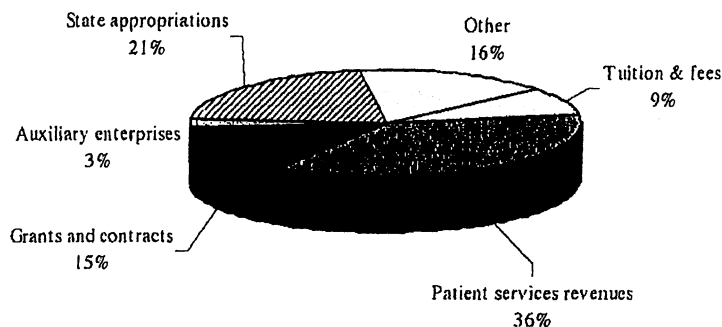
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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

In 2007, 2006, and 2005, approximately 36%, 38%, and 46%, respectively, of total revenues of the University were net patient service revenue. Excluding net patient service revenue, state appropriations represent the largest component of total university revenues, approximately 21% of total revenues in fiscal 2007. Also in 2007 tuition and fees charged to students and grants and contracts (federal, state and private) represented approximately 9% and 15% of total revenues, respectively.

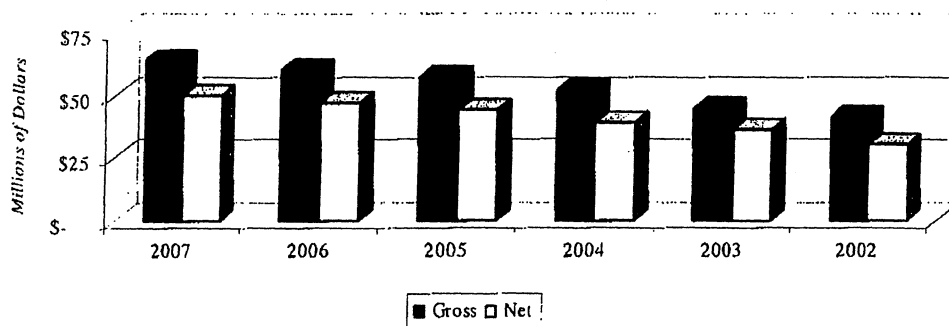
A summary of University revenues for the year ended September 30, 2007 is presented below:

Total Revenues



Tuition and fees have increased in each of the last five years. These increases are due to increases in tuition and fee rates charged to students as well as to an increase in the number of students enrolled. Additionally, tuition and fees as a percent of total operating revenue continue to increase, from 9.5% of operating revenues in 2002 to 12.9% in 2007. Tuition and fees, gross and net of scholarship allowances, for the past six fiscal years are as follows:

Tuition and Fees



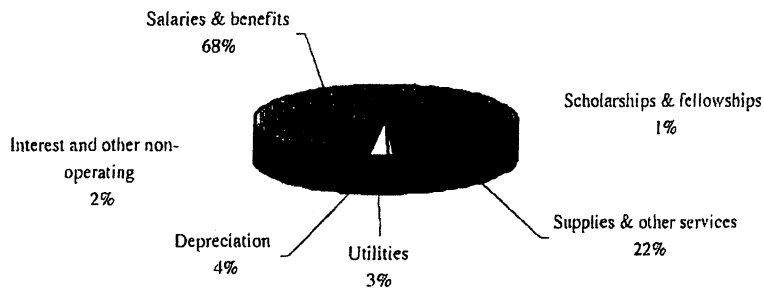
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UNIVERSITY OF SOUTH ALABAMA
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Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

Further, capital contributions and grants increased from \$8,747,000 in 2006 to \$19,907,000 in 2007 primarily due to significant increases in capital grant funding for the construction of the Mitchell Cancer Institute. Financial market conditions have resulted in significant increases in investment income from \$7,121,000 in 2005 to \$9,418,000 in 2006 and \$19,534,000 in 2007.

University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2007 is presented below.

Total Expenses



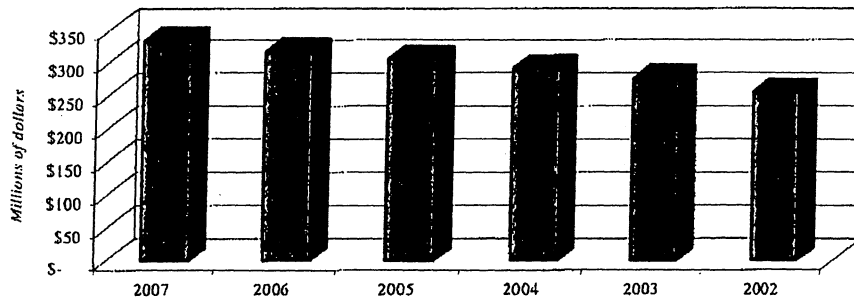
While the University reports its expenses on a natural expense classification basis, functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, scholarships, and operation and maintenance of plant. Expenses related to auxiliary enterprise activities and the hospitals are presented separately. Functional expense information is presented in note 15 to the basic financial statements.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

In 2007, 2006, and 2005, approximately 68%, 68%, and 69%, respectively, of the University's total operating expenses were salaries and benefits. Salaries and benefits have steadily increased over the last five years, resulting primarily from increases in salary rates to faculty and staff, as shown below:

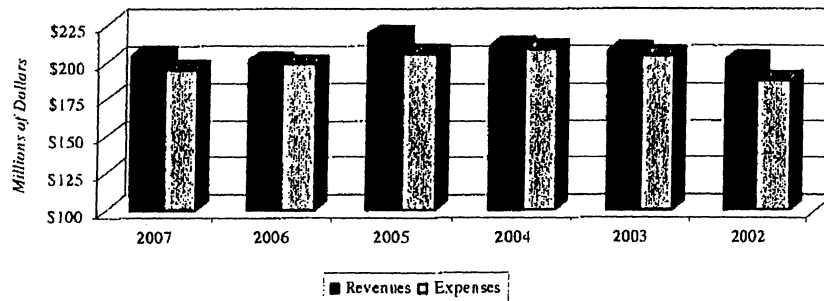
Total Salaries and Benefits Expense



For the years ended September 30, 2007, 2006, and 2005, the University reported an operating loss of approximately \$97,005,000, \$88,256,000, and \$84,875,000, respectively. Net operating losses are offset by state appropriations, which are reported as nonoperating revenue. After adding state appropriations and other nonoperating revenues and expenses, (primarily capital contributions and additions to endowment) the total increase in net assets was approximately \$73,158,000, \$55,402,000, and \$21,846,000, for the years ended September 30, 2007, 2006, and 2005, respectively.

The Hospitals represent a significant portion of total University revenues and expenses and have remained relatively constant over the past four years. Operating hospital revenues and expenses for the last six fiscal years are presented below:

Hospital Operating Revenues and Expenses



(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

Statement of Cash Flows

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

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately \$68,000,000, \$37,000,000, and \$33,000,000 during the years ended September 30, 2007, 2006, and 2005, respectively. Significant capital asset additions in fiscal 2007 include the Nursing and Allied Health Building, the Mitchell Cancer Institute and numerous ongoing construction projects at the University and Hospitals. Significant projects in fiscal 2005 and 2006 included Building II in the USA Technology and Research Park, JagTran (the campus shuttle system), Meisler Hall and ongoing projects. In 2007, Buildings II and III in the USA Technology and Research Park were sold to the USA Research and Technology Corporation. The proceeds from this sale were approximately \$11,986,000. At September 30, 2007, the University has outstanding commitments of approximately \$55,408,000 for various capital projects.

In December 2005, the University and Infirmity Health System, Inc. (the Infirmity) entered into a lease agreement in which the University has agreed to lease certain land, buildings and equipment at its USA Knollwood Hospital campus to the Infirmity. The lease, which was effective April 1, 2006, extends fifty years, with an automatic forty-nine year renewal term. The portion of the lease applicable to the land and buildings is treated as an operating lease and the portion of the lease applicable to the equipment is treated as a capital lease. On April 1, 2006, the University received lease payments of \$7,418,000; most of which is recorded as deferred revenue at September 30, 2007, and is receiving the majority of the remaining lease payments over a thirty year period.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Management's Discussion and Analysis (Unaudited)
September 30, 2007 and 2006

During 2007, the University sold the Health Services Building to the USA Research and Technology Corporation and also sold 100 lots in the Hillsdale area of campus to a third party. The University recognized a gain on the disposal of these assets of approximately \$3,739,000.

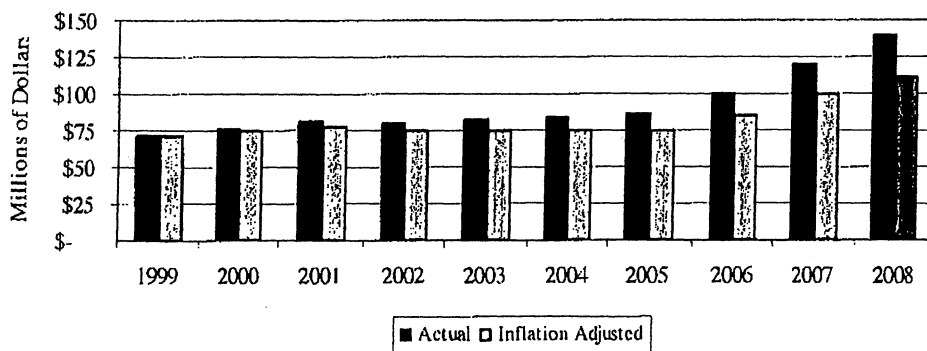
In January 2007, the University issued the University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, with a face value of \$100,000,000. The proceeds of these bonds, issued at a premium of approximately \$6,780,000, were used to refund the University Tuition Revenue Refunding Bonds, Series 1996 and will be used to fund construction and other capital improvements at the University.

During the years ended September 30, 2007 and 2006, the University's bond credit rating was unchanged at Moody's A2. The University bond credit rating was upgraded in 2004.

Economic Outlook

While enrollment and tuition have both increased in recent years, state appropriations have historically been relatively flat. However, in 2007 and 2006, the University experienced an increase of 19.0% and 17.2%, respectively, or approximately \$19,185,000 and \$14,581,000, respectively, in state appropriations. A similar increase has been approved and is expected for the 2008 budget year.

State Appropriations - Ten Year History



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 2008 beyond those unknown variables having a global effect on virtually all types of business operations.



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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

We have audited the accompanying 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, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2007 and 2006 consolidated financial statements of the University of South Alabama Foundation, which represents 84%, 99% and 37%, respectively, of the 2007 assets, net assets and revenues of the aggregate discretely presented component units and 91%, 100% and 44%, respectively, of the 2006 assets, net assets and revenues 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the University of South Alabama Foundation, the University of South Alabama Health Services Foundation, the USA Research and Technology Corporation, and the Professional and General Liability Trust Funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Alabama as of September 30, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 10 is not a required part of the basic financial statements but is supplementary information required by U. S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 15, 2007

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

Statements of Net Assets
September 30, 2007 and 2006
(In thousands)

	<u>2007</u>	<u>2006</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 51,864	35,560
Investments	153,292	128,055
Net patient accounts receivable, (net of allowance for doubtful accounts of \$42,447 and \$47,866)	30,950	26,399
Accounts receivable, affiliates	11,521	8,822
Accounts receivable, other	17,577	17,969
Notes receivable, net	787	735
Prepaid expenses, inventories, and other	5,992	5,872
Total current assets	<u>271,983</u>	<u>223,412</u>
Noncurrent assets:		
Restricted cash and cash equivalents	5,820	2,600
Restricted investments	123,050	50,112
Investments	1,621	1,756
Accounts receivable	7,235	8,316
Notes receivable, net	5,623	5,854
Other noncurrent assets	5,465	5,724
Capital assets, net	286,890	247,875
Total noncurrent assets	<u>435,704</u>	<u>322,237</u>
Total assets	<u>707,687</u>	<u>545,649</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	49,606	42,087
Deferred revenue	24,744	21,395
Deposits	668	600
Current portion of long-term debt	5,371	6,989
Total current liabilities	<u>80,389</u>	<u>71,071</u>
Noncurrent liabilities:		
Long-term debt, less current portion	194,428	114,980
Other long-term liabilities	48,354	48,240
Total noncurrent liabilities	<u>242,782</u>	<u>163,220</u>
Total liabilities	<u>323,171</u>	<u>234,291</u>
Net assets:		
Invested in capital assets, net of related debt	163,688	137,642
Restricted, nonexpendable:		
Scholarships	7,172	4,712
Other	9,656	7,900
Restricted, expendable:		
Scholarships	4,541	3,625
Other	31,414	22,341
Unrestricted	168,045	135,138
Total net assets	<u>\$ 384,516</u>	<u>311,358</u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit)

