

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

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**2007-2010**

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Mr. Donald L. Langham, Past Chair  
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Dr. Steven P. Furr, **Chair**  
Dr. Scott A. Charlton  
Ms. Bettye R. Maye  
Ms. Arlene Mitchell  
Mr. John M. Peek  
Mr. Kenneth O. Simon

**ACADEMIC AND STUDENT AFFAIRS CTE.:**

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Mr. Donald L. Langham  
President V. Gordon Moulton  
Mr. Larry D. Striplin, Jr.

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**MARCH 12, 2010**

**11:00 A.M.**

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

**REVISED AGENDA**

**ITEM**

- \* Approve: Revised Agenda ..... *i*
- 1 Approve: Minutes ..... 1 and 9
- 2 Report: President's Report ..... *Presentation at Meeting*

***HEALTH AFFAIRS:***

- 3 Approve: US Hospitals Credentials, November and December 2009, and January  
and February 2010 ..... 1
- Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations,  
Revisions of February 9, 2010 ..... 8
- \* 3.A Approve: Nomination of Mobile County Hospital Board Directors..... *Presentation at Meeting*
- 4 Report: Health System and Health Sciences ..... *Presentation at Meeting*
- 5 Report: USA Mitchell Cancer Institute..... *Presentation at Meeting*

***ACADEMIC AND STUDENT AFFAIRS:***

- 6 Report: Academic Affair..... *Presentation at Meeting*
- 7 Approve: Professors Emeriti ..... 1
- 8 Approve: University of South Alabama Gautier Campus..... 6
- \* ~~9 Approve: Amendments to Faculty Senate Constitution~~
- 10 Report: Student Affairs ..... *Presentation at Meeting*

***BUDGET AND FINANCE:***

- 11 Report: Monthly Fund Financial Reports for October, November, and December 2009..1, 18 and 35  
Quarterly GASB Financial Statements, Three Months ended December 2009 .....52  
Summary Comparison of Fund Financial Reports to GASB 34 Financial Statements,  
December 31, 2009 and 2008 .....82
- 12 Approve: Architect for Specialized Laboratory Building .....86
- \* 12.A Approve: Construction Contract for Campus Portals .....88
- \* 12.B Approve: Construction Contract for Addition to Central Energy Plant  
at the University of South Alabama Children's and Women's Hospital .....91

***AUDIT:***

- 13 Report: KPMG Report on USA Basic Financial Statements and Supplementary Information  
on Federal Awards Programs, 2009..... 1
- 14 Report: KPMG Report on USA Intercollegiate Athletics, 2009.....75
- \* 15 Approve: Exploration of Sale of USA Brookley Center Campus..... *Presentation at Meeting*

\* *Item(s) added or revised.*



## MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

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March 2, 2010

TO: USA Board of Trustees

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

Enclosed are the unapproved minutes for the December 10, 2009, meeting of the USA Board of Trustees. Please review them for amendment or approval during the March 12 meeting of the Board.

BRM:mgc

Enclosure

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

**December 10, 2009  
10:30 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, December 10, 2009, at 10:30 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Steven Furr, Cecil Gardner, Donald Langham, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, James Nix, John Peek, Ken Simon, Steven Stokes, and James Yance.

Members Absent: Trustees Samuel Jones, Joseph Morton, Bob Riley, and Larry Striplin.

Administration and Others: President Gordon Moulton; Drs. Michael Boyd, Joseph Busta, Jim Connors (National Alumni Assn.), Joel Erdmann, Joan Exline, Ron Franks, John Gamble, Greg Gruner, David Johnson, Russ Lea, Tom Montgomery (COM Alumni Assn.), Allen Perkins, Robert Shearer, John Smith, David Stearns, Sam Strada, and David Turnipseed (National Alumni Assn.); Messrs. George Davis (National Alumni Assn.), Ken Davis, Wayne Davis, Glenn Gardner (SGA), Joe Gottfried, Stan Hammack, Joey Jones, Ward Miller, Abe Mitchell, and Jerry Silverstein; and Mss. Mary Gottfried, Geri Moulton, Tonia Silverstein, Margaret Sullivan, Jean Tucker, and Cynthia Zipperly.

Press: Mr. Gary McElroy (*Press-Register*) and Ms. Jessica Heddings (*The Vanguard*).

Upon the call to order, Chairman Stokes welcomed Trustees and guests and called for adoption of the revised agenda. On motion by Mr. Langham, seconded by Ms. Miree, the revised agenda was unanimously approved. Chairman Stokes called for consideration of **ITEM 1**, the minutes of the September 17, 2009, meeting of the Board of Trustees, the September 16, 2009, meeting of the Committee of the Whole, and the November 17, 2009, meeting of the Endowment and Investments Committee. On motion by Ms. Maye, seconded by Mr. Simon, the minutes were unanimously adopted.

Regarding **ITEM 2**, the President's Report, President Moulton provided an update on USA's undefeated, inaugural football season. The Board viewed photo highlights of the season. Drs. Joel Erdmann, Athletic Director, and Greg Gruner, Chair of the Music Department, made brief remarks about the football and marching band programs. Messrs. Ward Miller, Athletic Bands Director, and Joey Jones, Head Football Coach, addressed questions and shared enthusiasm for a successful first year on the field. Fan attendance averaged more than 18,000 per game, total attendance topped 126,000 for the seven games, and season ticket sales exceeded 8,500. The University will achieve Division I status in 2012 and will be bowl-eligible in 2013. The 2010 game schedule, opponents, and recruitment were discussed. The Faculty Senate and the Student



Government Association were recognized for their leadership and support of both programs. President Moulton urged equal support for all of USA's sports programs.

President Moulton said that 1,497 degrees were awarded at Fall Commencement held December 5, bringing the historical number of degrees awarded to 66,226. Mayor Jones served as Commencement speaker.

President Moulton reported that 7.5 percent proration had been mandated. He said that conservative spending and greater efficiencies had helped the University deal with the significant funding shortfall. Although additional cuts could be announced, he stated the goal is to maintain programs. Staffing is lean where possible, and federal stimulus money will help. President Moulton reported that accessing the University's reserves had been necessary and noted that allowances for the University's deficit had been built into the 2009-2010 budget that was approved at the September 17 Board meeting.

President Moulton recognized Mr. Hammack for receiving the Gold Medal of Excellence Award from the Alabama Hospital Association, which distinguishes outstanding leaders who excel in hospital administration. He talked about the Mitchell College of Business Center for Real Estate Studies' Coastal Economic Outlook seminar held in September. The event was sold out with three hundred people in attendance.

President Moulton discussed student recruitment, noting that recent ads feature USA's quality scholarship program and high-achieving students. He reported that more than 3,000 students and parents attended USA Day, setting a record. Efforts to attract students with perfect ACT scores are a top priority as well.

President Moulton provided an update on campus construction projects. Trustees viewed photos of construction sites as President Moulton reported on the status of Shelby Hall, Moulton Tower and Alumni Plaza, the Football Field House, the Student Recreation Center, the new student dining hall, the art glass studio, and the University Club for faculty.

President Moulton noted that the next Board meeting is scheduled for Friday, March 12, to coincide with the Distinguished Alumni and Service Award Program scheduled for Thursday, March 11.

Mayor Nix moved approval of **ITEM 3** as follows (refer to **APPENDIX A** for copies of policies and other authorized documentation). Mr. Langham seconded and the resolution was unanimously approved. Dr. Stokes urged Trustees to sign and return conflict of interest forms.

**RESOLUTION**  
**AMENDED BYLAWS OF THE USA BOARD OF TRUSTEES**

WHEREAS, Article VII of the Bylaws of the University of South Alabama Board of Trustees provides that "the bylaws may be amended or repealed at any meeting of the Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal shall have been given at a previous meeting or notice in writing of the substance of the proposed change shall have been served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change, provided, however, that by unanimous consent of the entire Board, the requirements for such notice may be waived," and

WHEREAS, a copy of the proposed amended bylaws was mailed to each member of the Board on November 3, 2009, and

WHEREAS, the proposed amended bylaws (copy attached and incorporated by reference herein) have been presented for the consideration and vote of the Board at its meeting on this day, December 10, 2009, a vote of eight members being necessary to adopt such amendments, and

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

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

THEREFORE, BE IT RESOLVED, that the Board of Trustees approves and adopts the Bylaws of the Board of Trustees, as amended on this day, December 10, 2009.

President Moulton presented **ITEM 4** as follows, and the Board viewed a slide presentation of the University's strategic goals. President Moulton provided details about the University's progress in meeting the outlined objectives: (1) to build upon the academic quality and learning environment of the University, (2) enhance the quality of student life, (3) embrace diversity, (4) enhance the public image of the University, (5) strengthen financial support, (6) ensure appropriate planning and assessment, (7) sustain the growth of high-quality health care services, and (8) promote research and scholarly activities. At the request of Mr. Simon, Dr. Shearer gave background information on the process to develop the goals document. President Moulton commented on the use of TracDat software, whereby goals established at the division and departmental level are reported and assessed for achievement of the University's overall goals. Brief discussion took place about the significance of the increasing Hispanic population to the University. On motion by Mr. Langham, seconded by Ms. Miree, the resolution was unanimously approved.

#### RESOLUTION

##### UNIVERSITY OF SOUTH ALABAMA LONG-RANGE PLANNING GOALS AND OBJECTIVES (2008–2013) UPDATE

WHEREAS, in 2003 the University of South Alabama adopted long-range institutional goals and objectives for the period 2003–2008, and

WHEREAS, subsequently, in March, 2008, the Board of Trustees adopted a revised statement of Long-Range Planning Goals and Objectives, and

WHEREAS, as a matter of continuous assessment and improvement, the University's overarching institutional goals and objectives again have been reviewed and revised to address future challenges and opportunities,

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees adopts the attached updated long-range planning report titled *University of South Alabama: Long-Range Planning Goals and Objectives (2008–2013)*.

President Moulton presented **ITEM 5**, a report on the University's Facilities Master Plan. He reminded the Board that the architectural firm of Bargarnier Davis Sims had been engaged to develop a master plan of the main campus. Referring to aerial renderings of the master plan, he discussed facilities expansion and the University's progress to stay on track. He provided an update of the sale of Hillsdale lots and houses owned by the University, and discussed a development plan for the USA Technology and Research Park. Diagrams of the park were detailed.

Chairman Stokes called for a report of health affairs items. Dr. Furr, Chair of the Health Affairs Committee, recommended approval of **ITEM 6** as follows. On motion by Dr. Charlton, seconded by Mr. Peek, the resolution was unanimously approved.

**RESOLUTION**

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR SEPTEMBER AND OCTOBER 2009**

WHEREAS, the Medical Staff appointments and reappointments for September and October 2009 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. Franks presented **ITEM 7**, a report from the Division of Health Sciences and the USA Health System. He reported on the extensive effort to make H1N1 vaccines available to students, staff, and families. President Moulton discussed the Children's and Women's Hospital Expansion project. Architectural renderings of the new wing were shown. President Moulton said that costs for the exterior would be held at a minimum, and that the landscaping and interior design would create a pleasing atmosphere. Improvements in function will be incorporated as well. He commented that the construction market had improved.

President Moulton recommended that **ITEM 8**, a report on the USA Mitchell Cancer Institute, be presented later in the meeting.