Consolidated Statements of Financial Position

June 30, 2007 and 2006

(In thousands)

	Assets	2007	2006
Cash and cash equivalents		\$ 1,713	1,967
Investments:			
Securities, at fair value		142,709	121,762
Timber and mineral properties		150,364	148,863
Real estate		18,794	18,405
Other		5,500	—
Other assets		488	377
Total assets		\$ 319,568	291,374
Liabilities and Net Assets			
Liabilities:			
Accounts payable		\$ 20	98
Contributions payable to the University of South Alabama		—	11
Other liabilities		779	763
Total liabilities		799	872
Net assets:			
Unrestricted		88,012	77,205
Temporarily restricted		59,707	48,879
Permanently restricted		171,050	164,418
Total net assets		318,769	290,502
Total liabilities and net assets		\$ 319,568	291,374

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA
HEALTH SERVICES FOUNDATION**
(Discretely Presented Component Unit)

Statements of Financial Position

September 30, 2007 and 2006

(In thousands)

Assets	2007	2006
Current assets:		
Cash and cash equivalents	\$ 690	957
Patient accounts receivable (net of allowance for uncollectible accounts of approximately \$5,745 and \$5,844)	10,949	9,519
Other current assets	1,621	1,274
Total current assets	13,260	11,750
Assets limited as to use, held by trustee	19,236	15,145
Property and equipment, net	2,769	1,904
Total assets	\$ 35,265	28,799
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,035	1,550
Accrued payroll	30	87
Current portion of notes payable	935	865
Current portion of obligation under capital lease	—	47
Due to affiliates	11,137	8,512
Total current liabilities	14,137	11,061
Notes payable, less current portion	570	1,505
Estimated professional liability costs	19,236	15,145
Total liabilities	33,943	27,711
Unrestricted net assets	1,322	1,088
Total liabilities and net assets	\$ 35,265	28,799

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit)

Statement of Net Assets

September 30, 2007

(In thousands)

	<u>2007</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 649
Investments	988
Tenant expense reimbursements	<u>120</u>
Total current assets	<u>1,757</u>
Noncurrent assets:	
Intangible assets, net	122
Capital assets, net	<u>22,547</u>
Total noncurrent assets	<u>22,669</u>
Total assets	<u>24,426</u>
Liabilities:	
Current liabilities:	
Deposits, other current liabilities, and accrued expenses	381
Current portion of note payable	<u>465</u>
Total current liabilities	<u>846</u>
Noncurrent liabilities:	
Notes payable, excluding current portion	<u>22,492</u>
Total noncurrent liabilities	<u>22,492</u>
Total liabilities	<u>23,338</u>
Net assets (deficit):	
Invested in capital assets, net of related debt	(459)
Unrestricted	<u>1,547</u>
Total net assets	<u>\$ 1,088</u>

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended September 30, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Tuition and fees (net of scholarship allowances of \$14,401 and \$12,991)	\$ 49,579	47,236
Net patient service revenue	205,337	201,373
Federal grants and contracts	31,452	29,608
State grants and contracts	6,822	6,653
Private grants and contracts	44,964	41,956
Auxiliary enterprises (net of scholarship allowances of \$432 and \$402)	16,633	16,586
Other operating revenues	29,170	30,947
Total operating revenues	<u>383,957</u>	<u>374,359</u>
Operating expenses:		
Salaries and benefits	333,688	317,626
Supplies and other services	111,297	109,653
Scholarships and fellowships	4,295	4,083
Utilities	12,623	12,793
Depreciation	19,059	18,460
Total operating expenses	<u>480,962</u>	<u>462,615</u>
Operating loss	<u>(97,005)</u>	<u>(88,256)</u>
Nonoperating revenues (expenses):		
State appropriations	120,388	101,203
Investment income	19,534	9,418
Interest expense	(7,654)	(4,943)
Other nonoperating revenues	19,037	30,263
Other nonoperating expenses	(4,892)	(2,070)
Net nonoperating revenues	<u>146,413</u>	<u>133,871</u>
Income before capital contributions and additions to endowment	49,408	45,615
Capital contributions and grants	19,907	8,747
Additions to endowment	3,843	1,040
Increase in net assets	<u>73,158</u>	<u>55,402</u>
Net assets:		
Beginning of year	<u>311,358</u>	<u>255,956</u>
End of year	<u>\$ 384,516</u>	<u>311,358</u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2007

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Net realized and unrealized gains on investments	\$ 16,505	13,642	274	30,421
Rents, royalties and timber sales	5,997	—	74	6,071
Interest and dividends	965	2,263	12	3,240
Gifts	—	—	6,271	6,271
Other income	32	—	—	32
Required match of donor contributions	(1)	—	1	—
Interfund interest	(643)	643	—	—
Net assets released from program restrictions	5,720	(5,720)	—	—
Total revenues, gains, and other support	28,575	10,828	6,632	46,035
Expenditures:				
Program services:				
Faculty support	2,448	—	—	2,448
Scholarships	1,031	—	—	1,031
Other	3,532	—	—	3,532
Total program service expenditures	7,011	—	—	7,011
Management and general	2,278	—	—	2,278
Other investment expense	1,693	—	—	1,693
Depreciation and depletion expense	6,786	—	—	6,786
Total expenditures	17,768	—	—	17,768
Increase in net assets	10,807	10,828	6,632	28,267
Net assets – beginning of year	77,205	48,879	164,418	290,502
Net assets – end of year	\$ 88,012	59,707	171,050	318,769

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2006

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Net realized and unrealized gains (losses) on investments	\$ 29,593	4,998	(642)	33,949
Rents, royalties and timber sales	15,952	—	120	16,072
Interest and dividends	2,188	352	3	2,543
Gifts	—	259	339	598
Required match of donor contributions	(252)	—	252	—
Interfund interest	(4,869)	4,869	—	—
Net assets released from program restrictions	4,688	(4,688)	—	—
Total revenues, gains, and other support	47,300	5,790	72	53,162
Expenditures:				
Program services:				
Faculty support	2,550	—	—	2,550
Scholarships	1,032	—	—	1,032
Other	2,492	—	—	2,492
Total program service expenditures	6,074	—	—	6,074
Management and general	2,161	—	—	2,161
Other investment expense	1,368	—	—	1,368
Interest expense	449	—	—	449
Depreciation and depletion expense	18,309	—	—	18,309
Total expenditures	28,361	—	—	28,361
Increase in net assets	18,939	5,790	72	24,801
Net assets — beginning of year	58,266	43,089	164,346	265,701
Net assets — end of year	\$ 77,205	48,879	164,418	290,502

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA
HEALTH SERVICES FOUNDATION**
(Discretely Presented Component Unit)

Statements of Operations and Changes in Net Assets

Years ended September 30, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 66,917	61,337
Other revenue	8,281	6,971
Total unrestricted revenues, gains and other support	<u>75,198</u>	<u>68,308</u>
Expenses:		
Salaries and benefits	43,479	38,923
General and administrative	15,945	14,194
Provision for uncollectible accounts	12,631	10,999
Depreciation and amortization	945	716
Interest	138	168
Total expenses	<u>73,138</u>	<u>65,000</u>
Operating income	2,060	3,308
Nonoperating gains	<u>215</u>	<u>298</u>
Revenues over expenses	2,275	3,606
Contributions restricted for debt service, received and expended within the same year	1,000	1,000
Transfer of capital to University of South Alabama College of Medicine	(3,041)	(3,800)
Unrealized loss on other-than-trading securities	<u>—</u>	<u>(2)</u>
Change in unrestricted net assets	234	804
Unrestricted net assets at beginning of year	<u>1,088</u>	<u>284</u>
Unrestricted net assets at end of year	<u>\$ 1,322</u>	<u>1,088</u>

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended September 30, 2007

(In thousands)

	<u>2007</u>
Operating revenues:	
Rental income	\$ 1,955
Tenant reimbursements	<u>161</u>
Total operating revenues	<u>2,116</u>
Operating expenses:	
Building management and operating expenses	295
Property taxes	133
Depreciation and amortization	646
Legal and administrative fees	17
Insurance	<u>68</u>
Total operating expenses	<u>1,159</u>
Operating income	<u>957</u>
Nonoperating revenues (expenses):	
Investment income	37
Interest expense	<u>(765)</u>
Net nonoperating expenses	<u>(728)</u>
Increase in net assets	229
Net assets:	
Beginning of year	<u>859</u>
End of year	<u>\$ 1,088</u>

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, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 51,535	48,152
Receipts from and on behalf of patients and third-party payers	201,628	205,864
Receipts from grants and contracts	81,058	80,765
Receipts related to auxiliary enterprises	14,860	17,265
Payments to suppliers and vendors	(107,874)	(120,044)
Payments to employees and related benefits	(332,995)	(322,698)
Payments for scholarships and fellowships	(4,251)	(4,120)
New loans issued to students	(823)	(1,381)
Student loan repayments	634	1,055
Other operating receipts	27,476	36,808
Net cash used in operating activities	<u>(68,752)</u>	<u>(58,334)</u>
Cash flows from noncapital financing activities:		
State appropriations	120,388	101,217
Endowment gifts	3,843	981
Agency funds received	943	654
Agency funds disbursed	(871)	(467)
Stafford and PLUS loans received	62,840	63,079
Stafford and PLUS loans disbursed	(63,070)	(63,485)
Other nonoperating revenues	13,839	18,481
Other nonoperating expenses	(4,776)	(2,009)
Net cash provided by noncapital financing activities	<u>133,136</u>	<u>118,451</u>
Cash flows from capital and related financing activities:		
Capital gifts and grants	19,907	8,747
Purchases of capital assets	(67,400)	(33,972)
Proceeds from sale of capital assets	6,591	1,125
Proceeds from issuance of capital debt	106,780	284
Principal payments on capital debt	(29,625)	(5,907)
Interest payments on capital debt	(5,441)	(5,844)
Net cash provided by (used in) capital and related financing activities	<u>30,812</u>	<u>(35,567)</u>
Cash flows from investing activities:		
Interest and dividends on investments	17,924	8,450
Purchases of investments	(337,919)	(226,628)
Proceeds from sales of investments	244,323	189,698
Net cash used in investing activities	<u>(75,672)</u>	<u>(28,480)</u>
Net increase (decrease) in cash and cash equivalents	19,524	(3,930)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	38,160	42,090
End of year	<u>\$ 57,684</u>	<u>38,160</u>

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (97,005)	(88,256)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	19,059	18,460
Changes in assets and liabilities, net:		
Student receivables	(93)	253
Net patient accounts receivable	(2,917)	4,846
Grants and contracts receivables	(268)	284
Student loan program receivables	(190)	(511)
Other receivables	2,403	(586)
Prepaid expenses, inventories, and other	(1,529)	1,647
Accounts payable and accrued liabilities	9,024	(3,878)
Deferred revenue	2,764	9,407
Net cash used in operating activities	<u>\$ (68,752)</u>	<u>(58,334)</u>
Noncash investing, noncapital financing, and capital and related financing transactions:		
Increase in fair value of investments recognized as a component of investment income	\$ 2,404	2,485
Additional maturity on capital appreciation bonds payable recorded as interest expense	1,468	1,398
Promissory note issued in exchange for land	—	2,927
Gifts of capital assets	—	59
Pledges of operating and capital gifts	2,414	11,235
Capitalization of construction period interest	848	915

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

September 30, 2007 and 2006

(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 (the University), which is a component unit of the State of Alabama. The financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 University, as the primary government, and the accounts of the following entities as component units.

The University has adopted GASB Statement No. 39 which 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. The statement also clarifies reporting requirements for those organizations. Based on these criteria as of September 30, 2007, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units. As of September 30, 2006, the University reported the USA Foundation and USAHSF as discretely presented component units.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF). This entity is not considered a component unit of the University under the provisions of GASB Statement Nos. 14 and 39 because the University does not consider SAMSF significant enough to warrant inclusion in the University's reporting entity (see note 13 for further discussion of this entity).