Chairman Stokes called for consideration of academic and student affairs items. Ms. Miree, Academic and Student Affairs Committee Chair, asked Dr. Johnson to present **ITEM 8.A**, a report of academic affairs activities. Dr. Johnson said that the redesign of the Mitchell College of Business MBA program a few years prior had shown positive results. He called upon Dr. Moore, Dean of the Mitchell College of Business, for further information. Dr. Moore stated that two cohorts had passed through the restructured MBA program. He introduced Dr. John Gamble, Director of MCOB Graduate Studies to discuss the results of program restructuring. Dr. Gamble outlined how changes made to the program, including faculty selection, the rebranding of the program as the "Mitchell MBA" in recognition of the Mitchell family, and changes in advertising, had resulted in increased enrollment, improved GMAT scores, and national recognition by *BusinessWeek* magazine in naming the Mitchell MBA the tenth best part-time program in the southern United States in 2007 and 2009.

Dr. Johnson presented **ITEM 9** resolutions as follows. Dr. Johnson informed the Board that, at the time of his death, Dr. T. G. Jackson, Professor of Chemistry, was the longest-serving professor at the University. Dr. Jackson supervised the pre-health profession program. Dr. Johnson also detailed the career accomplishments of Dr. Bill Williams, retired Professor of Earth Sciences. On motion by Mr. Langham, seconded by Mayor Nix, both resolutions were unanimously approved:

**RESOLUTION  
POSTHUMOUS PROFESSOR EMERITUS**

**WHEREAS**, Dr. Thomas G. Jackson faithfully served the University of South Alabama for 43 years in the College of Arts and Sciences, and

**WHEREAS**, as a member of the Department of Chemistry faculty, Dr. Jackson was an outstanding teacher, and

**WHEREAS**, Dr. Jackson was a dedicated mentor to students in the premedical professional fields as founding advisor to the Alabama Zeta chapter of the Alpha Epsilon Delta honor society at the University of South Alabama, and

**WHEREAS**, Dr. Jackson helped create the University of South Alabama College of Medicine Early Acceptance Program and assisted in writing the Medical College Admissions Test and the Dental College Admissions Test, and

**WHEREAS**, Dr. Jackson served as regional director, national vice president and national president of Alpha Epsilon Delta, and

**WHEREAS**, during Dr. Jackson's tenure as national president, Alpha Epsilon Delta achieved unprecedented growth chartering 26 new chapters, registering 29,609 new members, increasing scholarship awards, and establishing the Virgil Tweedie Scholarship, and

**WHEREAS**, Dr. Jackson served on the University of South Alabama Faculty Senate, as an advisory committee member for the Physician Assistant Program, and several terms as a member of the Academic Affairs Curriculum Committee, and had numerous other affiliations, including the Southeastern Association of Advisors for the Health Professions and the Association of American Medical Colleges,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama in a seated meeting held on December 10, 2009, hereby posthumously recognizes Dr. Thomas G. Jackson with the title of Professor Emeritus.

**RESOLUTION  
ASSOCIATE PROFESSOR EMERITUS**

**WHEREAS**, the following faculty member has retired from the University of South Alabama:

Aaron "Bill" Williams, Ph.D., Associate Professor of Earth Sciences

and,

**WHEREAS**, Dr. Williams' contributions to the University of South Alabama include extraordinary accomplishments in teaching and the generation of new knowledge through research and scholarship, which have inspired students for 42 years, and

**WHEREAS**, with a clear vision and through steadfast leadership, Dr. Williams founded USA's meteorology program, the ninth largest in the country, and the Coastal Weather Research Center, which is dedicated to saving lives and property by providing timely and accurate weather forecasts to businesses and agencies throughout the southeast region of the United States, and

**WHEREAS**, the faculty and chairperson from his department, the academic dean, the Senior Vice President for Academic Affairs, and the President have duly recommended the aforementioned retiree 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 December 10, 2009, hereby appoints Dr. Aaron "Bill" Williams to the rank of Associate 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 his extraordinary accomplishments and dedicated service to the University of South Alabama, wishes to convey its deep appreciation to Dr. Williams.

Ms. Miree recommended approval of **ITEM 10** as follows. On motion by Mr. Peek, seconded by Dr. Charlton, the resolution was unanimously approved:

**RESOLUTION  
SABBATICAL AWARDS**

**WHEREAS**, in accordance with University policy, proposals for Sabbatical Awards have been reviewed and recommended by the respective faculty committees, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs or Vice President for Health Sciences, and the President,

**THEREFORE, BE IT RESOLVED** that the University of South Alabama Board of Trustees approves said Sabbatical Awards on this date, December 10, 2009, for the 2010-2011 academic year.

<u>NAME</u>	<u>DISCIPLINE</u>	<u>TIME PERIOD</u>
<b><u>ACADEMIC AFFAIRS:</u></b>		
Dr. Jorg Feldvoss	Mathematics/Statistics	Spring 2011
Dr. W. David Gartman	Sociology/Anthropology/Social Work	Fall 2010
Dr. Marsha L. Hamilton	History	Fall 2010
Dr. Ellen B. Harrington	English	Spring 2011
Dr. Christopher V. Hollingsworth	English	Fall 2010
Dr. Karyn W. Tunks	Leadership and Teacher Education	Fall 2010
Dr. Bin Wang	Mathematics/Statistics	Academic Year 2010-2011

**COLLEGE OF MEDICINE:**

Dr. Dennis Fell	Physical Therapy	Academic Year 2010-2011
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Ms. Miree called upon Dr. Smith to address **ITEM 11**, a report of student affairs activities. Dr. Smith reported on the high demand for student housing, noting that a decision about facilities expansion will need to be addressed soon. He discussed the new dining facility, noting that the location near student housing will make it a hub of campus life. He said that a recommendation on the meal plan will be made at the March Board meeting, and reported on the relocation of the University Police to Gamma Commons.

Chairman Stokes called for presentation of **ITEM 8**, a report on the USA Mitchell Cancer Institute (MCI). President Moulton called upon Dr. Boyd to discuss. Dr. Boyd referenced aerial photos of the

Mitchell Cancer Institute building and the connector between the MCI and Mobile Infirmary. He introduced Ms. Margaret Sullivan, who reported that the MCI had been nominated for an outstanding design award by the architectural firm of Robins and Morton, and announced that the MCI had won the Excellence in Construction award. She gave details about the inaugural *Celebrate Hope* gala, a benefit for the MCI held on November 19, and introduced event co-chairs Mr. Jerry Silverstein and Mss. Tonia Silverstein and Cynthia Zipperly. The event was sold out with more than 500 guests in attendance. Mr. Silverstein addressed the Board, saying that the planning of the gala was a labor of love and that an important goal was to assure community support of the event. Dr. Busta reported that the gala is the most successful fundraising event in USA history. He acknowledged the efforts of Mss. Abbie McCullough, Kelly McCarron, and Margaret Sullivan as coordinators, as well as Mr. Abe Mitchell in promoting event support. Ms. Zipperly expressed pleasure for the opportunity of being involved in this worthwhile initiative. Funds raised exceeded \$200,000.

Chairman Stokes called for consideration of budget and finance items. Mayor Nix, Budget and Finance Committee Chair, noted receipt of the **ITEM 12** report titled *Monthly Fund Financial Reports for July, August, and September 2009*. There was no discussion.

Mayor Nix called upon Mr. Wayne Davis to present **ITEM 13**, the KPMG Audit Reports and Letter for the year ended September 30, 2009. Mr. Davis referenced the publication titled *University of South Alabama 2009 Financial Report*, which includes the audited financial statements and component units. He referred Trustees to the bound meeting materials to view copies of KPMG's required communications to the Board. He reported that representatives of KPMG had met with the Audit Committee during the Committee of the Whole meeting on December 9, and had delivered the required communications, discussed the audit process in detail, and answered questions. He noted that the audit report was in order.

President Moulton welcomed retired Athletics Director Mr. Joe Gottfried and wife, Mary, and read **ITEM 14** as follows. On motion by Mr. Langham, seconded by Mr. Yance, the resolution was unanimously approved. Mr. Gottfried thanked the Board, President Moulton, and the Mitchell family for their support and leadership during his tenure at the University of South Alabama.

**RESOLUTION  
COMMENDATION OF MR. JOSEPH E. GOTTFRIED**

WHEREAS, Mr. Joseph E. Gottfried joined the University of South Alabama as assistant athletic director in 1981 and assumed the leadership role of athletic director in 1984, and

WHEREAS, during his 28 years at the University of South Alabama, Mr. Gottfried made a lasting impact on the history of the University, and USA student athletes have excelled on the playing field and in the classroom, and

WHEREAS, under Mr. Gottfried's leadership, USA athletic teams have won 106 league titles and appeared in 56 NCAA championship events, and

WHEREAS, on the national level, 75 USA student athletes have earned All-American recognition and 62 USA coaches have been selected as Sun Belt Coaches of the Year, and

WHEREAS, more than 80 percent of USA student athletes earn their degrees from the University of South Alabama, and many are named to the Sun Belt Commissioner's List and the Sun Belt Academic Honor Roll for high-academic achievement, and

WHEREAS, Mr. Gottfried has helped bring more than 50 league championship events to Mobile, including three Sun Belt Tournaments, and

WHEREAS, during Mr. Gottfried's tenure, USA was awarded the Sun Belt Conference's *Vic Bubas Cup* for excellence in sports more times than any other school in league history, and

WHEREAS, Mr. Gottfried started the Jaguar Challenge, a fund-raising golf tournament that has provided the athletic department with more than \$500,000 during its five-year history, and

WHEREAS, Mr. Gottfried was instrumental in founding the USA Jaguar Football program and has worked tirelessly in implementing this program,

THEREFORE, BE IT RESOLVED that the Board of Trustees commends Mr. Joseph E. Gottfried for his dedication and outstanding contributions to the Athletics Department, to the University of South Alabama, and to the community.

There being no further business, the meeting was adjourned at 12:20 p.m.

Attest to:

Respectfully Submitted:

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Bettye R. Maye, Secretary

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Steven H. Stokes, MD, Chair Pro Tempore

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**COMMITTEE OF THE WHOLE**

**December 9, 2009  
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, December 9, 2009, at 2:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Steven Furr (via phone), Cecil Gardner, Donald Langham, Christie Miree, Arlene Mitchell, James Nix, John Peek, Ken Simon, Steven Stokes, and James Yance.

Members Absent: Trustees Sam Jones, Bettye Maye, Bryant Mixon, Joseph Morton, Bob Riley, and Larry Striplin.

Administration and Others: President Gordon Moulton; Drs. Michael Boyd, Joe Busta, Joan Exline, Ron Franks, David Johnson, Russ Lea, Allen Perkins, Robert Shearer, John Smith, David Stearns, and Sam Strada; Messrs. Wayne Davis, Stan Hammack, and Mark Peach (KPMG); Mss. Jean Tucker and Ashley Willson (KPMG).

Press: Mr. Gary McElroy (*Press-Register*).

Chairman Stokes called the meeting of the Committee of the Whole to order and welcomed Trustees and guests. He suggested detailed discussion of **ITEMS 3 and 13**, as well as any other agenda item a Committee member desired to address.