(b) Professional Liability and General Liability Trust Funds

GASB Statement No. 14 requires the University, as the primary government, to include in its financial statements, as a component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 14. The medical malpractice liability of the University is maintained and managed in a separate professional liability trust fund (the PLTF) in which the University and USAHSF are the only participants. In accordance with the bylaws of the trust fund, the president of the University is responsible for appointing members of the trust fund policy committee. Additionally, the general liability of the University is maintained and managed in a general liability trust fund (the GLTF) for which the University, as defined by

(Continued)

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

Notes to Basic Financial Statements

September 30, 2007 and 2006

GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units.

(c) *University of South Alabama Foundation*

The USA Foundation is a not-for-profit foundation 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, 2007 and 2006 were \$7,011,000 and \$5,996,000, respectively, and are primarily included in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net assets. 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, this discretely presented unit has been included with the most recent fiscal year. The consolidated statements of financial position and the consolidated statements of activities and changes in net assets for the USA Foundation as of and for the years ended June 30, 2007 and 2006 are discretely presented following the statements of net assets and statements of revenues, expenses, and changes in net assets of the University.

(d) *University of South Alabama Health Services Foundation*

The USAHSF is a not-for-profit corporation that exists to provide a group medical practice for physicians who are faculty members of the University and to further medical education and research at the University. Because of the significance of the relationship between the University and USAHSF, USAHSF is considered a component unit of the University. The USAHSF reimburses the University for salaries, certain administrative expenses, Dean's clinical assessment and other support services. Total amounts received and accrued for such expenses were approximately \$40,059,000 and \$38,165,000 for the years ended September 30, 2007 and 2006, respectively, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net assets of the University. The USAHSF presents its financial statements in accordance with standards issued by the FASB. The statements of financial position and the statements of operations and changes in unrestricted net assets for the USAHSF for the years ended September 30, 2007 and 2006 are discretely presented following the statements of net assets and statements of revenues, expenses, and changes in net assets of the University.

(Continued)

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

Notes to Basic Financial Statements

September 30, 2007 and 2006

(e) *USA Research and Technology Corporation*

The 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.

(f) *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. 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.

The University prepares its basic financial statements in accordance with U. S. generally accepted accounting principles, as prescribed by GASB, including all applicable effective statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

(g) *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.

(h) *Cash and Cash Equivalents*

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

(i) *Investments and Investment Income*

Investments are recorded at fair value. The fair value of alternative investments (limited partnerships, private equity securities, etc.) 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 partnership or companies. Because these investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Investments received by gift are

(Continued)

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

Notes to Basic Financial Statements

September 30, 2007 and 2006

recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income.

(j) Accounts Receivable

Accounts receivable primarily result from net patient service revenue. Accounts receivable from affiliates primarily represent amounts due from USAHSF for salaries, and certain administrative and other support services. 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 receivable are recorded net of estimated uncollectible amounts.

(k) Inventories

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

(l) Capital Assets

Capital assets are recorded at cost, if purchased, or at fair value at date of donation. Depreciation is provided over the useful life of each class of depreciable asset 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 assets.

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 assets constructed are capitalized as a component of the cost of acquiring those assets.

During the year ended September 30, 2006, the University adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The implementation of this standard did not have a material impact on the University's basic financial statements.

(Continued)

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

Notes to Basic Financial Statements

September 30, 2007 and 2006

(m) *Deferred Revenue*

Student tuition, fees, and dormitory rentals are deferred and recognized over the applicable portion of each school term.

Operating lease rental payments related to the University's lease of USA Knollwood Hospital to the Infirmary Health System, Inc. (see note 10) are deferred and recognized as revenue over the term of the lease using the straight-line method.

(n) *Classification of Net Assets*

The University's net assets are classified as follows:

Invested in capital assets, net of related debt represents 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 *invested in capital assets, net of related debt*.

Restricted, nonexpendable net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, 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 assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, net patient service revenue, 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 assets 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 assets are 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.

(o) *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 assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is 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

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

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

(p) Donor Restricted Endowments

The University is subject to the "Uniform Management of Institutional Funds Act (UMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The University's endowment spending policy provides that 5% of the three-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 assets.

(q) 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; sales and services of auxiliary enterprises, net of scholarship allowances; most federal, state, and local grants and contracts; and, net patient service revenue.

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

(r) 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.

(s) 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

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

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

(t) Net Patient Service Revenue

Net patient service revenue is 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.

(u) Costs of Borrowing

Debt financing costs and bond premium and discounts are deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond issue.

(v) Compensated Absences

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

(w) Reclassifications

Certain amounts in the 2006 basic financial statements have been reclassified in order to conform to the 2007 classification.

(2) Income Taxes

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

In addition, the University's discretely presented component units are tax-exempt entities under section 501(a) of the Internal Revenue Code as organizations described in section 501(c)(3). Consistent with that designation, no provision for income taxes has been made in the accompanying discretely presented financial statements.

(3) Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

with QPD institutions. At September 30, 2007, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$7,740,541,068. The University had cash and cash equivalents totaling \$57,684,000 and \$38,160,000 at September 30, 2007 and 2006, respectively.

(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 pooled 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 of 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, investments of the University's component units both blended and discretely presented are subject to UMIFA as well as any requirements placed on them by contract or donor agreements.

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

Investments of the University, by type, at fair value, are as follows at September 30, 2007 and 2006 (in thousands).

	<u>2007</u>	<u>2006</u>
U.S. Treasury notes	\$ 14,402	12,274
U.S. Federal agency notes	103,572	42,232
Commercial paper	100,554	92,600
Pooled equity mutual funds	35,938	23,964
Pooled debt mutual funds	12,710	2,116
Managed income alternative investments (limited partnerships, private equity securities and other)	10,532	6,318
Other	255	419
	<u>\$ 277,963</u>	<u>179,923</u>

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

At September 30, 2007 and 2006, \$5,182,000 and \$2,957,000, respectively, of appreciation in fair value of investments of donor-restricted endowments was recognized and are included in restricted expendable net assets in the accompanying statements of net assets.

Credit Risk and Concentration of Credit Risk

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.

The University's exposure to credit risk and concentration of credit risk at September 30, 2007 is as follows:

	<u>Credit rating</u>	<u>% of total investments</u>
Federal Home Loan Mortgage Corporation	AAA	16.4%
Federal Home Loan Bank Corporation	AAA	14.2
G. E. Capital Corporation	A-1+	10.7
UBS Finance	A-1+	9.0
AIG Funding Corporation	A-1+	7.7
Federal National Mortgage Association	AAA	6.2
American Express Credit Corporation	A-1	5.2
Common - Bond Fund	AA	4.6
Citigroup Funding, Inc.	A-1+	3.5
Federal Farm Credit Banks Funding Corporation	AAA	0.4
Government National Mortgage Association	AAA	0.1

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

The University's exposure to credit risk and concentration of credit risk at September 30, 2006 is as follows:

	<u>Credit rating</u>	<u>% of total investments</u>
Federal Home Loan Mortgage Corporation	AAA	13.9%
Citigroup Funding, Inc.	A1+	12.7
G. E. Capital Corporation	A-1	8.8
LaSalle Bank Corporation	A1+	6.7
Bear Stearns Company, Inc	A1+	6.0
American Express Credit Corporation	A1+	6.0
Federal National Mortgage Association	AAA	6.0
AIG Funding Corporation	A1+	5.5
Societe Generale	A1+	5.4
Federal Home Loan Bank Corporation	AAA	3.4
Common - Bond Fund	AA	1.2
Federal Farm Credit Banks Funding Corporation	AAA	0.2
Government National Mortgage Association	AAA	0.1

Interest Rate Risk

At September 30, 2007, the maturity dates of the University's debt investments were as follows (in thousands):

	<u>Fair value</u>	<u>Years to maturity</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasury notes	\$ 14,402	3,240	11,162	—	—
U.S. Federal agency notes	103,572	86,232	16,187	757	396
Commercial paper	100,554	100,554	—	—	—
Pooled debt mutual funds	12,710	—	—	12,710	—
	<u>\$ 231,238</u>	<u>190,026</u>	<u>27,349</u>	<u>13,467</u>	<u>396</u>

At September 30, 2006, the maturity dates of the University's debt investments were as follows (in thousands):

	<u>Fair value</u>	<u>Years to maturity</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasury notes	\$ 12,274	4,767	7,507	—	—
U.S. Federal agency notes	42,232	28,218	13,186	731	97
Commercial paper	92,600	91,613	987	—	—
Pooled debt mutual funds	2,116	—	2,116	—	—
	<u>\$ 149,222</u>	<u>124,598</u>	<u>23,796</u>	<u>731</u>	<u>97</u>

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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September 30, 2007 and 2006

Because the debt mutual funds had a weighted average maturity of 6.5 and 5.2 years, the investments were presented in the 6-10 year and the 1-5 year maturity category at September 30, 2007 and 2006, respectively.

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.

Mortgage-Backed Securities

The University, from time to time, invests in mortgage-backed securities issued by the Government National Mortgage Association (GNMA) and the Federal National Mortgage Association (FNMA), agencies 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.

The fair value of mortgage-backed securities is generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities include collateralized mortgage obligations (CMOs). In CMOs, the cash flow from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets. There are no CMOs in the University's investment portfolio at September 30, 2007 or 2006.

At September 30, 2007, restricted investments consist of \$73,181,000 related to unspent bond proceeds and \$49,869,000 related to investments included in the PLTF and GLTF to pay insurance liability claims. At September 30, 2006, restricted investments consist of \$10,852,000 related to unspent bond proceeds and \$39,260,000 related to investments included in the PLTF and GLTF to pay insurance liability claims.

(b) University of South Alabama Foundation

Investments in securities consist primarily of marketable equity securities totaling \$142,709,000 and \$121,762,000, at June 30, 2007 and 2006, respectively.

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UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

Investment income was comprised of the following for the years ended June 30, 2007 and 2006 (in thousands):

	<u>2007</u>	<u>2006</u>
Unrealized gains	\$ 28,451	32,437
Realized gains	1,970	1,512
Timber sales	5,373	15,330
Interest and dividends	3,240	2,543
Rents	549	462
Royalties	149	280
	<u>\$ 39,732</u>	<u>52,564</u>

Investment related expenses in the amount of \$339,000 and \$335,000, respectively, are included in the USA Foundation's management and general expenses in the accompanying 2007 and 2006 consolidated statements of activities and changes in net assets.

Real estate at June 30, 2007 and 2006 consisted of the following property held (in thousands):

	<u>2007</u>	<u>2006</u>
Land and land improvements – held for investment	\$ 16,525	16,429
Building and building improvements – held for investment	5,588	5,072
	22,113	21,501
Less accumulated depreciation	3,319	3,096
	<u>\$ 18,794</u>	<u>18,405</u>

Depreciation expense on real estate available for rent and occupied was \$223,000 and \$245,000 in 2007 and 2006, respectively.

Timber and mineral properties are stated at fair market 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.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the year ended September 30, 2007 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated:					
Land	\$ 28,490	994	—	(213)	29,271
Construction-in-progress	45,671	47,118	(27,961)	—	64,828
	<u>74,161</u>	<u>48,112</u>	<u>(27,961)</u>	<u>(213)</u>	<u>94,099</u>
Capital assets being depreciated:					
Land improvements	17,470	45	4,373	—	21,888
Buildings, fixed equipment, and infrastructure	287,227	3,051	22,916	(14,443)	298,751
Other equipment	88,341	14,234	672	(4,100)	99,147
Library materials	38,039	2,480	—	—	40,519
	<u>431,077</u>	<u>19,810</u>	<u>27,961</u>	<u>(18,543)</u>	<u>460,305</u>
Less accumulated depreciation for:					
Land improvements	(9,910)	(837)	—	—	(10,747)
Buildings, fixed equipment, and infrastructure	(156,819)	(7,671)	—	5,086	(159,404)
Other equipment	(62,966)	(9,021)	—	3,822	(68,165)
Library materials	(27,668)	(1,530)	—	—	(29,198)
	<u>(257,363)</u>	<u>(19,059)</u>	<u>—</u>	<u>8,908</u>	<u>(267,514)</u>
Capital assets being depreciated, net	<u>173,714</u>	<u>751</u>	<u>27,961</u>	<u>(9,635)</u>	<u>192,791</u>
Capital assets, net	<u>\$ 247,875</u>	<u>48,863</u>	<u>—</u>	<u>(9,848)</u>	<u>286,890</u>

At September 30, 2007, the University had commitments of approximately \$55,408,000 related to various construction projects.