Concerning **ITEM 3** (for copies of resolutions, policies, and other authorized documentation, refer to the USA Board of Trustees meeting minutes, December 10, 2009), a resolution to adopt the updated report titled *University of South Alabama: Long-Range Planning Goals and Objectives (2008-2013)*. President Moulton stated that Mayor Jones, Chair of the Board's Long-Range Planning Committee, could not be in attendance, and called upon Dr. Shearer to report. Dr. Shearer introduced Dr. Joan Exline, Associate Vice President for Institutional Research, Planning, and Assessment, and reported that he and Drs. Exline and Johnson had met with Mayor Jones recently to discuss the University's progress relative to strategic institutional goals that were adopted by the Board in March 2008. Dr. Exline explained that the update is designed to be an integrated, working document, and outlined the revisions as proposed. President Moulton said that the goals document is an important component of the effective planning process required by the Southern Association of Colleges and Schools (SACS). The University will undertake the SACS self-study process in five years.

With regard to Long-Range Planning Objective 5, Ms. Miree inquired if there are plans to concentrate on recruitment in areas represented by Trustees. President Moulton responded that the



University seeks to accomplish this statewide via the collaboration of USA recruiters and high school counselors. He added that the administration must consider the practicality of costly marketing versus outcomes. He reported on the success of the most recent *USA Day*, during which more than 3,000 prospective high school students and parents visited campus. He said that interest in housing has increased considerably. He welcomed new ideas from Trustees for recruiting, and called upon Dr. Stearns for additional comments. Dr. Stearns agreed that competing with schools located in counties where students live is a challenge. President Moulton drew attention to the report titled *University of South Alabama 2009 Financial Report*, which cites multiple enrollment records set in the past year, as well as USA's enrollment statistics reports. Mr. Simon asked if recruitment efforts targeted junior college students; President Moulton and Dr. Stearns acknowledged ongoing efforts to recruit transfer students from junior colleges. Dr. Stearns added that the website and video marketing are useful tools to draw interest from prospects. He stated that Enrollment Services endeavors to attract quality students with high ACT scores as well. Mr. Peek commented on the work of USA's enrollment staff with high schools in his area.

Dr. Stokes inquired on the status of construction of the Student Recreation Center, as well as Moulton Tower and Alumni Plaza. President Moulton reported that the construction schedules are on track, with the recreation center slated for completion in late May 2010, and Moulton Tower and Alumni Plaza expected to be finished in February or March. He said that the bells are to be installed at any time.

Chairman Stokes called upon Mr. Wayne Davis to present **ITEM 13**, the KPMG Audit Reports and Letter for the year ended September 30, 2009. Referencing the *University of South Alabama 2009 Financial Report*, he compared the University's total assets of \$856,249,000 to unrestricted net assets, which shows the use of reserves during the year. He noted a change in the University's net assets between 2009, which ended with a loss of \$1,648,000, and 2008, which concluded with a net income of \$23,811,000. He discussed the management letter submitted by the audit firm of KPMG, stating that KPMG presented two comments and recommendations. He said that the administration was in agreement with KPMG's comments and is working to implement the recommendations.

Mr. Davis introduced Ms. Ashley Willson and Mr. Mark Peach, KPMG partners. They distributed a report titled *Results of the 2009 Audit: Presentation to the Budget & Finance Committee*. Ms. Willson and Mr. Peach discussed the material, noting the responsibilities of the University's management, the Audit Committee of the Board, and KPMG, and concluded with a review of the required communications to the Board of Trustees. Mr. Simon asked about internal controls that are reviewed by KPMG, specifically, controls for cash receipts, and the submission of the audit report for bond-related purposes. Ms. Willson and Mr. Peach answered that KPMG assesses internal controls to design KPMG's audit procedures, but noted the firm is not engaged to report on internal controls. President Moulton remarked on the matter of cash receipts, stating that cash transactions are a necessary function of business at many campus locations. Mr. Davis added that adequate controls are in place for any business involving cash. Regarding the distribution of the audit report, Mr. Davis acknowledged that the audit report is provided to bond-rating agencies, and to anyone upon request.

Dr. Stokes asked about the status of state funding. In response, Mr. Davis and President Moulton discussed the current year's proration, funding sources of the Education Trust Fund, and cost increases for retirement and health benefits, noting how they are funded for four-year schools versus K-12. Dr. Stokes asked about the cost-benefit effect of additional students. President Moulton replied that classroom seats are available without having to build additional classroom buildings.

Dr. Charlton raised the issue of the in-state service area of Alabama schools compared to Florida schools. Discussion followed about the impact on enrollment several years earlier when the Alabama legislature voted to change the in-state service area.

Mr. Langham complimented USA's Anatomical Gifts Program, noting the recent death of a family member who was a donor. President Moulton stated that positive feedback is often received about the program, and added that an annual ceremony is held to recognize the donors. He reported on the deaths of long-standing faculty members Drs. Steven Teplick, Chair of Radiology, and T. G. Jackson, Chemistry Professor.

There being no further business, the meeting was adjourned at 3:14 p.m.

Attest to:

Respectfully Submitted:

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Bettye R. Maye, Secretary

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Steven H. Stokes, MD, Chair Pro Tempore

**RESOLUTION**

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS  
NOVEMBER AND DECEMBER 2009,  
JANUARY AND FEBRUARY 2010**

**WHEREAS**, the Medical Staff appointments and reappointments for November and December 2009 and January and February 2010 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

FEB 11 2010

UNIVERSITY OF SOUTH ALABAMA  
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FAX: (251) 471-7751

**MEMORANDUM**

**TO:** V. Gordon Moulton  
President

**FROM:** Stan Hammack 

**DATE:** February 10, 2010

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 – February 9, 2010**

USA Hospitals Medical Staff Bylaws Revisions (major revisions attached)

USA Hospitals Medical Staff Rules and Regulations Revisions (major revisions attached)

Credentials Report – November, December 2009 and January, February 2010

SKH:eb

Attachments

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS**

**FOR BOARD OF TRUSTEES APPROVAL**

**NOVEMBER, DECEMBER 2009, JANUARY 2010 AND FEBRUARY 2010**

**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.**

USACWH				USAMC				AMBULATORY CARE			
NAME	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Type/Stat	Dept/Ser	
Almeida, Oscar, Jr., MD	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN	N/A	N/A	N/A	N/A	
Alter, Stuart J., DPM	New Appt	Allied Health	Ortho	New Appt	Allied Health	Ortho	N/A	N/A	N/A	N/A	
Beaver, Beaver, DO	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Reappt	Int Med	
Bell, Raymond L., MD	No privs	N/A	N/A	Reappt	Courtesy	Int Med	N/A	N/A	N/A	N/A	
Brooks, Martha L., RDH	New Appt	Allied Health	Surgery	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Broughton, William A., MD	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Reappt	Int Med	
Brown, Barry L., MD	New Appt	Associate	Surgery	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Carnahan, Gary E., MD	Reappt	Active	Pathology	Reappt	Active	Pathology	Reappt	Active	Reappt	Pathology	
Clement, Loran T., MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Reappt	Peds	
Cole, Kimberly, A., DO	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Reappt	Peds	
Crissinger, Karen D., MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Reappt	Peds	
Davis, Lorie R., CRNP	New Appt	Allied Health	Eval Center	No privs	N/A	N/A	New Appt	Allied Health	New Appt	Eval Center	
Davis, Shannon N., CRNP	No privs	N/A	N/A	Reappt	Allied Health	Surgery	Reappt	Allied Health	Reappt	Surgery	
Donahoe, David K., MD	New Appt	Associate	Ortho	New Appt	Associate	Ortho	N/A	N/A	N/A	N/A	
Dyess, Donna L., MD	Reappt	Active	Surgery	Reappt	Active	Surgery	Reappt	Active	Reappt	Surgery	
Eichold, Bernard, MD	Reappt	Courtesy	Int Med	Reappt	Courtesy	Int Med	N/A	N/A	N/A	N/A	
Elkpenyong, Udeme I., MD	New Appt	Associate	Peds	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Fagan, Karen A., MD	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Reappt	Int Med	
Fagbongbe, Eniola O., MD	Reappt	Courtesy	OB/GYN	Reappt	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	
Fesinger, Tamara L., RDH	New Appt	Allied Health	Surgery	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Figarola, Maria S., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Reappt	Radiology	
Fillingim, Elizabeth S., RN	Reappt	Allied Health	Peds	No privs	N/A	N/A	Reappt	Allied Health	Reappt	Peds	
Foster, Kendal I., MD	Reappt	Active	OB/GYN	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Fouty, Brian W., MD	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Reappt	Int Med	
Franks, Ronald, MD	Reappt	Active	Psychiatry	Reappt	Active	Psychiatry	Reappt	Active	Reappt	Psychiatry	
Fruh, Sharon M., CRNP	No privs	N/A	N/A	New Appt	Allied Health	Int Med	New Appt	Allied Health	New Appt	Int Med	
Green, Allan E., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Reappt	Radiology	
Green, Kelly, MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Reappt	Peds	
Greiner, Francis G., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Reappt	Radiology	
Hanlon, Philip R., MD	Reappt	Active	Anesth	Reappt	Active	Anesth	N/A	N/A	N/A	N/A	
Hendry, Christy L., DA	New Appt	Allied Health	Surgery	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Herrera, Danilo V., MD	Reappt	Active	OB/GYN	No privs	N/A	N/A	N/A	N/A	N/A	N/A	
Imran, Hamayun, MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Reappt	Peds	
Inge, George B., III, MD	Reappt	Courtesy	OB/GYN	No privs	N/A	N/A	N/A	N/A	N/A	N/A	

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

**NOVEMBER, DECEMBER 2009, JANUARY 2010 AND FEBRUARY 2010**

**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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Jacobs, Corey D., MD	Reappt	Courtesy	OB/GYN	Reappt	Courtesy	OB/GYN	N/A	N/A	N/A
Lamar, Tracey K., CRNA	New Appt	Allied Health	Anesth	New Appt	Allied Health	Anesth	New Appt	Allied Health	Anesth
Linder, Michael, MD	Reappt	Active	Fam Med	Reappt	Active	Fam Med	Reappt	Active	Fam Med
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 V., MD	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Int Med
McCollum, Jeffery S., CRNA	Reappt	Allied Health	Anesth	Reappt	Allied Health	Anesth	Reappt	Allied Health	Anesth
McLain, Jennifer B., DA	New Appt	Allied Health	Surgery	No privs	N/A	N/A	N/A	N/A	N/A
McNair, William S., MD	Reappt	Active	Emer Med	Reappt	Active	Emer Med	Reappt	Active	Emer Med
McPhail, Paula K., MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Peds
Moore, Lori P., CRNP	No privs	N/A	N/A	New Appt	Allied Health	Int Med	New Appt	Allied Health	Int Med
Motley, Carol P., MD	Reappt	Active	Fam Med	Reappt	Active	Fam Med	Reappt	Active	Fam Med
Outlaw, Kitti K., MD	Reappt	Courtesy	Surgery	Reappt	Courtesy	Surgery	N/A	N/A	N/A
Pachecho, Antonio L., MD	No privs	N/A	N/A	Reappt	Active	Emer Med	Reappt	Active	Emer Med
Parsell, Karen J., MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Peds
Patterson, Scott B., DO	Reappt	Courtesy	Surgery	Reappt	Active	Surgery	Reappt	Active	Surgery
Pettyjohn, Frank S., MD	Reappt	Active	Emer Med	Reappt	Active	Emer Med	Reappt	Active	Emer Med
Pettyjohn, Frank S., MD	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Int Med
Preud'Homme, Daniel L., MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Quindlen, Eugene A., MD	Reappt	Active	Neurosurg	Reappt	Active	Neurosurg	Reappt	Active	Neurosurg
Qureshi, Yasmeen A., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Rao, Aarati V., MD	Reappt	Active	Peds	Reappt	Active	Peds	Reappt	Active	Peds
Reed, Eddie, MD	Reappt	Active	Int Med	Reappt	Active	Int Med	N/A	N/A	N/A
Roberts, Kimberly A., MD	No privs	N/A	N/A	Reappt	Active	Emer Med	Reappt	Active	Emer Med
Roca, Cesar M., MD	New Appt	Associate	Ortho	New Appt	Associate	Ortho	N/A	N/A	N/A
Roth, Steven M., MD	No privs	N/A	N/A	Reappt	Active	Emer Med	Reappt	Active	Emer Med
Schaphorst, Kane L., MD	Reappt	Consulting	Int Med	Reappt	Active	Int Med	Reappt	Active	Int Med
Sheets, Cindy S., MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Peds
Sherman, Craig, MD	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN
Standley, Todd B., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Steffler, Brad A., MD	Reappt	Active	Radiology	Reappt	Active	Radiology	Reappt	Active	Radiology
Stuckey, Suzanne D., MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Peds
Trimn, R. Franklin, MD	Reappt	Active	Peds	No privs	N/A	N/A	Reappt	Active	Peds

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

**NOVEMBER, DECEMBER 2009, JANUARY 2010 AND FEBRUARY 2010**

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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Turner, Staci A., MD	No privs	N/A	N/A	New Appt	Associate	Pathology	New Appt	Associate	Pathology
Vance, Susan E., MD	Reappt	Courtesy	OB/GYN	No privs	N/A	N/A	N/A	N/A	N/A
Vande Waa, John A., DO	Reappt	Active	Int Med	Reappt	Active	Int Med	Reappt	Active	Int Med
Varma, Jyotsna, MD	Reappt	Active	Anesth	Reappt	Active	Anesth	Reappt	Active	Anesth
Varner, Stephen, MD	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN	Reappt	Active	OB/GYN
Vincent, Robert D., MD	Reappt	Active	Anesth	Reappt	Active	Anesth	Reappt	Active	Anesth
Watson, Robert D., MD	Reappt	Active	Anesth	Reappt	Active	Anesth	Reappt	Active	Anesth
White, Carolyn S., CRNP	No privs	N/A	N/A	New Appt	Allied Health	Int Med	New Appt	Allied Health	Int Med
Windham, Farren A., CRNA	New Appt	Allied Health	Anesth	New Appt	Allied Health	Anesth	New Appt	Allied Health	Anesth

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS FOR BOARD OF TRUSTEES APPROVAL NOVEMBER, DECEMBER 2009, JANUARY 2010 AND FEBRUARY 2010 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.									
USACWH					USAMC				
NAME	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
<b>CHANGE IN STATUS/RESIGNATION</b>									
Dawkins, Erin C., MD	Change category	Honorary Staff	OB/GYN	Change category	Honorary Staff	OB/GYN	Change category	Honorary Staff	OB/GYN
Elliott, Kimberly, MD	Already has	Active		***	Active	Surgery	***	Active	Surgery
Richards, William, MD	****	Active	Peds/Crit Care	No privs	N/A	Surgery	****	Active	Surgery
Richerson, Jason, MD						N/A			Peds/Crit Care
<b>Resigned/Relocated</b>									
Butera, Phillip J., MD	Reason	Date							
Gaines, Ronald, MD	Dues	1/15/2010	Int Med						
Hanley, James, MD	Dues	1/15/2010	Int Med						
Heins, Allan E., MD	Left USA Hosp	9/11/2009	Peds/Crit Care						
Kleinmann, Michael, DO	Relocated	12/20/2009	Peds/Emer Med						
Mire, Christopher, MD	Dues	1/15/2010	Int Med						
Palmer, Lauren, PA	Dues	1/15/2010	Int Med						
Sinks, Peter, MD	Not Reappt	11/9/2009	Ortho						
	Relocated	2/5/2010	Int Med						

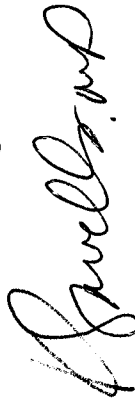


**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS  
FOR BOARD OF TRUSTEES APPROVAL  
NOVEMBER AND DECEMBER 2009**

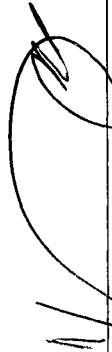
**LEGEND:**

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
Changes in Status	# Change to USA Faculty
	## Change to Private Practice
	* Additional Privileges Requested – Epicor Cardiac Tissue Abalation
	** Additional Privileges Requested – OB/GYN Privileges Added
	*** Additional Privileges Requested – Moderate Conscious Sedation Privileges
	**** Additional Privileges Requested – Deep Sedation Privileges
	***** Added Hematology/Oncology Checklist
	***## Additional Privileges for both USA Hospitals/ <u>Already processed at USACW</u>

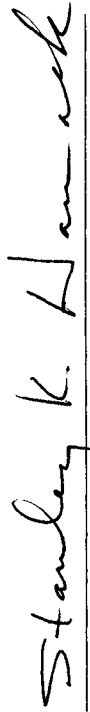
**RECOMMENDED BY:**



Katherine Savells, 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 BYLAWS AND RULES AND REGULATIONS  
REVISIONS OF FEBRUARY 9, 2010**

**WHEREAS**, the Combined Centers for Medicare and Medicaid, as well as The Joint Commission, have changed medical staff requirements, and

**WHEREAS**, the changes in requirements must be reflected in the Medical Staff Bylaws and Rules and Regulations, and

**WHEREAS**, revisions of USA Hospitals Medical Staff Bylaws and Rules and Regulations approved at the February 9, 2010, Medical Staff meeting are recommended for approval by the Medical Staffs of the University of South Alabama Hospitals,

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

**University of South Alabama Hospitals  
Medical Staff Bylaws**

**Review Points**

**The following is a list of the major changes made to the Medical Staff Bylaws.**

1. Medical Staff definition narrowed to include
  - a. medical doctors
  - b. doctors of osteopathy; or
  - c. medical doctor equivalent as recognized by ECFMG
2. Categories of Medical Staff defined as Active, Courtesy, and Contract Physician
  - a. Active – regularly admit, regularly consult, regularly practice a hospital-based specialty, votes and serves on committees
  - b. Courtesy – occasionally admit, occasionally consult, does not vote or serve on committee
  - c. Contract – Either contracted physicians or moonlighting residents, does not vote or serve on committee
  - d. eliminated Consulting Staff
3. Resident Staff
  - a. care providers not requiring credentialing/privileging if functioning within resident program guidelines
  - b. subject to Bylaws, Rules and Regulations, and Hospital policies
  - c. not members of Medical Staff
  - d. not subject to Fair Hearing and Appellate Review
4. Affiliate Staff
  - a. care providers requiring credentialing/privileging
  - b. subject to Bylaws, Rules and Regulations, and Hospital policies
  - c. not members of Medical Staff
  - d. not subject to Fair Hearing and Appellate Review
5. General Conditions of Appointment
  - a. requires evaluation of each application based on Hospital and community needs
6. Board Certification
  - a. significant change requires certification but allows grandfathering of current physicians
  - b. allows waiver in unusual circumstances
7. Timeframe for credentialing/privileging
  - a. defined as 120 days to maintain compliance with TJC requirements
8. Provisional Periods
  - a. for not more than one (1) year
  - b. possibility of two (2) consecutive three (3) month extensions if the Staff Member's activity level is not sufficient to demonstrate ability
  - c. insufficient activity after extension periods will result in voluntary resignation of privileges
  - d. appointments failing to meet criteria for release from provisional period will be scheduled for personal interview to discuss termination of privileges
9. Contract Staff
  - a. terminate automatically when the contract terminates
10. Leave of Absence (LOA)
  - a. if appointment expires during LOA, Staff Member may use reappointment process if expiration is less than six (6) months
11. Approved Observers
  - a. provides for clinical activities for educational purposes
  - b. requires HIPAA statement

**Approved Revisions – Feb. 9, 2010 USA Hospitals Medical Staff Meeting**

12. Waiver of Qualifications
  - a. allows a waiver of any not regulatory requirements of appointment
13. Submission of Appointment Applications
  - a. allows for failure to complete application within 30 days to be considered voluntary withdrawal of request for appointment
14. Conditions of Appointment
  - a. allows for blood and/or urine drug screen if requested for cause
  - b. sets basis for Physician Health Program
15. Processing of Application
  - a. Department Chairs are defined as Chair of Hospital's Medical Staff Department Committees
  - b. at CW Department Chair differs from Academic Department Chair
  - c. at MC Department Chair and Academic Department Chair are the same
  - d. Appointment and Reappointment applications are reviewed and signed by Hospital's Medical Staff Department Chair
16. Corrective Action
  - a. process more clearly defined
  - b. moved CAC to MEC level from Department level
  - c. Corrective Action Committee shall not include the Department Chair or anyone with conflict of interest as determined by Chair of MEC
17. Summary and Automatic Suspension
  - a. more clearly defined but basically unchanged from current Bylaws
18. Fair Hearing
  - a. more clearly defined
  - b. extends process from Fair Hearing Committee to Executive Committee as decision point leaving appellate review to BOT
19. Appellate Review
  - a. unchanged from current Bylaws
  - b. clearly defines process to University President and BOT
20. Officers (MEC Chair/Chair-Elect)
  - a. inserted Executive Committee in line of approval
  - b. added selection, terms of office, process for removal, responsibility and authority as required by TJC
21. Department Chairs
  - a. inserted Executive Committee in line of approval
  - b. added selection, terms of office, process for removal, responsibility and authority as required by TJC
22. MEC, Combined Credentialing Committee, and Department meetings
  - a. identified hospital departments
  - b. added responsibility and authority as required by TJC
23. H&P
  - a. added to Bylaws as required by CMS
24. Hospital Committees
  - a. lists hospital committees for both CW and MC
  - b. includes expectation of Medical Staff participation
25. Amendments to the Bylaws
  - a. Executive Committee may approve amendments when time is critical for regulatory compliance

**University of South Alabama Hospitals  
Medical Staff Rules and Regulations**

**Changes to Medical Staff Rules and Regulations**

1. Combined Rules and Regulations from both hospitals to create one document for both hospitals.
2. Page 1 – Defined Department Chair for each hospital.
3. Page 3 – Added the functions of the Combined Credentials Committee.
4. Page 6 – Changed the definition of Attending involvement.
5. Page 7 – Changed definition of Nurse Practitioner and Physician Assistant oversight.
6. Page 7 and 8 – Added specific examples of surgical specimen.
7. Page 10 – Added specific definitions of admission priorities.
8. Page 13 – Added the timeframe when a pre-operative H&P has to be updated.
9. Page 14 – Added language about what can be delegated to an RN related to history and physical.
10. Page 14 – Added all discharge summaries have to be dictated – can no longer be handwritten on a short stay form.
11. Page 14 – Added language about what parts of a discharge summary can be delegated to an RN.
12. Page 21 – Added focused review language.

**Additional Changes made at Medical Executive Committee meeting on Nov. 10, 2009**

1. Page 1 – Removed Medical Genetics from the list of clinical departments at the Medical Center.
2. Page 1 – Department chair clarification for the Medical Center – Academic chairs **generally** function as department chairs and any conflict with this would be resolved by the Dean of the College of Medicine, the Vice President of Health Sciences, and the Vice President of USA Health System.
3. Page 9 – Who may be admitted will add:  
CW: **Generally**, patients from neonate to the age of 18 that require pediatric services, and patients with illnesses/conditions unique to female gynecological disorders.  
MC: **Generally**, patients under the age of 12 will not be admitted, except in emergencies and then transferred to Children's and Women's Hospital as soon as possible.