During the year ended September 30, 2007, the University sold Buildings II and III in the USA Technology and Research Park to the Corporation for proceeds of approximately \$11,986,000 and recognized a gain of approximately \$2,638,000.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
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Notes to Basic Financial Statements

September 30, 2007 and 2006

A summary of the University's capital asset activity for the year ended September 30, 2006 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated:					
Land	\$ 23,886	3,746	895	(37)	28,490
Construction-in-progress	28,078	24,619	(6,907)	(119)	45,671
	<u>51,964</u>	<u>28,365</u>	<u>(6,012)</u>	<u>(156)</u>	<u>74,161</u>
Capital assets being depreciated:					
Land improvements	17,434	36	—	—	17,470
Buildings, fixed equipment, and infrastructure	285,604	1,838	5,029	(5,244)	287,227
Other equipment	96,066	4,626	983	(13,334)	88,341
Library materials	35,527	2,512	—	—	38,039
	<u>434,631</u>	<u>9,012</u>	<u>6,012</u>	<u>(18,578)</u>	<u>431,077</u>
Less accumulated depreciation for:					
Land improvements	(8,973)	(937)	—	—	(9,910)
Buildings, fixed equipment, and infrastructure	(154,524)	(7,518)	—	5,223	(156,819)
Other equipment	(66,075)	(8,333)	—	11,442	(62,966)
Library materials	(25,996)	(1,672)	—	—	(27,668)
	<u>(255,568)</u>	<u>(18,460)</u>	<u>—</u>	<u>16,665</u>	<u>(257,363)</u>
Capital assets being depreciated, net	<u>179,063</u>	<u>(9,448)</u>	<u>6,012</u>	<u>(1,913)</u>	<u>173,714</u>
Capital assets, net	<u>\$ 231,027</u>	<u>18,917</u>	<u>—</u>	<u>(2,069)</u>	<u>247,875</u>

At September 30, 2006, the University had commitments of approximately \$30,042,000 related to various construction projects.

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APPENDIX B
PROPOSED FORM OF OPINION OF BOND COUNSEL

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(Form of Opinion of Bradley Arant Rose & White LLP)

(Dated the date of delivery of the Series 2008 Bonds)

We have examined the Constitution and laws of the State of Alabama and certified copies of proceedings of the Board of Trustees of the University of South Alabama (herein called the "University") and other documents submitted to us pertaining to the issuance and validity of

\$ _____
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Capital Improvement Bonds
Series 2008
Dated September 1, 2008

(herein called the "Series 2008 Bonds"). The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said constitution, laws and proceedings.

The documents submitted show as follows:

(1) that the Series 2008 Bonds have been issued under a Trust Indenture dated as February 15, 1996, as heretofore supplemented and as further supplemented by a Sixth Supplemental Trust Indenture, dated as of September 1, 2008, between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (herein together called the "Indenture"), wherein there has been pledged for payment of all bonds issued thereunder so much as may be necessary therefor of (a) the proceeds of the general tuition fees levied against all students attending the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"); and

(2) that the University is authorized under the Indenture to issue, without express limit as to principal amount but only upon compliance with certain conditions precedent specified in the Indenture, additional bonds secured by a pledge of the Pledged Revenues on a parity with all other bonds issued under the Indenture and at any time outstanding.

We are of the following opinion: that the University exists as a public corporation under the laws of the State of Alabama and has corporate power to issue the Series 2008 Bonds and to execute and deliver the Indenture; that the Series 2008 Bonds have been duly authorized, sold, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and evidence valid and binding limited or special obligations of the University payable, as to principal and interest, solely out of the Pledged Revenues; that the payment of the principal of and the interest on the Series 2008 Bonds is secured, pro rata and without preference or priority of one over another and on a parity with Bonds previously issued under the Indenture and with all Additional Bonds hereafter issued under the Indenture, by a pledge of the Pledged

Revenues and the provisions of the Indenture; that the said pledge is valid, subject to all lawful prior charges on the Pledged Revenues; and that the Indenture has been duly authorized, executed and delivered on behalf of the University.

We are of the further opinion that, under the Internal Revenue Code of 1986 (herein called the "Code"), as presently construed and administered, and assuming continuing compliance by the University with its covenants (set forth in the Indenture) pertaining to certain requirements of the Code, (i) the interest income on the Series 2008 Bonds will be excludable from the gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103 of the Code and, therefore, will be exempt from present federal income taxation, and (ii) the interest income on the Series 2008 Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations imposed by Section 55 of the Code. We call to your attention, however, that a portion of the interest income on the Series 2008 Bonds will be included in alternative minimum taxable income of corporations for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code. We express no opinion with respect to the federal income tax consequences to the recipients of the interest income on the Series 2008 Bonds except as stated above.

We are of the opinion that the interest income on the Series 2008 Bonds is, under existing statutes and regulations as presently construed, exempt from Alabama income taxation.

The rights of the owners of the Series 2008 Bonds and the enforceability of the Series 2008 Bonds and the Indenture may be subject to all applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and that the enforcement of each may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, adequacy, or completeness of the official Statement of the University relating to the Series 2008 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2008 Bonds other than as expressly set forth herein.

Neither the principal of nor the interest on the Series 2008 Bonds nor the aforesaid pledge or any other agreements contained in the Indenture constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2008 Bonds nor any obligation arising from said pledge or other agreements are payable out of any moneys appropriated to the University by the State of Alabama.

This opinion is given as of the date hereof and we assume no obligation to or update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours very truly,

APPENDIX C
SUMMARY OF
CONTINUING DISCLOSURE AGREEMENT

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APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the University, for the benefit of the holders of the Series 2008 Bonds, in order to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in the Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report of the University. The University agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the State of Alabama, in each case as designated by the Commission in accordance with the Rule, not later than six months after the close of each fiscal year of the University (October 1 - September 30) commencing after September 30, 2008, the following annual financial information and operating data (the "University Annual Report"):

- (1) the audited financial statements of the University and notes thereto;
- (2) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Series 2008 Bonds;
- (3) the schedule of undergraduate and graduate fees and Medical College fees;
- (4) the receipts from application fees, course fees, registration fees, change course fees and out-of-state fees;
- (5) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;
- (6) the number of degrees awarded, by type of degree, for the academic year ending within the fiscal year covered by the University Annual Report; and
- (7) a statement of the direct State appropriations authorized and received, the State appropriations received for employee benefits and the total State appropriations received.

Notice of Material Events. The University agrees to provide or cause to be provided, in a timely manner, (i) to each NRMSIR or to the Municipal Securities Rulemaking Board and (ii) to the SID for the State of Alabama, if any, notice of the occurrence of any of the following events with respect to the Series 2008 Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2008 Bonds;

(vii) modifications of the rights of holders of the Series 2008 Bonds;

(viii) calls for redemption, other than scheduled mandatory redemption, of any of the Series 2008 Bonds;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2008 Bonds;
or

(xi) rating changes.

Additional Information. The University may from time to time choose to provide other information in addition to the information and notices listed above, but the University does not undertake in the Agreement to commit to provide any such additional information or to update or to continue to provide such additional information or notices once provided.

Beneficiaries and Enforcement. The University agrees that its undertakings pursuant to the Rule set forth in the Agreement are intended to be for the benefit of the holders of the Series 2008 Bonds and shall be enforceable by such holders. No failure by the University to comply with its obligations under the Agreement shall constitute an event of default under the Indenture.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources the University and the Underwriters believe to be reliable, but neither the University nor the Underwriters takes responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The 2008 Bonds will be issued as fully-registered 2008 Bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2008 Bonds. Purchasers of such 2008 Bonds will not receive physical delivery of Bond certificates. For purposes of this Official Statement, so long as all of the 2008 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the 2008 Bonds. The 2008 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee ("Cede") or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2008 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest Rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2008 Bonds, in the denomination of \$5,000 principal amount or any integral multiple of \$5,000 in excess thereof, under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected, however, to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2008 Bonds, except in the event that use of the book-entry system for the 2008 Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other nominee as may be requested by an authorized representative of DTC. The deposit of 2008 Bonds with DTC and their registration in the name of Cede or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2008 Bonds to be redeemed.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2008 Bonds will be made by the Trustee to Cede or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the University or Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2008 BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2008 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE AUTHORIZING ORDINANCE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE 2008 BONDS WITH RESPECT TO LESS THAN ALL OF THE 2008 BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDHOLDER.

APPENDIX E

**FORM OF FINANCIAL GUARANTY INSURANCE POLICY
TO BE ISSUED BY BERKSHIRE HATHAWAY ASSURANCE CORPORATION**

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**BERKSHIRE HATHAWAY
ASSURANCE CORPORATION**
NEW YORK, NEW YORK

**FINANCIAL GUARANTY
INSURANCE POLICY**

DECLARATIONS

Policy No.:

Issuer:

Description of Obligations:

Fiscal Agent:

Premium:

Effective Date:

Endorsements:

INSURANCE POLICY TERMS AND CONDITIONS (Primary)

Berkshire Hathaway Assurance Corporation ("BHAC"), a New York corporation, in consideration of the payment of the Premium and subject to the terms and conditions of this Policy (which includes any endorsement hereto), hereby agrees unconditionally and irrevocably to pay U.S. Bank National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of the Holders of the Obligations (as set forth in the Bond Ordinance, bond resolution and other applicable authorizing documents providing for the issuance of and securing the Obligations), that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BHAC will pay an amount equal to such Insured Payments to the Fiscal Agent on the later to occur of (i) the Business Day following the day on which BHAC shall have Received a completed Notice of Nonpayment, or (ii) the date applicable principal or interest becomes Due for Payment. If a Notice of Nonpayment to BHAC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and BHAC shall promptly give notice to the Fiscal Agent that the purported Notice of Nonpayment is not deemed Received. Upon receipt of such notice, the Fiscal Agent may submit an amended Notice of Nonpayment. The Fiscal Agent will disburse the amounts paid to it by BHAC in respect of such Insured Payments to the Holders only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including, without limitation, any appropriate instruments of assignment, that all of the Holder's rights to payment of such Insured Payments shall thereupon vest in BHAC. Upon such disbursement, BHAC shall become the owner of the Obligation, appurtenant coupon (if any) or right to payment of such Insured Payments and any interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including the Holder's right to payment thereof. Payment by BHAC to the Fiscal Agent for the benefit of the Holders shall discharge the obligation of BHAC under this Policy to the extent of such payment.

This Policy is non-cancelable by BHAC for any reason. The Premium on this Policy is not refundable for any reason, including the payment prior to maturity of the Obligations. This Policy does not insure against any acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of BHAC, nor does this Policy insure against any risk other than Nonpayment.

Except to the extent expressly modified by the Declarations to this Policy or any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy.

"Avoided Payment" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to any applicable bankruptcy law in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) any day on which the offices of the Fiscal Agent are authorized or required by law, executive order or governmental decree to be closed.

"Due for Payment" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory

sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BHAC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest.

“Holder” means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations.

“Insured Payments” means the principal of and interest on the Obligations that shall become Due for Payment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Issuer to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Issuer by reason of such failure.

“Nonpayment” means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term “Nonpayment” in respect of an Obligation includes any Avoided Payment.

“Notice” means telephonic or telegraphic notice subsequently confirmed in writing, or written notice given by overnight or other delivery service, or by certified or registered United States mail, from a Holder or a paying agent for the Obligations to BHAC. Notices to BHAC may be mailed by certified mail or may be delivered by telecopier to facsimile number (203) 363 5221, attn: Bond Insurance Claims, or to such other address as shall be specified by BHAC to the Fiscal Agent in writing.

“Obligation” means the bonds stated in the Declarations.

“Receipt” or “Received” means actual receipt of Notice of or, if Notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of BHAC.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAWS. Payments under this Policy may not be accelerated except at the sole option of BHAC.

Premium is due not later than the Effective Date.

This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, BHAC has caused this Policy to be executed on its behalf by its duly authorized officer, and to become effective and binding upon BHAC by virtue of such signature.