**Change made at the Medical Executive Committee meeting on Nov. 24, 2009**

1. Page 1 – Department chair clarification for the Medical Center – Academic chairs **generally** function as **Chief of Service** and any conflict with this would be resolved by the Dean of the College of Medicine, the Vice President of Health Sciences, and the Vice President of USA Health System.

**Change made on Dec. 3, 2009**

1. Page 1 – Department chair clarification for the Medical Center – Academic chairs **generally** function as **Chief of Service, which is the same as hospital department chair**, with qualifications as outlined in the Medical Staff Bylaws. The chairperson of each academic department is appointed by the Dean of the College of Medicine. If there is any conflict between the College of Medicine and the Hospital departments, this will be resolved by the Dean of the College of Medicine, the Vice President for Health Sciences, and the Vice President for the USA Health System.
2. Page 2 – Combined Credentialing Committee or Combined Credentials Committee – **Drop the word Combined from all references.**

**UNIVERSITY OF SOUTH ALABAMA HOSPITALS  
MEDICAL STAFF MEETING  
February 9, 2010**

**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, February 9, 2010. Stan Hammack, Vice President for Health System, called the meeting to order.

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

Mr. Hammack gave a brief update on health care reform, the need for expansion of Medicaid and USA Hospitals' achievement of Tier I status with Blue Cross and Blue Shield of Alabama.

Following welcoming remarks, Mr. Hammack introduced Dr. Ronald Franks, Vice President for Health Sciences. Dr. Franks congratulated Dr. Samuel Strada and Dr. David Wood for securing the largest grant in the University's history in the amount of \$14.5 million from the National Institutes of Health to support ongoing research projects dedicated to the prevention and treatment of infectious diseases.

Dr. Strada mentioned that the College of Medicine (COM) is in the thrust of doing a self-study as a preamble for the Liaison Committee on Medical Education (LCME) site visit on September 26-29, 2010.

Dr. Perkins presented the names of the 2010 Medical Staff Officers for USA Hospitals who were approved by unanimous vote:

***USA Medical Center***

President	-	Jack DiPalma, M.D., Gastroenterology
President-Elect	-	Anthony Martino, M.D., Neurosurgery

***USA Children's and Women's Hospital***

President	-	Katherine Savells, M.D., Pediatrics
President-Elect/Secretary	-	Ehab Molokhia, M.D., Family Medicine

Dr. Perkins discussed the changes to the Medical Staff Bylaws and Rules and Regulations. All changes were approved.

With no further business, the meeting adjourned at 7:20 p.m.

Respectfully submitted,



Sandra A. Pickens  
Medical Credentialing Specialist

**RESOLUTION**

**RATIFICATION OF THE APPOINTMENT OF TWO PERSONS  
FOR A POSITION ON THE MOBILE COUNTY HOSPITAL BOARD**

**WHEREAS**, pursuant to the Certificate of Incorporation of the Mobile County Hospital Board, the University of South Alabama Board of Trustees is required to nominate in writing to the governing body of Mobile County, two (2) persons for the position of Director of the Corporation, and

**WHEREAS**, by a letter dated January 11, 2010 the President of the University submitted the names of Mr. Leo Dekle and Dr. Ronald D. Franks to the Mobile County Commission for the selection of one to serve on the Mobile County Hospital Board,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees hereby ratifies the attached letter nominating the two above-referenced individuals for a position of Director of the Mobile County Hospital Board.



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

REC'D  
OFFICE OF THE PRESIDENT

MAR 11 2010

UNIVERSITY OF SOUTH ALABAMA

March 11, 2010

TO: V. Gordon Moulton  
President

FROM: Jean Walker Tucker *jwt*  
Senior University Attorney

SUBJECT: Resolution Ratifying the Appointment of Two Persons for A Position  
on the Mobile County Hospital Board

Attached please find the above-referenced Resolution regarding the Appointment of Two Persons for a Position on the Mobile County Hospital Board. I recommend that the resolution be presented to the Board of Trustees for their consideration and approval at the March 12, 2010 meeting.

JWT/tb

Enclosures



UNIVERSITY OF SOUTH ALABAMA



OFFICE OF THE PRESIDENT

TELEPHONE: (251) 460-6111  
MOBILE, ALABAMA 36688-0002

January 11, 2010

HAND DELIVERED

Honorable Mike Dean  
President and Commissioner  
Mobile County Commission  
P. O. Box 1443  
Mobile, AL 36633

SUBJECT: Nominations to Mobile County Hospital Board

Dear Commissioner Dean:

Please accept from the University of South Alabama the following as nominees for election by the Mobile County Commission to the position of Director of the Mobile County Hospital Board:

Mr. Leo Dekle (currently serving and eligible to serve a consecutive term)  
Dr. Ronald D. Franks

Both of the individuals nominated meet the qualifications for service on the board and have an appropriate understanding of the importance of this Board. Attached for your review are their respective curriculum vitae.

Respectfully submitted,



V. Gordon Moulton

VGM:pbw

cc: Leo Dekle  
Bernard H. Eichold II, M.D.  
Stephen H. Simmons  
M. Wayne Davis  
Stanley K. Hammack  
William Bush  
Jean Walker Tucker

**RESOLUTION**

**PROFESSORS EMERITI**

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

Anne Jeannette Sylvestre, Ph.D., Professor of Accounting  
Charles L. Rich, M.D., Professor of Psychiatry  
James C. Wall, Ph.D., 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**, the Board of Trustees of the University of South Alabama 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, in recognition of their extraordinary accomplishments and dedicated service, wishes to convey its deep appreciation to these individuals.




## MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF ACADEMIC AFFAIRS

REC'D  
OFFICE OF THE PRESIDENT  
FEB 12 2010  
UNIVERSITY OF SOUTH ALABAMA

February 10, 2010

TO: Gordon Moulton  
FROM: G. David Johnson   
RE: Professor Emeritus Recommendation

---

In accordance with the recommendation of the faculty and Chair of the Department of Accounting and Dean of the Mitchell College of Business, 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. Anne Jeannette Sylvestre, Professor of Accounting, Retired July, 2009

A resolution for the Board of Trustees is attached.

GDJ/njc

FEB 18 2010

UNIVERSITY OF SOUTH ALABAMA



## MEMORANDUM

---

UNIVERSITY OF SOUTH ALABAMA

HEALTH SCIENCES DIVISION

TO: V. Gordon Moulton  
President

FROM: Ronald D. Franks, M.D.  
Vice President for Health Sciences

DATE: February 18, 2010

SUBJECT: *Professor Emeritus* Recommendations

A handwritten signature in black ink, appearing to be 'RDF', written over the name Ronald D. Franks.

In accordance with the recommendation of the faculty and the Interim Chair of the Department of Psychiatry and Dean of the College of Medicine, 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.

Charles L. Rich, M.D., Professor and Chair of Psychiatry, retired December 2007  
James C. Wall, Ph.D., Professor of Physical Therapy, retired January 2010

A resolution for the Board of Trustees is attached.

RDF/cwc

UNIVERSITY OF SOUTH ALABAMA

DEAN  
COLLEGE OF MEDICINE



TELEPHONE: (251) 460-6041  
MSB 2015 • 307 N. UNIVERSITY BLVD.  
MOBILE, ALABAMA 36688-0002  
FAX: (251) 460-6073

**MEMORANDUM**

TO: Ronald D. Franks, M.D.  
Vice President, Health Sciences

FROM: Samuel J. Strada, Ph.D.  
Dean, College of Medicine

DATE: February 18, 2010

RE: Professor Emeritus Recommendation for Charles L. Rich, M.D.

I concur with the Department of Psychiatry's recommendation to award Dr. Charles Lambert Rich with the title of Emeritus Professor of Psychiatry in recognition of his service as professor of chair of the department from 1992 to 2008. Dr. Rich is a noted authority on the relationship of illnesses of depression, antidepressant therapy and the incidence of suicide. He has published regularly in this field and has given many presentations on this subject. Please forward this recommendation to President V. Gordon Moulton to obtain approval from the Board of Trustees for this appointment.


DEAN  
COLLEGE OF  
ALLIED HEALTH PROFESSIONS



TELEPHONE: (251) 445-9250  
HAHN 3042 • MOBILE, ALABAMA 36688-0002  
FAX: (251) 445-9259

**COLLEGE OF ALLIED HEALTH PROFESSIONS**  
**OFFICE OF THE DEAN**      Phone: 251 380-2785   Fax: 251 380-2787

**Phone: 251 380-2785 Fax: 251 380-2787**  
**rtalbott@usouthal.edu**

**TO:** Dr. Ron Franks, VP for Health Sciences  
**FROM:** Richard E. Talbott, Ph.D. -- Dean   
**SUBJECT:** Emeritus Recommendation: Dr. Jim Wall  
**cc:** Dr. Dennis Fell, Chair Physical Therapy  
**DATE:** 11/29/2009

Attached hereto please find the recommendation from the Department of Physical Therapy for the appointment of Dr. James C. Wall to Professor Emeritus. He has been nominated by and received unanimous support of the tenured faculty in the department and the strong support of the Chair of the Department, Dr. Dennis Fell. I have reviewed the letters of support and his curriculum vitae and I am in agreement with the recommendations of the Chair and faculty that he has fully satisfied the requirements for this distinguished appointment as set forth in the Faculty Handbook.

This is to request your approval and support of this nomination and the submission of a positive recommendation to the President and Board of Trustees. Thank you for your consideration of this request and please contact me if you have any questions or I can provide any further information.

**RESOLUTION**

**UNIVERSITY OF SOUTH ALABAMA GAUTIER CAMPUS**

**WHEREAS**, the University of South Alabama serves a significant number of transfer students originating from Jackson County, Mississippi, and

**WHEREAS**, Mississippi Gulf Coast Community College and area businesses have requested that the University of South Alabama provide upper division and graduate courses in Jackson County, Mississippi, and

**WHEREAS**, the University of South Alabama is positioned to provide a number of degree programs in online, hybrid and traditional formats in disciplines of interest to residents of the Mississippi Gulf Coast region, beginning fall semester 2010, and

**WHEREAS**, Mississippi Gulf Coast Community College will provide classroom and office space in 14,520 square feet of the Jackson County University Building on the Gautier campus, and provide all associated utilities and building services, and

**WHEREAS**, operating expenses for use of the Jackson County University Building will be waived for the first year, and

**WHEREAS**, if enrollment estimates are met, the University expects to have revenues match or exceed expenses within the first two years of operation, and

**WHEREAS**, strengthening the partnership between the University of South Alabama and Mississippi Gulf Coast Community College is to the benefit of all citizens of the Alabama and Mississippi Gulf Coast region, and

**WHEREAS**, either party may cancel the agreement with a one-year written notice,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees approves the establishment of a satellite campus to be called the University of South Alabama Gautier Campus effective July 1, 2010.

MAR 01 2010




**MEMORANDUM**

UNIVERSITY OF SOUTH ALABAMA

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF ACADEMIC AFFAIRS

March 1, 2010

TO: Gordon Moulton  
FROM: G. David Johnson   
RE: University of South Alabama Gautier Campus Resolution

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I recommend that the attached resolution pertaining to the establishment of a University of South Alabama Gautier Campus be added to the March 2010 Board of Trustees agenda.

Thank you.