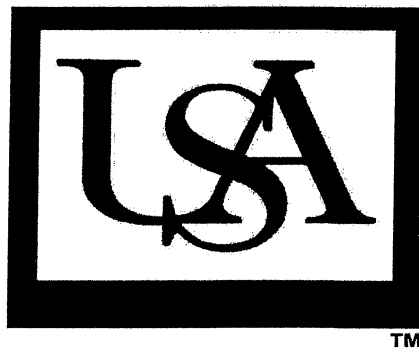
BERKSHIRE HATHAWAY ASSURANCE CORPORATION

By. _____
Name: _____
Title: _____

ATTEST:

By. _____
Name: _____
Title: _____





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CONTINUING DISCLOSURE AGREEMENT

by

UNIVERSITY OF SOUTH ALABAMA

for the benefit of

**BENEFICIAL OWNERS OF
UNIVERSITY OF SOUTH ALABAMA
UNIVERSITY FACILITIES REVENUE CAPITAL IMPROVEMENT BONDS
SERIES 2008
DATED SEPTEMBER 1, 2008**

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the "Agreement") by **UNIVERSITY OF SOUTH ALABAMA**, a public corporation under the laws of the State of Alabama (the "University"), for the benefit of the **BENEFICIAL OWNERS OF UNIVERSITY OF SOUTH ALABAMA UNIVERSITY FACILITIES REVENUE CAPITAL IMPROVEMENT BONDS, SERIES 2008**, dated September 1, 2008, originally issued in the original aggregate principal amount of \$ _____ (the "Bonds").

R E C I T A L S:

The Bonds are proposed to be issued by the University on or about September ____, 2008, and are subject to the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. The University understands that a failure of the University to comply with the provisions of this Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market and that such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

NOW, THEREFORE, the University does hereby undertake and agree with the Beneficial Owners of the Bonds as follows:

Section 1. Purpose. This Agreement is being executed and delivered by the University for the benefit of the Beneficial Owners of the Bonds and in order for the underwriters of the Bonds to be in compliance with SEC Rule 15c2-12(b)(5) (the "Rule"). As required by the Rule, this Agreement is enforceable by Beneficial Owners of the Bonds pursuant to Section 9 of this Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Official Statement with respect to the Bonds, which apply to any capitalized term used in this Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"Listed Events" shall mean any of the events with respect to the Bonds listed in Section 5(a) of this Agreement.

"Municipal Securities Rulemaking Board" shall mean the Municipal Securities Rulemaking Board, whose address is:

Municipal Securities Rulemaking Board
1818 N Street, N.W.
Suite 800
Washington, D.C. 20036-2491
Tel: (202) 223-9347
Fax: (202) 872-0347

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "1934 Act").

"State Repository" shall mean any public or private repository or entity as may be designated by the State of Alabama as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

"University Annual Report" shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Agreement.

Section 3. Undertaking. The University hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided, not later than six months after the close of each fiscal year of the University, commencing with the fiscal year that will end September 30, 2008, to each Repository a University Annual Report in compliance with the provisions of Section 4 of this Agreement. The University further agrees, in accordance with the provisions of the Rule, to file in a timely manner a notice of any failure so to provide or cause to be provided the University Annual Report or any part thereof, such notice to be filed with each National Repository or the Municipal Securities Rulemaking Board and with the State Repository.

Section 4. University Report. (a) The University Annual Report shall contain or incorporate by reference the following:

- (1) the audited financial statements of the University and notes thereto;
- (2) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;

(3) the undergraduate enrollment by division, and graduate and professional enrollment by division, for the fall term commencing within the fiscal year covered by the University Annual Report;

(4) the schedule of undergraduate and graduate fees and Medical College fees;

(5) the receipts from application fees, course fees, registration fees, change course fees and out-of-state fees and the student facilities fee;

(6) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;

(7) the number of degrees awarded, by type of degree, for the academic year ending within the fiscal year covered by the University Annual Report; and

(8) the direct State appropriations authorized and received, the State appropriations received for employee benefits and the total State appropriations received.

(b) Any one or more of the items listed above may be included by reference from other documents, including official statements of debt issues of the University or related public entities, which have been submitted to each of the Repositories. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The University shall clearly identify each such other document so included by reference in the University Annual Report.

Section 5. Events. (a) The following constitute Listed Events for purposes of this Agreement:

- (1) principal and interest payment delinquencies,
- (2) non-payment related defaults,
- (3) unscheduled draws on debt service reserves reflecting financial difficulties,
- (4) unscheduled draws on credit enhancements reflecting financial difficulties,
- (5) substitution of credit or liquidity providers, or their failure to perform,
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds,

- (7) modifications to rights of holders of the Bonds,
- (8) calls for redemption, other than scheduled mandatory redemption, of the Bonds,
- (9) defeasances,
- (10) release, substitution, or sale of property securing repayment of the Bonds, and
- (11) rating changes respecting the Bonds.

(b) Whenever the University obtains knowledge of the occurrence of a Listed Event, the University shall as soon as possible take such steps as are necessary to determine if such event would constitute material information within the meaning of the 1934 Act.

(c) If the University has determined that the occurrence of a Listed Event is material, the University shall file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and with each State Repository and shall also notify Ambac Assurance Corporation..

Section 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any University Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to include any information in any University Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the University shall have no obligation under this Agreement to update such information or include it in any future University Annual Report or notice of occurrence of a Listed Event.

Section 7. Termination. The University reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

Section 8. Amendment, Waiver. Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Default. (a) In the event of a failure of the University to provide the Repositories the University Annual Report as required by this Agreement, the Beneficial

Owner of any Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the University to comply with its obligations to provide University Annual Reports under this Agreement.

(b) A default under this Agreement shall not be deemed a default with respect to the Bonds under the University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008 (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture") or otherwise, and the sole remedy under this Agreement in the event of any failure of the University to comply with this Agreement shall be an action to compel performance.

(c) The University shall not be in default in any of its undertakings under this Agreement until ten days after it shall have received notice from a Beneficial Owner that such default has occurred; provided, that such period shall be extended to thirty days if, upon receipt of such notice, the University has begun to comply with the provisions hereof and has taken all steps then available to it to assure such compliance but, because of circumstances beyond the University's control, it is unable to accomplish such compliance within the ten-day period.

Section 10. Certain Parties Not Liable; Expenses. None of the group comprised of the trustee under the Indenture, the paying agent for the Bonds, the registrar for the Bonds, the depository for any of the special funds with respect to the Bonds, the underwriter of the Bonds, the bond counsel delivering an approving opinion with respect to the Bonds, the underwriter's counsel and the counsel for the University shall have any liability or responsibility for compliance by the University with its undertakings herein, and if the University obtains from any person, firm, corporation or entity assistance in complying with its undertakings herein, it will compensate such person, firm, corporation or entity in a reasonable and timely manner for such assistance as it may render to the University.

Section 11. Contract. This undertaking shall constitute a contract between the University and the Beneficial Owners of the Bonds, but no other person, firm, corporation or entity shall have any rights hereunder.

IN WITNESS WHEREOF, this Agreement has been duly authorized by the University and has been executed on behalf of the University by its President and attested by the Secretary of its Board of Trustees, all as of the _____ day of September, 2008.

UNIVERSITY OF SOUTH ALABAMA

By _____
Its President

Attest:

Secretary of Its Board of Trustees



New Issue: University of South Alabama, AL

MOODY'S UPGRADES UNIVERSITY OF SOUTH ALABAMA'S REVENUE BONDS TO A1 FROM A2 AND ASSIGNS A1 RATING TO THE \$130 MILLION SERIES 2008 UNIVERSITY FACILITIES REVENUE CAPITAL IMPROVEMENT BONDS; OUTLOOK IS STABLE AT HIGHER RATING

UNIVERSITY HAS \$323 MILLION OF PRO FORMA RATED DEBT; UPGRADE AFFECTS \$203 MILLION OF DEBT

Higher Education
AL

Moody's Rating

ISSUE	RATING
University Facilities Revenue Capital Improvement Bonds, Series 2008	A1
Sale Amount	\$130,315,000
Expected Sale Date	09/15/08
Rating Description	Public University Revenue Bonds

Moody's Outlook Stable

Opinion

NEW YORK, Aug 26, 2008 -- Moody's Investors Service has assigned an A1 underlying rating to the University of South Alabama's (USA) \$130 million University Facilities Revenue Capital Improvement Bonds, Series 2008. Concurrently, Moody's has upgraded to A1 from A2 the underlying ratings on the University's outstanding rated revenue debt detailed at the end of the report in RATED DEBT. The rating outlook is stable.

The upgrade reflects the University's continued healthy operating performance which has aided unrestricted financial resource growth, established market position with continued enrollment growth and an improving relationship with the University's Foundation.

USE OF PROCEEDS: Proceeds will be used to finance certain projects of the University's capital improvement plan including construction of an addition to the University's Children's and Women's Hospital.

LEGAL SECURITY: The Series 2008 bonds are secured by pledged revenues including tuition, student fees, auxiliary enterprise revenues and the University's Children's and Women's Hospital Revenues in an amount not exceeding \$10 million. The Series 2008 is on parity with the University's outstanding rated debt thus the newly expanded pledge will be applied to all outstanding bonds. USA can issue additional bonds on a parity basis with this pledge as long as the future issue passes the additional bonds test where the pledged revenue covers maximum annual debt service 1.25 times.

INTEREST RATE DERIVATIVES: None

STRENGTHS

*Based in Mobile, Alabama, the University has an established market position with continued enrollment growth as a regional public university of 11,114 full time equivalent students in fall 2008 with focus on health sciences, technology and applied educational offerings.

*Healthy growth in total financial resource base of \$541 million in FY 2007 bolstered by retained surpluses, improved relationship with the University's foundation and new fundraising efforts.

* Strong operating performance with a 7.6% three-year average operating margin in fiscal 2007.

* Broadened revenue pledge on outstanding University debt with the inclusion of auxiliary revenues and \$10 million annual of the revenues from the University's Children and Women's Hospital, provide healthy pro-forma maximum annual debt service coverage of 3.5 times in fiscal 2007.

CHALLENGES

*Approximately 44% of the University's consolidated revenue base derived from patient care, a potentially volatile revenue stream, although hospital operations have improved recently.

*Managing concentration risk of investments at the USA Foundation due to large directly-managed timber holdings which represent 51% of the portfolio.

* Weakened state funding environment, with the University's receiving approximately 10% cut for fiscal 2009. The University plans to offset this loss with enrollment growth, tuition increases and other costs savings.

*Limited fundraising track record; although the University has closed in on its \$65 million target for its first capital campaign

*Flat state demographics for high school graduates over the next 10 years as the University works to attract students and competes against other comprehensive public institutions in the state of Alabama.

MARKET POSITION/COMPETITIVE STRATEGY: ESTABLISHED REGIONAL MARKET POSITION WITH HEALTH SCIENCE APPLIED EDUCATIONAL FOCUS; CONTINUED ENROLLMENT GROWTH

We believe the University of South Alabama (USA) is well-positioned to maintain its sound regional market position. The University continues to experience enrollment growth, with total enrollment reaching 11,114 full-time equivalent (FTE) students for Fall 2007, a healthy 5.6% increase from last year and over a 15% increase since 2002. Management expects similar enrollment figures for fall 2008 as the University continues to see growth in freshman and transfer applications.

USA mainly serves Mobile, Alabama (GO rated A1) and the surrounding areas with about 24% of students coming from out-of-state, primarily from Florida and Mississippi. Undergraduates comprise approximately 80% of the enrollment. The University has an access-oriented mission and therefore is not selective, accepting approximately 89% of freshman applicants in 2007. The yield rate was a healthy 55%, highlighting its solid market position within the region. Though the demographic trend for high school graduates in the State of Alabama is essentially flat, Moody's believes the University will maintain its market position as a public research university with a health sciences emphasis due in part to its diverse yet practical offerings in business, technology, and education. The University has diverse program offerings with nine colleges and schools, including Alabama's second state-supported medical school. The applied education focus drives greater participation rates and USA has experienced a trend in students shifting from part-time to full-time study.

The University's health related academic offerings include a nursing and medical school which benefit from the clinical learning opportunities of a University-run healthcare system. The System serves Mobile and the surrounding counties with two hospitals: the 406 bed USA Medical Center with a level one trauma center, burn unit and transplant program; and the USA Children and Women's Hospital, a 152 bed facility specializing in gynecological, pediatric and obstetric care including high risk deliveries. Each facility offers residency programs to the University's medical school. As academic medical centers, both hospitals provide care to a large number of Medicaid (in particular the Children's Hospital) and indigent patients. In 2006, the USA Hospital management team partnered with the Infirmary Health System of Alabama, a local health care system, to provide alternative ways to deliver academic programs to help mitigate the financial and competitive risks in the greater Mobile market. The USA Health System entered into a lease agreement with the Infirmary Health System to run its Knollwood Facility, which was operating at a loss.