GDJ/njc



# I N D E X OCTOBER 2009

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# Financial Report Highlights

## October 31, 2009

### 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 month ended, October 31, 2009 and 2008 are as follows (in thousands):

	At and for the month ended	
	10-31-09	10-31-08
<i>Total assets, by fund</i>		
Current	\$ 209,445	\$ 232,827
Loan	4,784	4,746
Endowment	95,480	82,668
Plant	610,136	605,591

### Fund Balances, by fund

Current	\$ 30,158	\$ 49,584
Loan	410	413
Endowment	86,051	73,308
Plant	297,623	287,986

### Other balance sheet highlights

Cash and investments	\$ 267,021	\$ 341,357
Receivables, primarily patient care	89,048	76,751
Bonds and notes payable	305,640	308,980

	For the month ended	
	10-31-09	10-31-08
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 9,700	\$ 8,508
State appropriations	8,335	10,155
Hospital revenues	24,188	21,689
Gifts, grants and contracts	6,638	5,238
Instruction and academic support	10,424	10,360
Research and public service	5,902	5,652
Hospital expenses	24,638	23,952
Net current fund increase	2,720	564

### 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

While enrollment and tuition have increased in recent years, the University is experiencing a significant decrease in state appropriations in fiscal 2010. Additionally, the University is subject to declines in general economic conditions in the United States and the State of Alabama. Recent declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential additional negative impact on other aspects of the University's operations.

UNIVERSITY OF SOUTH ALABAMA  
BALANCE SHEETS  
OCTOBER 2009 AND 2008

ASSETS		2009	2008	LIABILITIES AND FUND BALANCES		2009	2008
<b>CURRENT FUNDS:</b>				<b>CURRENT FUNDS:</b>			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	141,188.03	35,063.80	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	41,130,430.34	47,124,561.61
INVESTMENTS		76,139,308.55	112,826,252.93	DEFERRED REVENUES		38,440,017.46	33,679,350.62
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE				DUE TO OTHER FUNDS		97,737,051.93	100,150,563.17
FOR DOUBTFUL ACCOUNTS OF \$46,823,950.47				DEPOSITS HELD IN CUSTODY		393,108.17	756,187.41
FOR 2009 AND \$45,142,217.33 FOR 2008)				OTHER DEPOSITS		582,228.29	446,089.97
DEPOSITS		89,047,551.76	76,750,622.37	FUND BALANCES:			
INVENTORIES AT COST		35,000.00	35,000.00	ALLOCATED FOR:			
PREPAID EXPENSES		4,736,526.44	4,789,922.59	HOSPITALS	(29,094,503.58)		(19,047,581.34)
		22,251,199.10	21,169,145.85	AUXILIARY ENTERPRISES	2,235,991.01		2,129,717.97
				ENCUMBRANCES	2,851,819.37		2,918,749.32
				SELF-SUPPORTING ACTIVITIES	40,284,781.01		44,794,373.83
				UNALLOCATED	(2,210,150.12)		2,653,994.98
				TOTAL FUND BALANCES	14,067,937.69		33,449,254.76
				TOTAL UNRESTRICTED	192,350,773.88		215,606,007.54
TOTAL UNRESTRICTED		192,350,773.88	215,606,007.54				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		6,736,551.19	7,012,303.89	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		186,175.76	6,043.95
INVESTMENTS		7,458.21	11,529.60	OTHER DEPOSITS		1,170.00	1,100.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		10,350,125.97	10,197,181.84	DEFERRED REVENUES		816,495.44	1,079,052.87
				FUND BALANCES		16,080,294.17	16,134,818.51
				TOTAL RESTRICTED	17,094,135.37		17,221,015.33
TOTAL RESTRICTED		17,094,135.37	17,221,015.33	TOTAL CURRENT FUNDS	209,444,909.25		232,827,022.87
TOTAL CURRENT FUNDS		209,444,909.25	232,827,022.87				
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		801,939.44	461,306.39	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		4,374,048.83	4,333,038.93
NOTES RECEIVABLE (LESS ALLOWANCE FOR				REFUNDABLE GOVERNMENT ADVANCES			
DOUBTFUL ACCOUNTS OF \$490,934.85 FOR				FUND BALANCES:			
2009 AND \$500,533.16 FOR 2008)				UNIVERSITY FUNDS, UNRESTRICTED	410,007.43		412,626.71
				TOTAL FUND BALANCES	410,007.43		412,626.71
TOTAL LOAN FUNDS		4,784,056.26	4,745,665.64	TOTAL LOAN FUNDS	4,784,056.26		4,745,665.64
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		24,255,567.79	20,603,776.43	DEFERRED REVENUES	1,716,713.00		2,023,282.00
FUNDS WITH TRUSTEES		0.00	53,981.22	BONDS PAYABLE	7,712,239.00		7,336,871.00
INVESTMENTS		66,245,230.05	58,509,826.82	FUND BALANCES:			
PREPAID-LIFE ESTATE		3,640,310.00	3,500,298.00	RESTRICTED NONEXPENDABLE	26,870,050.26		28,053,868.90
REAL ESTATE HELD FOR RESALE		1,338,429.00	0.00	UNRESTRICTED EXPENDABLE	59,180,534.58		45,253,860.57
				TOTAL FUND BALANCES	86,050,584.84		73,307,729.47
TOTAL ENDOWMENT FUNDS		95,479,536.84	82,667,882.47	TOTAL ENDOWMENT FUNDS	95,479,536.84		82,667,882.47
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		36,354,705.96	80,023,529.60	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	558,202.23		1,872,223.09
FUNDS WITH TRUSTEES		0.00	351,707.17	DEFERRED REVENUES	6,724,363.19		6,724,363.19
INVESTMENTS		55,000,639.93	60,884,495.00	OTHER DEPOSITS	27,791.67		27,791.67
REAL ESTATE HELD FOR RESALE		0.00	988,429.00	BONDS PAYABLE	305,639,991.18		308,897,250.93
ACCOUNTS RECEIVABLE		1,746,839.00	1,799,284.00	CAPITAL LEASE OBLIGATIONS	0.00		83,449.72
NOTES RECEIVABLE		254,936.16	254,936.16				
DUE FROM OTHER FUNDS		97,737,051.93	100,150,563.17				
PREPAID EXPENSES		4,881,288.93	5,009,045.27				
CAPITAL LEASE RECEIVABLE		1,144,042.00	1,187,381.66				
INVESTMENT IN PLANT:							
LAND		29,232,252.32	29,232,252.32				
LAND IMPROVEMENTS		9,403,038.47	9,976,690.13				
BUILDINGS - ACCUM DEPREC AND IMPROVEMENTS		254,857,057.37	135,895,547.79				
OTHER EQUIPMENT, BOOKS AND FILMS		58,219,388.87	58,682,165.54				
CONSTRUCTION IN PROGRESS		61,304,966.90	121,155,282.87				
TOTAL PLANT FUNDS		610,136,207.84	605,591,309.68				
TOTAL ASSETS	\$	519,844,710.19	925,831,880.66				
				TOTAL LIABILITIES AND FUND BALANCES	\$	919,844,710.19	925,831,880.66

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE MONTH ENDED OCTOBER 31, 2009

	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	22,531,463.59						
HOSPITALS REVENUES	24,905,497.64						
AUXILIARY ENTERPRISES REVENUES	1,052,189.69						
GRANTS AND CONTRACTS:							
FEDERAL		1,495,695.18					
STATE AND LOCAL		842,285.55					
PRIVATE		235,296.05					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			352.21	15,080.00	(9,978.87)	6,782.07	
INVESTMENT INCOME,GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			4,530.61	154,755.16	54,168.68	3,563.99	
EXPENDED FOR PLANT FACILITIES (INCLUDING							1,584,824.94
\$154,498.96 CURRENT FUNDS EXPENDITURES)							
RETIREMENT OF INDEBTEDNESS							
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		5,211.66		3,036.00	106,090.04		43,730.89
TOTAL REVENUES AND OTHER ADDITIONS	48,489,150.92	2,578,488.44	4,882.82	172,871.16	150,279.85	10,346.06	1,628,555.83
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	15,916,046.95	3,157,588.92					
HOSPITALS EXPENDITURES	24,216,925.13						
AUXILIARY ENTERPRISES EXPENDITURES	979,643.40						
INDIRECT COSTS RECOVERED		350,779.07					
REFUNDED TO GRANTORS							
RETIREMENT OF INDEBTEDNESS							
ADMINISTRATIVE AND COLLECTION COSTS			4,807.22				
EXPENDED FOR PLANT FACILITIES (INCLUDING					1,523,132.32	(2,725,702.48)	2,081,071.73
\$92,806.34 FOR NON-CAPITALIZED EXPENDITURES)							
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
LOSS ON DISPOSAL OF PLANT							
OTHER DEDUCTIONS				0.00			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	41,112,615.48	3,508,367.99	4,807.22	0.00	1,523,132.32	(2,725,702.48)	2,081,071.73
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(1,487,743.15)				(208,420.79)	1,696,163.94	
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(524,152.16)				524,152.16		
PLANT ADDITIONS AND REPLACEMENTS	(1,444,823.75)				1,444,823.75		
ENDOWMENT FUND	(270,194.86)			270,194.86			
OTHER TRANSFERS	153,210.00	(153,210.00)					
TOTAL TRANSFERS	(3,573,703.92)	(153,210.00)	0.00	270,194.86	1,760,555.12	1,696,163.94	0.00
NET INCREASE (DECREASE) FOR THE PERIOD	3,802,831.52	(1,083,089.55)	75.60	443,066.02	387,702.65	4,432,212.48	(452,515.90)
FUND BALANCES AT OCTOBER 1, 2009	10,265,106.17	17,173,383.72	409,931.83	85,607,518.82	96,284,642.69	5,431,985.78	191,506,251.57
FUND BALANCES AT OCTOBER 31, 2009	14,067,937.69	16,090,294.17	410,007.43	86,050,584.84	96,672,345.34	9,864,198.26	191,053,735.67

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$190,819.16 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE FIRST MONTH ENDED OCTOBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	MONTH ENDED OCTOBER 31, 2009			OCTOBER 31, 2008	
	UNRESTRICTED	RESTRICTED	TOTAL		
REVENUES:					
TUITION AND FEES	\$ 9,699,662.71	\$	\$ 9,699,662.71	\$	8,507,641.05
STATE APPROPRIATIONS	7,617,582.77		7,617,582.77		9,270,564.01
FEDERAL GRANTS AND CONTRACTS	273,631.27	2,129,333.87	2,402,965.14		1,610,852.55
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$21,635.43)					
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$55,512.37)	55,511.15	684,223.03	739,734.18		185,152.55
INVESTMENT INCOME	3,285,586.09	210,068.22	3,495,654.31		3,442,401.46
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	(19,365.60)		(19,365.60)		36,657.37
HOSPITALS - SALES AND SERVICES	320,588.74		320,588.74		308,371.31
- STATE APPROPRIATIONS	24,187,894.41		24,187,894.41		21,688,931.72
AUXILIARY ENTERPRISES - SALES AND SERVICES	717,603.23		717,603.23		884,017.33
OTHER SOURCES	1,052,189.69		1,052,189.69		1,022,687.61
TOTAL CURRENT REVENUES	1,295,366.46	133,963.80	1,432,330.26		1,527,981.69
	48,489,150.92	3,157,588.92	51,646,739.84		48,485,258.65
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	6,682,726.76	1,848,066.68	8,530,792.44		8,327,648.71
RESEARCH	522,705.14	814,392.21	1,337,101.35		1,647,350.46
PUBLIC SERVICE	4,465,467.25	99,002.98	4,564,470.23		4,004,505.34
ACADEMIC SUPPORT	1,883,008.90	10,242.08	1,893,250.98		2,032,622.98
STUDENT SERVICES	1,486,447.85	78,922.66	1,565,370.51		1,654,731.17
INSTITUTIONAL SUPPORT	(75,029.27)	174,663.00	96,633.73		1,978,429.74
OPERATION AND MAINTENANCE OF PLANT	969,106.39	10,485.49	979,590.88		903,783.90
SCHOLARSHIPS	(15,389.07)	121,814.82	106,425.75		190,446.73
EDUCATIONAL AND GENERAL	15,916,046.95	3,157,588.92	19,073,635.87		20,739,519.03
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	901,217.27		901,217.27		1,001,004.83
TOTAL EDUCATIONAL AND GENERAL	16,817,264.22	3,157,588.92	19,974,853.14		21,740,523.86
HOSPITALS (INCLUDING DEBT SERVICE OF \$421,440.02)	24,638,365.15		24,638,365.15		23,951,711.98
AUXILIARY ENTERPRISES:					
EXPENDITURES	979,643.40		979,643.40		938,831.29
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	165,085.86		165,085.86		133,775.00
NON-MANDATORY TRANSFERS FOR:					
OTHER TRANSFERS	0.00		0.00		(5,733.70)
TOTAL AUXILIARIES	1,144,729.26	0.00	1,144,729.26		1,066,872.59
TOTAL EXPENDITURES AND TRANSFERS	42,600,358.63	3,157,588.92	45,757,947.55		46,759,108.43
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(929,879.55)	(929,879.55)		(2,472.39)
REFUNDED TO GRANTORS		0.00	0.00		(593.55)
FUNDED DEPRECIATION	(524,152.16)		(524,152.16)		(631,220.00)
PLANT ADDITIONS AND REPLACEMENTS	(1,444,823.75)		(1,444,823.75)		(20,000.00)
ENDOWMENT FUND	(270,194.86)		(270,194.86)		(335,770.64)
OTHER TRANSFERS	153,210.00	(153,210.00)	0.00		(172,400.33)
TOTAL TRANSFERS	(2,085,960.77)	(1,083,089.55)	(3,169,050.32)		(1,162,466.91)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 3,802,831.52	\$ (1,083,089.55)	\$ 2,719,741.97	\$	563,693.31

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$190,819.16 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 12.07% 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.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

**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 MONTH ENDED OCTOBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				10/31/09	10/31/08
BOOKSTORE	\$ 277,607.43	\$ 292,643.46	\$ 0.00	\$ (15,036.03)	\$ (23,016.76)
BROOKLEY CENTER	167,854.70	184,809.46	0.00	(16,954.76)	(32,097.89)
FOOD SERVICES-CAMPUS	40,908.79	20,475.30	0.00	20,433.49	20,590.85
HOUSING	565,818.77	481,715.18	(165,085.86)	(80,982.27)	(9,661.18)
TOTAL	\$ 1,052,189.69	\$ 979,643.40	\$ (165,085.86)	\$ (92,539.57)	\$ (44,184.98)

**BOOKSTORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE MONTH ENDED OCTOBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	<u>10/31/09</u>	<u>10/31/08</u>
<b>REVENUES:</b>		
SALES	\$ 247,658.86	\$ 241,384.20
LESS: DEPARTMENTAL DISCOUNTS	450.06	441.78
COST OF GOODS SOLD	<u>168,482.54</u>	<u>170,837.57</u>
GROSS PROFIT	78,726.26	70,104.85
CASH OVER/(SHORT)	110.42	(16.31)
GRADUATION (NET)	27,342.00	34,827.99
BAD DEBT RECOVERY	0.00	0.00
OTHER	2,496.15	4,119.88
NET REVENUES:	<u>108,674.83</u>	<u>109,036.41</u>
<b>EXPENDITURES:</b>		
SALARIES	61,513.86	57,582.02
EMPLOYEE BENEFITS	12,067.81	11,840.54
SUPPLIES	1,211.96	1,077.80
TRAVEL	149.00	0.00
EQUIPMENT	1,087.81	2,263.67
EQUIPMENT MAINTENANCE AND REPAIR	466.50	0.00
BUILDING & EQUIPMENT RENTAL	3,360.43	72.00
UTILITIES	6,250.00	6,250.00
TELEPHONE	639.62	474.40
INSURANCE AND BONDS	2,036.00	0.00
CONTRACT SERVICES	2,737.11	16,219.41
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	1,665.00
OBSOLETE INVENTORY	0.00	611.10
GENERAL EXPENSES	5,329.03	7,412.95
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	2,402.90	2,125.45
INSTITUTIONAL COST ALLOCATION	24,458.83	24,458.83
TOTAL EXPENDITURES	<u>123,710.86</u>	<u>132,053.17</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	0.00	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>		
<b>AND MANDATORY TRANSFERS</b>	<u>\$ (15,036.03)</u>	<u>\$ (23,016.76)</u>

\* THIS STATEMENT REFLECTS THE COMBINING OF BOOKSTORE OPERATIONS

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE MONTH ENDED OCTOBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
<b>REVENUES:</b>					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 1,285.40	\$ 0.00	\$ 1,285.40
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	20.68	0.00	20.68
GROSS PROFIT	0.00	0.00	1,264.72	0.00	1,264.72
FEES	0.00	0.00	35,594.50	0.00	35,594.50
RENTALS	2,333.00	55,736.60	0.00	0.00	55,736.60
OTHER	0.00	0.00	2.05	0.00	2.05
FACILITY ASSESSMENT FEE	4,167.00	0.00	0.00	0.00	0.00
NET REVENUES	6,500.00	55,736.60	36,861.27	0.00	92,597.87
<b>EXPENDITURES:</b>					
OPERATING EXPENDITURES:					
SALARIES	49,164.03	6,362.05	13,271.22	0.00	19,633.27
EMPLOYEE BENEFITS	10,568.81	960.20	2,784.12	0.00	3,744.32
SUPPLIES	4,019.92	0.00	398.16	0.00	398.16
TRAVEL	401.75	0.00	0.00	0.00	0.00
CONTRACT SERVICE	5,950.31	6,095.05	4,624.22	0.00	10,719.27
BUILDING MAINTENANCE & REPAIR	63.07	1,466.79	0.00	0.00	1,466.79
GROUND MAINTENANCE	3,146.00	2,851.18	46.62	0.00	2,897.80
UTILITIES	4,174.79	1,534.77	2,375.99	4,415.93	8,326.69
EQUIPMENT MAINTENANCE & REPAIR	0.00	106.00	2,032.38	0.00	2,138.38
BUILDING & EQUIPMENT RENTAL	317.99	0.00	0.00	0.00	0.00
TELEPHONE	618.95	0.00	0.56	0.48	1.04
INSURANCE AND BONDS	41,690.00	0.00	0.00	1,988.00	1,988.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	539.00	448.58	73.70	0.00	522.28
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	6,318.08	90.00	0.00	0.00	90.00
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(120,472.70)	33,732.35	0.00	4,818.91	38,551.26
TOTAL OPERATING EXPENDITURES	6,500.00	53,646.97	25,606.97	11,223.32	90,477.26
EXCESS REVENUES OVER EXPENDITURES	0.00	2,089.63	11,254.30	(11,223.32)	2,120.61
<b>OTHER EXPENDITURES:</b>					
EQUIPMENT	0.00	0.00	0.00	0.00	0.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
<b>TRANSFERS AMONG FUNDS -</b>					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 2,089.63	\$ 11,254.30	\$ (11,223.32)	\$ 2,120.61
EXPENDITURES (DEFICIT)					

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE MONTH ENDED OCTOBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 10/31/09	BROOKLEY CENTER TOTAL 10/31/08
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,285.40	\$ 1,863.39
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	63.27	0.00	0.00	63.27	83.95	85.49
GROSS PROFIT	(63.27)	0.00	0.00	(63.27)	1,201.45	1,777.90
FEES	10,375.60	45,920.05	0.00	56,295.65	91,890.15	91,254.98
RENTALS	1,100.00	0.00	0.00	1,100.00	59,169.60	60,790.77
OTHER	0.00	11,340.50	0.00	11,340.50	11,342.55	297.64
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	4,167.00	4,167.00
NET REVENUES	11,412.33	57,260.55	0.00	68,672.88	167,770.75	158,288.29
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	3,129.28	0.00	0.00	3,129.28	71,928.58	82,788.95
EMPLOYEE BENEFITS	605.34	0.00	0.00	605.34	14,918.47	17,998.11
SUPPLIES	2,741.10	188.53	0.00	2,909.63	7,327.71	1,668.80
TRAVEL	0.00	0.00	0.00	0.00	401.75	166.30
CONTRACT SERVICE	0.00	0.00	0.00	0.00	16,669.58	20,093.41
BUILDING MAINTENANCE & REPAIR	63.11	533.72	0.00	596.83	2,128.69	4,824.53
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	6,043.80	4,536.17
UTILITIES	13,262.39	9,568.62	0.00	22,831.01	35,332.49	53,945.69
EQUIPMENT MAINTENANCE & REPAIR	0.00	102.25	0.00	102.25	2,240.63	4,116.09
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	317.99	2,811.90
TELEPHONE	0.00	0.00	0.00	0.00	619.99	2,210.24
INSURANCE AND BONDS	240.00	0.00	0.00	240.00	43,918.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	651.50	0.00	0.00	651.50	1,712.78	3,019.65
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	8,787.38	13,182.71
EXPENSE OFFSET	0.00	2,379.30	0.00	2,379.30	0.00	(2,837.50)
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	(27,618.33)	(27,618.33)	(27,618.33)	(18,322.17)
OPERATING COST ALLOCATIONS	25,299.27	20,480.36	36,141.81	81,921.44	184,725.51	190,183.88
TOTAL OPERATING EXPENDITURES	45,991.99	33,232.78	8,523.48	87,748.25	(16,954.76)	(31,895.59)
EXCESS REVENUES OVER EXPENDITURES	(34,579.66)	24,027.77	(8,523.48)	(19,075.37)	0.00	0.00
<b>OTHER EXPENDITURES:</b>						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
<b>TRANSFERS AMONG FUNDS -</b>						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(5,936.00)
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	5,733.70
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	(202.30)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ (34,579.66)	\$ 24,027.77	\$ (8,523.48)	\$ (19,075.37)	\$ (16,954.76)	\$ (32,037.89)

**FOOD SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE MONTH ENDED OCTOBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	10/31/09	10/31/08
REVENUES:		
COMMISSION INCOME	\$ 40,908.79	\$ 31,868.88
TOTAL REVENUES	<u>40,908.79</u>	<u>31,868.88</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	(35.37)	0.00
EQUIPMENT MAINTENANCE AND REPAIR	1,432.78	3,497.68
UTILITIES	5,416.67	5,416.67
TELEPHONE	11.76	71.12
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	677.17	645.00
INSURANCE AND BONDS	11,149.00	0.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	550.00	0.00
INDIRECT COST	1,348.50	1,348.50
GENERAL EXPENSE	<u>(75.21)</u>	<u>299.06</u>
TOTAL EXPENDITURES	<u>20,475.30</u>	<u>11,278.03</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>\$ 20,433.49</u>	<u>\$ 20,590.85</u>