OPERATING PERFORMANCE: STRONG OPERATION PERFORMANCE PROVIDES HEALTHY DEBT SERVICE COVERAGE; STRENGTHENED PLEDGED REVENUES

Moody's anticipates that USA will continue to generate healthy operating surpluses, with available cash flow comfortably covering debt service due to prudent fiscal management. In fiscal 2007, the University achieved a 6.5% three-year average operating margin. The University has demonstrated good growth in net tuition per student (\$5,169 in fiscal 2007) as well. Student charges, including net tuition, fee and auxiliary revenues comprise approximately 14% of the University's operating revenue.

Historic pledged revenues which include tuition and certain student fees provided healthy coverage at 4.7 times. Going forward, a maximum of \$10 million annually from Children's and Women's Hospital (USACW) will be added to this pledge, with the intent that these revenues will provide debt service for the Hospital's \$70 million portion of the current borrowing. In addition, the pledge will include auxiliary enterprise revenues of the dormitory and dining service. By including these additional revenue streams, fiscal 2007 debt service coverage increases to a robust 6.4 times. Pro-forma maximum annual debt service coverage is also healthy

at 3.5 times. Additionally, although not formally included into pledged revenues, the University will be allowed to use \$3.3 million annually of the University Foundation's annual distribution toward the Children's and Women's Hospital expansion program, including debt service. Moody's believe this newly enhanced pledge gives additional strength to bond holders through added cushion to already healthy coverage levels.

Over the past several years, state appropriations had dramatically increased. In fiscal 2007, state appropriations increased 19% to \$120.4 million, comprising approximately 23% of the University operating revenues. In fiscal 2008, appropriations increased again by 15% to \$138 million, however the near-term outlook for state appropriations remains pressured with a 10.6% decrease expected in fiscal 2009. The University plans to offset the loss in large part through enrollment growth, a 12% tuition increase and other cost savings. Moody's expects operations to remain strong given conservative budgeting and historically strong operating results. Additional comfort is provided by the State's education trust fund rainy day account that can be tapped to reduce any necessary proration of budgeted amounts from the Fund. The rainy day account is estimated to have approximately \$248 million to support the K-12 and higher education systems in the state.

Moody's Aa2 general obligation rating of Alabama reflects a state that has strong financial management practices and a low debt burden, compensating for relatively weak economic characteristics. Alabama's economy has demonstrated signs of improvement, though its severe poverty, and low educational attainment still indicate underperformance relative to the nation. Manufacturing employment has been benefiting from the presence of four automobile assembly operations. There is potential for further improvement in the state's economic standing, particularly in view of its new economic development efforts. For more information on our general obligation rating of the State of Alabama please see the report dated July 18, 2007.

With continued improvement in relations with its affiliated USA Foundation, the University has received annual contributions of approximately \$6.5 million over the past two years (FY2006 and 2007), roughly equating to a 2.4% draw on its investments, well below the standard 5%. Beginning in fiscal 2009, the Foundation has formally committed through a resolution to increasing its distribution to the University to 3% of the three-year rolling average (if they meet their investment return target) of its Disproportionate Share Funds. This would equate to approximately \$4.3 million in fiscal 2010, of which \$3.3 million will be used to provide for debt service related to the Hospital's \$70 million portion of the current borrowing.

Patient care activities, including physician practices and the two University hospitals (USA Medical Center and Children's and Women's Hospital), constitute the largest share of total University operating revenue at 40%. This degree of exposure to the healthcare market is high, and continues to represent a meaningful risk element in the University's credit profile. This is due to the volatility of the healthcare industry, driven by patient volumes and third party payor reimbursement issues, particularly with USA's continued high exposure to Medicaid (30%) and indigent care, although management notes reimbursement rates have been historically healthy. We believe, however, that the sector risk is somewhat mitigated by the Hospital's sound strategy, including its partnering with Infirmary Health System for sharing of medical services, its solid market position, and conservative budgeting which does not consider Medicaid disproportionate share revenue (\$5.4 million for FY 2007) as operating revenue. The hospitals are also the sole regional providers of certain unique services including high risk delivery services, transplant surgery and gynecological oncology.

BALANCE SHEET POSITION: CONTINUED GROWTH IN FINANCIAL RESOURCE BASE PROVIDING ADEQUATE CUSHION FOR PRO-FORMA DEBT AND OPERATIONS; IMPROVED RELATIONSHIP WITH THE FOUNDATION EXPECTED TO LEAD TO INCREASED DISTRIBUTION TO UNIVERSITY

In fiscal 2007, the University's total resources, including the \$320 million of Foundation resources reached \$541 million, nearly a 16% increase from the previous year. Although this current borrowing increases the University's debt by almost 40%, expendable resources of \$353 million cover pro-form debt an adequate 1.1 times and nearly three-quarters of a year of operations. Our current approach includes the Foundation's resources as a cushion for debt and operations, however if relations with the University become strained again and possibly impact USA's accessibility to the Foundation, the University's own unrestricted resources cover debt by a more modest 0.5 times and annual operations by 0.35 times in fiscal 2007.

Moody's expects growth in resources from recent fundraising efforts. In April 2006, the University launched its first annual campaign with a \$75 million goal. Expected to be complete by the end of this year, the University has raised approximately \$68 million (\$46 million in cash, \$22.4 million in pledges). The campaign will finance a variety of capital projects, enhance programmatic investments, endowment growth, and other University priorities.

The Foundation still maintains an atypical 51% allocation to direct timber investments. Moody's believes that the Foundation must manage the concentration risk of this unique portfolio closely. The Foundation maintains a staff exclusively dedicated to managing this resource spanning 77,000 acres in Alabama and Mississippi. On a positive note, the Foundation no longer has any debt or swaps associated with its timber investment.

In 2006, the University leased land to a developer, Campus Crest, to construct apartment style housing. The project was successfully completed and is now at 80% occupancy. Moody's has incorporated \$25 million of debt associated with this privatized student housing project as indirect debt given its importance and location on campus.

Future capital plans associated with the USA Research and Technology Corporation may include indirect debt for the University. The Corporation is contemplating building a conference and wellness center on land leased from the University to support the Research Park. USA is not certain of the commitment or timing of that project. Moody's believes that USA does have some capacity to absorb these additional borrowing plans without jeopardizing its credit rating.

Outlook

Moody's stable outlook reflects continued healthy operating performance, sustained market position, continued improvement in the relationship with the affiliated USA Foundation and limited future borrowing without offsetting financial resource growth.

What could change the rating-UP

Given the University's relatively leveraged profile, a further rating upgrade is unlikely absent substantial growth in financial resources, especially at the unrestricted levels.

What could change the rating-DOWN

Deterioration of the Hospitals' operating performance; decreased debt service coverage, significant unanticipated borrowing.

KEY DATA (Fall 2007 and financial data for fiscal year 2007):

Total Full-Time Equivalent (FTE) Enrollment: 11,114 FTE

Total Financial Resources: \$541 million

Pro-Forma Direct Debt: \$323 million

Expendable Financial Resources-to-Pro-Forma Debt: 1.1 times

Expendable Financial Resources to Operations: 0.73 times

Average Operating Margin: 6.52%

State Appropriations per Student: \$11,440

State GO rating: Aa2 (stable)

RATED DEBT

Series 1999 Tuition Revenue Bonds: A2; insured by Ambac (Ambac's current financial strength rating is Aa3 with a negative outlook)

Series 2004 Tuition Revenue Bonds: A2; insured by FGIC (FGIC's current financial strength rating is B1 with a negative outlook)

Series 2006 Tuition Revenue Bonds: A2; insured by Ambac (Ambac's current financial strength rating is Aa3 with a negative outlook)

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RatingsDirect
Publication Date

Sept. 5, 2008

University of South Alabama

Credit Profile

US\$105. mil University Facilities Revenue Capital Improvement Bonds, Series 2008 dated 09/30/2008, due 09/30/2038

Long Term Rating

A+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'A+' rating to the University of South Alabama's (USA) university facilities revenue capital improvement bonds, series 2008.

The rating reflects USA's:

- History of balanced financial operations and strong management;
- Stable enrollment and demand;
- Good liquidity for a public university, with 2007 adjusted unrestricted net assets (UNA) of \$256 million equal to 52% of operating expense and 86% of pro forma debt; and
- Moderate pro forma debt burden of 4.6%.

Offsetting factors include:

- Decline in state of Alabama (AA) appropriations expected for fiscal 2009, although this follows several years of very strong appropriation growth;
- A large health-care revenue component, which exposes USA to general competitive pressures in the healthcare industry; and
- Ongoing capital pressures.

Bond proceeds will be used to expand the USA Children's and Women's Hospital, as well as the construct new office space, cafeteria, auditorium, and classroom facilities. The bonds will be secured by a general fee revenue pledge levied against all students of the university as well as gross auxiliary enterprise revenues. In addition, revenues from the Children's and Women's Hospital, not exceeding \$10 million, are also pledged. This broad

revenue pledge is considered by Standard & Poor's to be equivalent to an unlimited student fee pledge.

Outlook

The stable outlook reflects the expectation that financial operations will remain positive and enrollment remain stable. We expect that any additional debt will be commensurate with an increase in revenues or financial resources.

History Of The University

Located in Mobile, Ala., the university is relatively new, as it was created in 1963. It offers bachelor's, master's, doctorates, and para-professional health degree programs. The main campus is located in an area of Mobile called Springhill that houses the medical college, dormitory facilities and many of the undergraduate courses. USA also has two other smaller campuses, in Brookley and Baldwin County, that house the School of Continuing Education and some undergraduate- and graduate-level courses, respectively.

Medical Center

The University of South Alabama System has two hospitals located in Mobile, Ala. (AA-): the University of South Alabama Medical Center (USAMC) and the University of South Alabama Children's & Women's Hospital (USACWH). The system provides primary and tertiary care for a multi-county service area. The USAMC is a 406-bed hospital and includes a level-one trauma center, a burn unit, a transplant program, and state-of-the-art facilities for internal medicine, surgery, and cardiovascular diagnostic and treatment techniques. The USACWH is a 152-bed facility specializing in pediatric, obstetric, and gynecological services. It provides services such as neonatal intensive care nurseries, progressive care nurseries, and other facilities for dealing with high-risk deliveries. The hospital operations represent about 39% of the university's revenues. The medical system is self-supporting.

The Mitchell Cancer Institute was created in 2006 as the first academic cancer research institute in the upper Gulf Coast region. It was funded through philanthropic gifts, support from the State of Alabama, the City and County of Mobile, grants, and the USA Foundation. The institute is already seeing patients and conducting research and will move into a new facility adjacent to the USACWH.

Demand

As of fall 2007, total undergraduate headcount was 10,690 and graduate headcount was 2,810. This represent an overall growth of more than 23% from 1999-2007, and most recently a 5.3% increase from the previous year. Management reports another increase, to 14,279 (total headcount) for fall 2008. Transfers are a major component of each incoming class, averaging more than 1,300 students per year since fall 2004. For fall 2007, 1,468 transfers matriculated to USA, representing a 7% increase from the previous year. ACT scores are slightly higher than the national average, with fall 2007 scores of 21.7. New freshman applications have increased and average more than 3,000 per year. The acceptance rate is not highly selective for freshman, at 88.6% for fall 2007 and it has averaged 90% since fall 2004. Matriculation rates are good with more than 54% of students choosing to attend USA, which is typical of university's with a large commuter population. Most students are from

Alabama (74%), with Mississippi and Florida, given their proximity, representing the largest out-of-state student population.

Finances

Financial results stated in this report include the medical center as it part of the USA system. USA has a relatively diverse revenue mix, with healthcare operations representing the largest portion at 39% of 2007 consolidated revenues, while state appropriations represent a substantial 23%. Other revenue sources include tuition and fees (13%) and grants and contracts (16%). Operating results for USA have historically been balanced on a full accrual basis, and for fiscal 2007 it had an operating surplus of \$73 million. The strong operating results for fiscal 2007 are partly due to an increase in state appropriations, good investment returns in university-held endowments, and one-time gifts. State appropriations for fiscals 2007 and 2008 were \$120 million and \$138 million, respectively, both of which were exceptionally strong years of state financial support. Management reports a decrease in appropriations for fiscal 2009 to \$122 million, similar to the fiscal 2007 levels.

In response to the expected decrease in state appropriations, the university increased tuition 9% for fall 2008. USA's tuition remains low when compared to other universities in its region, providing some flexibility to raise tuition without adversely affecting enrollment. For the 2008-2009 academic year, tuition for a resident undergraduate student is \$4,410 and \$8,820 for an out-of-state student. USA's main competitors in Alabama are the University of Alabama and Auburn; for the region, it also competes with the University of Southern Mississippi, University of New Orleans, and the University of West Florida.

Liquidity And Debt

USA's liquidity remains good when compared to other public universities, with adjusted unrestricted net assets (to account for the unrestricted net assets of the foundation that support it), of \$256 million equal to 52% of operating expenses and 86% of pro forma debt of \$297 million.

USA's outstanding bonds and notes as of Sept. 30, 2007, totaled approximately \$192.5 million and after the issuance of the 2008 bonds, total pro forma debt will be approximately \$297 million. Pro forma debt service burden is a moderate 4.6% of operating expenses. All of the university's debt has been issued at a fixed-rate. USA does not have plans to issue additional debt in the near future.

Endowment Growth And Capital Campaign

USA is also supported by a \$389 million endowment, of which \$69 million is held at the university and \$320 million is held at the foundation. The university-held endowment has grown significantly since fiscal 2006, when the year-end balance was almost \$20 million, compared to the present \$69 million. The asset allocation for the university-held endowment is 44.1% domestic equity, 9.6% international equity, and 46% fixed income/ alternatives. Assets for the foundation are much more concentrated, and are primarily invested in marketable securities (45%), timber and mineral properties (47%) and real estate (6%). The spending policy for the university-held endowment is 5%, based on the three-year moving average net assets of endowments.

The university is nearing the end of its first formal capital campaign and has raised approximately \$68.5 million toward its \$75 million goal. The campaign, which began in 2003, is scheduled to end in March 2009. Campaign proceeds will be used for endowments to supports

scholarships, professorships, programs, as well as for some capital construction and annual operating support.

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The McGraw-Hill Companies

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the
Years Ended June 30, 2008 and 2007, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the University of South Alabama Foundation (the "Foundation") as of June 30, 2008 and 2007, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation at June 30, 2008 and 2007, and the related activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



August 18, 2008

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007
(Dollars in thousands)

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,337	\$ 1,713
INVESTMENTS AT FAIR VALUE:		
Equity securities	120,133	142,709
Timber and mineral properties	154,462	150,364
Real estate	9,792	18,794
Other	5,500	5,500
OTHER ASSETS	<u>452</u>	<u>488</u>
TOTAL	<u>\$ 291,676</u>	<u>\$ 319,568</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 82	\$ 20
Other liabilities	<u>646</u>	<u>779</u>
Total liabilities	<u>728</u>	<u>799</u>
NET ASSETS:		
Unrestricted	87,273	88,012
Temporarily restricted	34,739	59,707
Permanently restricted	<u>168,936</u>	<u>171,050</u>
Total net assets	<u>290,948</u>	<u>318,769</u>
TOTAL	<u>\$ 291,676</u>	<u>\$ 319,568</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains (losses) on investments	\$ 3,011	\$ (18,258)	\$ (2,528)	\$ (17,775)
Rents, royalties, and timber sales	4,536		70	4,606
Interest and dividends	1,663	1,586	7	3,256
Gifts		7	170	177
Other income	5	24		29
Required match of donor contributions	(167)		167	-
Interfund interest	(513)	513		-
Net assets released from program restrictions (Note 8)	<u>8,840</u>	<u>(8,840)</u>	<u> </u>	<u>-</u>
Total revenues, gains, and other support	<u>17,375</u>	<u>(24,968)</u>	<u>(2,114)</u>	<u>(9,707)</u>
EXPENDITURES:				
Program services:				
Faculty support	2,521			2,521
Scholarships	1,016			1,016
Other academic programs	<u>6,262</u>	<u> </u>	<u> </u>	<u>6,262</u>
Total program services	9,799	-	-	9,799
Management and general	2,007			2,007
Other investment expense	2,900			2,900
Depletion expense	3,378			3,378
Depreciation expense	<u>30</u>	<u> </u>	<u> </u>	<u>30</u>
Total expenditures	<u>18,114</u>	<u>-</u>	<u>-</u>	<u>18,114</u>
DECREASE IN NET ASSETS	(739)	(24,968)	(2,114)	(27,821)
NET ASSETS — Beginning of year	<u>88,012</u>	<u>59,707</u>	<u>171,050</u>	<u>318,769</u>
NET ASSETS — End of year	<u>\$ 87,273</u>	<u>\$ 34,739</u>	<u>\$ 168,936</u>	<u>\$ 290,948</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007

(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 16,282	\$ 13,642	\$ 274	\$ 30,198
Rents, royalties, and timber sales	5,997		74	6,071
Interest and dividends	965	2,263	12	3,240
Gifts			6,271	6,271
Other income	32			32
Required match of donor contributions	(1)		1	-
Interfund interest	(643)	643		-
Net assets released from program restrictions (Note 8)	<u>5,720</u>	<u>(5,720)</u>		<u>-</u>
Total revenues, gains, and other support	<u>28,352</u>	<u>10,828</u>	<u>6,632</u>	<u>45,812</u>
EXPENDITURES:				
Program services:				
Faculty support	2,448			2,448
Scholarships	1,031			1,031
Other	<u>3,532</u>			<u>3,532</u>
Total program services	7,011	-	-	7,011
Management and general	2,278			2,278
Other investment expense	1,693			1,693
Depletion expense	6,498			6,498
Depreciation expense	<u>65</u>			<u>65</u>
Total expenditures	<u>17,545</u>	<u>-</u>	<u>-</u>	<u>17,545</u>
INCREASE IN NET ASSETS	10,807	10,828	6,632	28,267
NET ASSETS — Beginning of year	<u>77,205</u>	<u>48,879</u>	<u>164,418</u>	<u>290,502</u>
NET ASSETS — End of year	<u>\$ 88,012</u>	<u>\$ 59,707</u>	<u>\$ 171,050</u>	<u>\$ 318,769</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(Dollars in thousands)

	2008	2007
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (27,821)	\$ 28,267
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net unrealized loss (gain) on investments	19,142	(28,228)
Depletion	3,378	6,498
Depreciation	30	65
Gain on sale of investments	(1,367)	(1,970)
Gift of noncash assets		(6,262)
Changes in operating assets and liabilities:		
Accounts receivable		91
Other assets	18	(19)
Accounts payable	62	(78)
Contributions payable		(11)
Other liabilities	(133)	16
Net cash used in operating activities	<u>(6,691)</u>	<u>(1,631)</u>
INVESTING ACTIVITIES:		
Purchases of furniture and fixtures	(41)	
Proceeds from sale of real estate	9,367	
Purchases of securities	(10,824)	(1,609)
Sale of securities	8,121	3,201
Reforestation of timber property	<u>(308)</u>	<u>(215)</u>
Net cash provided by investing activities	<u>6,315</u>	<u>1,377</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(376)	(254)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,713</u>	<u>1,967</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 1,337</u>	<u>\$ 1,713</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (DOLLARS IN THOUSANDS)

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements include the accounts of the Foundation’s wholly owned subsidiaries Knollwood Development, Inc. and Shubuta Timber Services, Inc. All significant intercompany transactions have been eliminated in consolidation.

Net Assets — In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained on the accrual basis in accordance with the principles of “fund accounting;” thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, requires classification of an organization’s net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions using three classifications: permanently restricted, temporarily restricted, and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Support and Expenses — Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Foundation sometimes receives restricted contributions that are conditional on the Foundation matching the contribution. Upon approval of the Board of Directors, such matches are reported as a reclassification of unrestricted net assets to restricted net assets.

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

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

Investments in Commonfund — The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 index, and to reduce volatility in comparison to that of investing in the index. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad. The fund is designed to outperform its benchmark, the Morgan Stanley Capital International World ex-U.S. index, over a full market cycle.

The Foundation’s units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Further information about Commonfund’s valuation procedures are as follows.

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

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

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

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

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

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

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

Investment Income — Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

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

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation's investments include marketable equity securities valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of underlying investments and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the Foundation's consolidated financial statements.

Recent Accounting Pronouncement — In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB Statement No. 157 applies whenever other accounting standards require or permit assets or liabilities to be measured at fair value. Fair value under FASB Statement No. 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Under the standard, fair value measurements would be separately disclosed by the level within the fair value hierarchy. The Foundation will be required to apply FASB Statement No. 157 in its consolidated financial statements for the year ended June 30, 2009, and is in the process of evaluating the impact of FASB Statement No. 157 on its consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- Cash and cash equivalents: The carrying amount reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximates its fair value.
- Equity securities: Include investments in marketable equity securities and investments in Commonfund.

Marketable equity securities: Fair values are based on quoted market prices of each security with readily determinable fair values. The Foundation's investment in equity securities was \$52,600 and \$79,570 at June 30, 2008 and 2007, respectively.

Investments in Commonfund: Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets. The Foundation's investment in Commonfund portfolios was \$67,533 and \$63,139 at June 30, 2008 and 2007, respectively.

- Timber, mineral properties, and real estate: Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- Other: Consists primarily of the Foundation's interest in the Stallworth Land Company (see Note 4).

4. INVESTMENTS

Investment Income for the years ended June 30, 2008 and 2007, consisted of the following:

	2008	2007
Unrealized (losses) gains	\$ (19,142)	\$ 28,228
Realized gains	<u>1,367</u>	<u>1,970</u>
Net realized and unrealized (losses) gains on investments	<u>(17,775)</u>	<u>30,198</u>
Timber sales	3,813	5,373
Rents	520	549
Royalties	<u>273</u>	<u>149</u>
Rents, royalties, and timber sales	<u>4,606</u>	<u>6,071</u>
Interest and dividends	<u>3,256</u>	<u>3,240</u>
Total investment income	<u>\$ (9,913)</u>	<u>\$ 39,509</u>

Investment-related expenses of \$350 and \$339 are included in the Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ending June 30, 2008 and 2007, respectively.

Real Estate at June 30, 2008 and 2007, consisted of the following property held:

	2008	2007
Land and land improvements — held for investment	\$ 8,658	\$ 16,525
Building and building improvements — held for investment	<u>1,134</u>	<u>2,269</u>
Total	<u>\$ 9,792</u>	<u>\$ 18,794</u>

In the fiscal year ending June 30, 2008, the Foundation sold three parcels of real estate totaling approximately 53 acres, including the former Wright Campus consisting of approximately 32 acres, for \$9,367. The Foundation recognized a gain on the sale of real estate in the amount of \$396.

Other — Investments at June 30, 2008, include an equity interest in a timberland management company. The Company's primary asset consists of timberland. The Foundation's proportionate share of the fair value of the Company is based upon the valuation of the trustee responsible for the management of the Company and the timber valuation. The equity interest resulted from a bequest titled the Stallworth Gift, which was received through bequest and devise under the Will of N. Jack Stallworth.

5. BOARD-DESIGNATED ENDOWMENTS

The Board of Directors of the Foundation may, from time to time, designate a portion of its unrestricted net assets as an endowment. Board-designated endowments include, but are not limited to, support of professorships, scholarships, and other academic programs. The portion of unrestricted net assets so designated at June 30, 2008 and 2007, was \$28,881 and \$31,892, respectively.

6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, temporarily restricted net assets were available for the following purposes:

	2008	2007
Instruction	\$18,659	\$24,323
Hospital, clinics, and related programs	6,173	23,627
College of Medicine — other than instruction	5,793	6,699
Student aid	2,836	3,515
Other	<u>1,278</u>	<u>1,543</u>
Total	<u>\$ 34,739</u>	<u>\$ 59,707</u>

7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, only the income from the following permanently restricted net assets was permitted to be used for the purposes indicated:

	2008	2007
Hospital, clinics, and related programs	\$ 131,586	\$ 131,586
Instruction	19,169	19,165
Student aid	9,133	9,128
College of Medicine — other than instruction	2,535	2,200
Other	<u>6,513</u>	<u>8,971</u>
Total	<u>\$ 168,936</u>	<u>\$ 171,050</u>

8. NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS

Expenses were incurred that met temporary purpose-related restrictions on the use of certain net assets, resulting in a reclassification of net assets from temporarily restricted to unrestricted during the year ended June 30, 2008 and 2007, as follows:

	2008	2007
Hospital, clinics, and related programs	\$ 6,184	\$ 3,334
Instruction	2,130	1,934
College of Medicine — other than instruction	213	198
Student aid	295	224
Other	<u>18</u>	<u>30</u>
Total	<u>\$ 8,840</u>	<u>\$ 5,720</u>

9. RELATED-PARTY TRANSACTIONS

At June 30, 2008 and 2007, net assets held by the Foundation, irrevocably for the benefit, as determined by the Foundation, of the University's hospitals, clinics, and related programs (Disproportionate Share Hospital Funds) were \$136,253 and \$154,454, respectively.

By a resolution adopted on August 5, 2004, the Foundation approved a grant in the aggregate amount of Ten Million Five Hundred Thousand Dollars (\$10,500) to be given by it to the University of South Alabama for the USA Cancer Research Institute. At June 30, 2008, the remaining contribution of \$2,000 is to be funded from the Foundation's Disproportionate Share Hospital Funds and is to be disbursed in fiscal year 2009, subject to a determination, to be made by the Board of Directors of the Foundation, prior to such disbursement, that such disbursement can be paid without adversely affecting the financial condition of the Foundation. The installments paid during the years ended June 30, 2008 and 2007, totaled \$4,000 and \$1,500, respectively.

By a resolution adopted on May 22, 2008, the Foundation approved a contribution to the University in support of the Pediatric Expansion of USA Children's and Women's Hospital in the amount of Twenty Million Dollars (\$20,000) to be given over a seven-year period, to begin in the year of the commencement of the expansion. This grant is to be disbursed from the Foundation's Disproportionate Share Hospital Funds. Further, to be effective the year following the initial contribution, the Board shall seek to distribute annually not less than 3% of the average fiscal year end net assets of the Disproportionate Share Hospital Funds, which may be disbursed in response to requests submitted by the University for support of the Pediatric Expansion or otherwise in support of the University's hospitals, clinics, and related programs. All such disbursements shall be subject to a determination, to be made by the Board of Directors of the Foundation, prior to disbursement of each installment, that such disbursement can be made without adversely affecting the financial condition of the Foundation. To date, the Pediatric Expansion has not been commenced, and therefore, no disbursement has been made.

10. CONCENTRATION OF CREDIT RISK

At June 30, 2008, substantially all of the Foundation's cash was deposited with banks in Mobile, Alabama.

11. RETIREMENT PLANS

The Foundation sponsors a contributory defined contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately \$107 and \$121 for the years ended June 30, 2008 and 2007, respectively.

* * * * *

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

*Disproportionate Share Hospital Funds
Combined Financial Statements as of and
for the Years Ended June 30, 2008 and 2007, and
Independent Auditors' Report*

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of the Disproportionate Share Hospital Funds (the "DSH Funds") of the University of South Alabama Foundation (the "Foundation") as of June 30, 2008 and 2007, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DSH Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of the DSH Funds at June 30, 2008 and 2007, and the related activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



August 18, 2008

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007
(Dollars in thousands)

ASSETS	2008	2007
INVESTMENTS:		
New Investment Pool—at fair value	\$ 131,794	\$ 140,903
Real estate	4,000	9,827
RECEIVABLE FROM AFFILIATES	459	3,716
OTHER ASSETS	<u>-</u>	<u>8</u>
TOTAL	<u>\$ 136,253</u>	<u>\$ 154,454</u>
LIABILITIES AND NET ASSETS		
LIABILITIES	<u>\$ -</u>	<u>\$ 7</u>
NET ASSETS:		
Unrestricted	(1,505)	(1,165)
Temporarily restricted	6,172	24,026
Permanently restricted	<u>131,586</u>	<u>131,586</u>
Total net assets	<u>136,253</u>	<u>154,447</u>
TOTAL	<u>\$ 136,253</u>	<u>\$ 154,454</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized losses on investments	\$ (271)	\$ (13,117)	\$ -	\$ (13,388)
Interest and dividends	17	1,057	-	1,074
Rental income	10	-	-	10
Interfund interest	5	390	-	395
Net assets released from program restrictions	<u>6,184</u>	<u>(6,184)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	5,945	(17,854)	-	(11,909)
EXPENDITURES:				
Program services:				
Scholarships	8	-	-	8
Other academic programs	<u>5,553</u>	<u>-</u>	<u>-</u>	<u>5,553</u>
Total program services	5,561	-	-	5,561
Other investment expense	<u>724</u>	<u>-</u>	<u>-</u>	<u>724</u>
Total expenditures	<u>6,285</u>	<u>-</u>	<u>-</u>	<u>6,285</u>
DECREASE IN NET ASSETS	(340)	(17,854)	-	(18,194)
NET ASSETS AT BEGINNING OF YEAR	<u>(1,165)</u>	<u>24,026</u>	<u>131,586</u>	<u>154,447</u>
NET ASSETS AT END OF YEAR	<u>\$ (1,505)</u>	<u>\$ 6,172</u>	<u>\$ 131,586</u>	<u>\$ 136,253</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 1,254	\$ 10,708	\$ -	\$ 11,962
Interest and dividends	212	1,793	-	2,005
Interfund interest	40	551	-	591
Net assets released from program restrictions	<u>3,334</u>	<u>(3,334)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>4,840</u>	<u>9,718</u>	<u>-</u>	<u>14,558</u>
EXPENDITURES:				
Program services:				
Other academic programs	<u>3,015</u>	<u>-</u>	<u>-</u>	<u>3,015</u>
Total program services	3,015	-	-	3,015
Other investment expense	<u>379</u>	<u>-</u>	<u>-</u>	<u>379</u>
Total expenditures	<u>3,394</u>	<u>-</u>	<u>-</u>	<u>3,394</u>
INCREASE IN NET ASSETS	1,446	9,718	-	11,164
NET ASSETS AT BEGINNING OF YEAR	<u>(2,611)</u>	<u>14,308</u>	<u>131,586</u>	<u>143,283</u>
NET ASSETS AT END OF YEAR	<u>\$ (1,165)</u>	<u>\$ 24,026</u>	<u>\$ 131,586</u>	<u>\$ 154,447</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
 (Dollars in thousands)**

	2008	2007
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (18,194)	\$ 11,164
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net unrealized loss (gain) on investments	12,245	(10,369)
Loss (gain) loss on sale of investments	1,143	(1,594)
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Interfund receivable	2,765	(217)
Other assets	8	(2)
Accounts payable		(1)
Other liabilities	(7)	4
Net cash used in operating activities	<u>(2,040)</u>	<u>(1,015)</u>
INVESTING ACTIVITIES:		
Purchases of securities	(6,836)	(2,437)
Sale of securities	3,476	3,452
Proceeds from sale of real estate	<u>5,400</u>	<u>-</u>
Net cash provided by investing activities	<u>2,040</u>	<u>1,015</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ -</u>	<u>\$ -</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (DOLLARS IN THOUSANDS)

1. ORGANIZATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Net Assets—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the DSH Funds, the accounts of the DSH Funds are maintained on the accrual basis in accordance with the principles of “fund accounting”; thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, requires classification of an organization’s net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions, using three classifications: permanently restricted; temporarily restricted; and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Support—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

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

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

Investments in Commonfund—The Commonfund for Nonprofit Organizations (Commonfund) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 index, and to reduce volatility in comparison to that of investing in the index. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad. The fund is designed to outperform its benchmark, the Morgan Stanley Capital International World ex-U.S. index, over a full market cycle.

The Foundation's units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the unit values of each of its Funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Further information about Commonfund's valuation procedures follows.

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

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

Investment Income—Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying combined statement of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

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

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

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The DSH Funds participate in the Foundation's New Investment Pool (see Note 4). The New Investment Pool consists of the Foundation's investment in marketable securities, valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of the underlying investments, and timberland, mineral properties, and other real estate valued by

appraisals. Such assets are subject to fluctuation in value due to normal market volatility, and to estimation risk in the case of assets for which market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the DSH Fund's financial statements.

Recent Accounting Pronouncement—In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB Statement No. 157 applies whenever other accounting standards require or permit assets or liabilities to be measured at fair value. Fair value under FASB Statement No. 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Under the standard, fair value measurements would be separately disclosed by the level within the fair value hierarchy. The Foundation will be required to apply FASB Statement No. 157 in its financial statements for the year ended June 30, 2009, and is in the process of evaluating the impact of FASB Statement No. 157 on its financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying combined statement of financial position for cash and cash equivalents approximates its fair value.
- **Equity Securities:** Includes investments in marketable securities and investments in Commonfund.
- **Marketable Equity Securities:** Fair values are based on quoted market prices of each security with readily determinable fair values.
- **Investments in Commonfund:** Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets.
- **Timber, mineral properties, and real estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- **Other:** Consists primarily of the Foundation's interest in the Stallworth Land Company.

4. INVESTMENTS

Investments consisted of participation in the Foundation's pooled investment funds. On June 5, 2006, the Board of the Foundation approved the establishment of a new Investment Pool which consists of (1) all the Existing Pooled Equities held by the Foundation, and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the

Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds is equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's Existing Securities Pool at June 30, 2006, and (2) the amount of the aggregate receivable for principal and interest owed by the Equitable Timber Fund to the DSH at June 30, 2006. On June 30, 2008, the value of DSH units in the Pool was \$131,794 and at June 30, 2007, the value of DSH units in the Pool was \$140,903.

Investment income for the years ended June 30, 2008 and 2007, was comprised of the following:

	2008	2007
Unrealized (losses) gains	\$ (12,245)	\$ 10,369
Realized (losses) gains	(1,143)	1,594
Interest and dividends	1,074	2,005
Interfund interest	395	591
Rental income	10	
	<u>\$ (11,909)</u>	<u>\$ 14,559</u>

Real estate at June 30, 2008 and 2007, consisted of the following property held:

	2008	2007
Land and land improvements—held for investment	\$ 4,000	\$ 8,695
Building and building improvements—held for investment		1,132
	<u>\$ 4,000</u>	<u>\$ 9,827</u>

In the fiscal year ending June 30, 2008, the Foundation sold the former Wright Campus, consisting of approximately 32 acres, for \$5,400. The DSH Funds recognized a loss on the sale of real estate in the amount of \$319.

5. RELATED-PARTY TRANSACTIONS

At June 30, 2008 and 2007, receivables from affiliated entities totaled \$459 and \$3,716, respectively. These amounts are due to the DSH Funds from other entities owned by the Foundation. These receivables earn interest at a standard market rate, based on the applicable federal rates (rates used for federal tax purposes). Interest income was \$395 and \$591 for the years ended June 30, 2008 and 2007, respectively. As described in Note 4, effective June 30, 2006, the DSH Funds participate in the Pool of the Foundation and the DSH Funds earn a proportionate share of investment income of the Pool.

By resolution adopted August 5, 2004, the Foundation pledged a grant in the aggregate amount of Ten Million Five Hundred Thousand Dollars (\$10,500) to be given by it to the University for the USA Cancer Research Institute. The remaining pledge of \$2,000 is to be funded from the Foundation's Disproportionate Share Fund and is to be disbursed in installments over a period of either two or three years, subject to a determination, to be made by the Board of Directors of the Foundation prior to disbursement of each installment, that such disbursement can be paid without adversely affecting the financial condition of the Foundation. The installments paid during the years ended June 30, 2008 and 2007, totaled \$4,000 and \$1,500, respectively.

By a resolution adopted May 22, 2008, the Foundation approved a contribution to the University in support of the Pediatric Expansion of USA Children's and Women's Hospital in the amount of Twenty Million Dollars (\$20,000) to be given over a seven-year period, to begin in the year of the commencement of the expansion. This grant is to be disbursed from the Foundation's Disproportionate Share Hospital Funds. Further, to be effective the year following the initial contribution, the Board shall seek to distribute annually not less than 3% of the average fiscal year-end net assets of the DSH Funds, which may be disbursed in response to requests submitted by the University for support of the Pediatric Expansion or otherwise in support of the University's hospitals, clinics and related programs. All such disbursements shall be subject to a determination, to be made by the Board of Directors of the Foundation, prior to disbursement of each installment that such disbursement can be made without adversely affecting the financial condition of the Foundation. To date, the Pediatric Expansion has not been commenced, and therefore, no disbursement has been made.

6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, temporarily restricted net assets of \$6,172 and \$24,026, respectively, were available for the support of hospitals, clinics, and related programs of the University.

7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, permanently restricted net assets of \$131,586 and \$131,586, respectively, are restricted to investments in perpetuity, the income from which may be used for the support of hospitals, clinics, and related programs of the University.

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