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE MONTH ENDED OCTOBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING	GAMMA DORMS
REVENUES:						
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 42,300.00	\$ 6,969.00	\$ 33,073.98	\$ 98,830.79
BAD DEBT RECOVERY	50.00	0.00	0.00	124.92	0.00	0.00
OTHER	0.00	0.00	0.00	397.93	(860.00)	60.00
TOTAL REVENUES	<u>50.00</u>	<u>0.00</u>	<u>42,300.00</u>	<u>7,491.85</u>	<u>32,213.98</u>	<u>98,890.79</u>
EXPENDITURES:						
SALARIES	26,254.10	10,836.64	0.00	13,707.78	4,508.31	16,238.39
EMPLOYEE BENEFITS	5,673.32	0.00	0.00	3,029.54	649.75	2,731.83
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	53.00	0.00	28,798.00	75.00	0.00	150.00
TRAVEL	229.20	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	840.94	0.00	0.00	0.00	0.00
SUPPLIES	2,772.26	231.47	0.00	390.06	2,166.28	947.51
CABLE	12,974.74	0.00	0.00	36.56	0.00	0.00
TELEPHONE	14.24	0.00	0.00	0.00	88.82	5,531.72
UTILITIES	0.00	0.00	0.00	123.74	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	2,231.00	7,629.00	12,762.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	374.44	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	364.42	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	4,293.05	(710.50)	0.00	516.82	0.00	7,451.00
ADMINISTRATIVE OVERHEAD	38,254.75	0.00	0.00	0.00	6,808.25	38,692.63
ADMINISTRATIVE EXPENSES	(91,207.52)	(11,198.55)	3,789.03	409.62	9,523.76	19,661.97
TOTAL EXPENDITURES	<u>50.00</u>	<u>0.00</u>	<u>32,587.03</u>	<u>20,520.12</u>	<u>31,374.17</u>	<u>104,167.05</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(75,879.00)	(19,142.86)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(75,879.00)</u>	<u>(19,142.86)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<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>(75,879.00)</u>	<u>(19,142.86)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 9,712.97	\$ (13,028.27)	\$ (75,039.19)	\$ (24,419.12)
AND TRANSFERS (DEFICIT)						



HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE MONTH ENDED OCTOBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 10/31/09	TOTAL HOUSING 10/31/08
REVENUES:					
RENTAL INCOME	\$ 62,682.16	\$ 232,388.04	\$ 87,131.95	\$ 563,375.92	\$ 535,806.43
BAD DEBT RECOVERY	0.00	0.00	0.00	174.92	0.00
OTHER	40.00	940.00	1,690.00	2,267.93	15,240.76
TOTAL REVENUES	<u>62,722.16</u>	<u>233,328.04</u>	<u>88,821.95</u>	<u>565,818.77</u>	<u>551,047.19</u>
EXPENDITURES:					
SALARIES	4,902.56	15,328.62	8,691.02	100,467.42	106,063.28
EMPLOYEE BENEFITS	1,020.07	2,366.52	791.59	16,262.62	19,454.96
CONTRACT LABOR	0.00	0.00	0.00	0.00	2,450.24
CONTRACT SERVICES	0.00	281.46	2,403.70	31,761.16	37,304.60
TRAVEL	0.00	0.00	0.00	229.20	446.35
RECEPTIONS	0.00	0.00	0.00	840.94	1,508.38
SUPPLIES	920.01	5,534.57	3,544.18	16,506.34	10,101.88
CABLE	0.00	0.00	0.00	13,011.30	12,869.69
TELEPHONE	2,273.87	13,384.55	4,431.64	25,724.84	24,869.27
UTILITIES	0.00	0.00	0.00	123.74	2,304.02
INSURANCE AND BONDS	6,550.00	17,885.00	5,729.00	52,786.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	365.00
EQUIPMENT	0.00	0.00	0.00	374.44	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	364.42	430.55
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	6,290.00	20,626.00	8,528.00	46,994.37	46,401.13
ADMINISTRATIVE OVERHEAD	18,266.50	55,668.88	18,577.38	176,268.39	168,300.02
ADMINISTRATIVE EXPENSES	11,162.26	43,420.17	14,439.26	(0.00)	(0.00)
TOTAL EXPENDITURES	<u>51,385.27</u>	<u>174,495.77</u>	<u>67,135.77</u>	<u>481,715.18</u>	<u>432,869.37</u>
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(5,720.00)	(33,270.00)	(31,074.00)	(165,085.86)	(127,839.00)
TOTAL MANDATORY TRANSFERS	<u>(5,720.00)</u>	<u>(33,270.00)</u>	<u>(31,074.00)</u>	<u>(165,085.86)</u>	<u>(127,839.00)</u>
NON-MANDATORY:					
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(5,720.00)</u>	<u>(33,270.00)</u>	<u>(31,074.00)</u>	<u>(165,085.86)</u>	<u>(127,839.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 5,616.89	\$ 25,562.27	\$ (9,387.82)	\$ (80,982.27)	\$ (9,661.18)
AND TRANSFERS (DEFICIT)					

# **I N D E X** **NOVEMBER 2009**

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## Financial Report Highlights November 30, 2009

### 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 two months ended, November 30, 2009 and 2008 are as follows (in thousands):

	At and for the two months ended	
	11-30-09	11-30-08
<i>Total assets, by fund</i>		
Current	\$ 217,924	\$ 224,170
Loan	4,785	4,748
Endowment	95,315	74,910
Plant	608,450	607,165
<i>Fund Balances, by fund</i>		
Current	\$ 29,473	\$ 45,384
Loan	411	415
Endowment	85,886	65,549
Plant	299,492	291,611
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 261,554	\$ 319,194
Receivables, primarily patient care	97,575	87,282
Bonds and notes payable	302,040	305,837

	For the two months ended	
	11-30-09	11-30-08
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 19,409	\$ 17,129
State appropriations	16,670	20,309
Hospital revenues	48,373	44,582
Gifts, grants and contracts	13,641	10,944
Instruction and academic support	21,216	21,380
Research and public service	12,051	10,859
Hospital expenses	50,056	49,568
Net current fund increase (decrease)	2,034	(3,637)

### 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

While enrollment and tuition have increased in recent years, the University is experiencing a significant decrease in state appropriations in fiscal 2010. Additionally, the University is subject to declines in general economic conditions in the United States and the State of Alabama. Recent declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential additional negative impact on other aspects of the University's operations.

ASSETS		2009	2008	LIABILITIES AND FUND BALANCES		2009	2008
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	141,134.83	\$ 147,836.50	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	44,466,867.65	\$ 50,943,317.54
INVESTMENTS		76,197,559.65	93,588,645.33	DEFERRED REVENUES		38,712,712.86	30,927,553.93
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$46,728,558.74 FOR 2009 AND \$45,382,437.91 FOR 2008)				DUE TO OTHER FUNDS		103,762,002.48	94,510,588.95
DEPOSITS		97,575,049.60	87,281,526.12	DEPOSITS HELD IN CUSTODY		390,554.69	625,900.28
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		603,354.30	482,546.26
PREPAID EXPENSES		4,559,442.39	4,553,298.57	FUND BALANCES:			
		22,764,082.42	21,142,939.41	ALLOCATED FOR:			
				HOSPITALS		(30,212,984.15)	(21,502,194.32)
				AUXILIARY ENTERPRISES		2,081,259.29	1,820,362.39
				ENCUMBRANCES		2,818,516.86	3,812,027.01
				SELF-SUPPORTING ACTIVITIES		39,297,807.72	45,021,197.34
				UNALLOCATED		(647,902.81)	107,346.95
				TOTAL FUND BALANCES		13,336,686.91	29,259,339.37
				TOTAL UNRESTRICTED		201,272,268.89	206,749,245.93
				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		6,491,131.22	8,210,807.39	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		69,393.31	27,970.27
INVESTMENTS		7,458.21	11,529.60	OTHER DEPOSITS		1,170.00	1,100.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		10,153,316.49	9,198,856.18	DEFERRED REVENUES		445,364.91	1,267,921.75
				FUND BALANCES		16,135,977.70	16,124,201.15
				TOTAL RESTRICTED		16,651,905.92	17,421,193.17
				TOTAL CURRENT FUNDS		217,924,174.81	224,170,439.10
				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		857,575.13	470,970.64	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		4,374,048.83	4,333,038.93
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$490,934.85 FOR 2009 AND \$500,533.16 FOR 2008)				REFUNDABLE GOVERNMENT ADVANCES			
				FUND BALANCES:		410,730.45	415,263.02
				UNIVERSITY FUNDS, UNRESTRICTED		410,730.45	415,263.02
				TOTAL FUND BALANCES		4,784,779.28	4,748,301.95
				TOTAL LOAN FUNDS			
				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		24,949,637.36	20,896,712.17	DEFERRED REVENUES		1,716,713.00	2,023,282.00
FUNDS WITH TRUSTEES		0.00	53,981.22	BONDS PAYABLE		7,712,239.00	7,336,871.00
INVESTMENTS		65,386,837.96	50,458,657.80	FUND BALANCES:		26,870,050.26	22,855,272.42
PREPAID-LIFE ESTATE		3,640,310.00	3,500,298.00	RESTRICTED NONEXPENDABLE		59,016,212.06	42,694,223.77
REAL ESTATE HELD FOR RESALE		1,338,429.00	0.00	UNRESTRICTED EXPENDABLE		85,886,262.32	65,549,496.19
				TOTAL FUND BALANCES		95,315,214.32	74,909,649.19
				TOTAL ENDOWMENT FUNDS			
				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		31,172,976.59	88,138,882.90	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		646,548.52	2,889,692.32
FUNDS WITH TRUSTEES		0.00	351,707.17	DEFERRED REVENUES		6,243,407.60	6,724,457.68
INVESTMENTS		55,011,429.93	56,281,990.00	OTHER DEPOSITS		27,791.67	27,791.67
REAL ESTATE HELD FOR RESALE		0.00	988,429.00	BONDS PAYABLE		302,039,991.18	305,837,250.93
ACCOUNTS RECEIVABLE		1,746,839.00	1,799,284.00	CAPITAL LEASE OBLIGATIONS		0.00	75,273.56
NOTES RECEIVABLE		254,936.16	254,936.16				
DUE FROM OTHER FUNDS		103,762,082.48	94,510,588.55				
PREPAID EXPENSES		4,881,288.93	5,021,197.23				
CAPITAL LEASE RECEIVABLE		1,147,617.13	1,148,200.84				
INVESTMENT IN PLANT:							
LAND							
LAND IMPROVEMENTS		29,232,252.32	29,232,252.32				
B							

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009

	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	45,782,257.60						
HOSPITALS REVENUES	49,808,623.24						
AUXILIARY ENTERPRISES REVENUES	1,989,130.60						
GRANTS AND CONTRACTS:							
FEDERAL		3,997,989.80					
STATE AND LOCAL		1,527,047.94					
PRIVATE		484,301.45					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			648.31	(606,893.91)	627,422.00	1,300.39	
INVESTMENT INCOME/GAINS/LOSS					(7,415.65)		
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			9,346.03	327,095.73	67,987.36	7,139.12	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$207,545.63 CURRENT FUNDS EXPENDITURES)							1,119,337.32
RETIREMENT OF INDEBTEDNESS							3,600,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		146,490.82	0.00	6,072.88	80,206.27		87,461.78
TOTAL REVENUES AND OTHER ADDITIONS	97,580,011.44	6,155,830.01	9,994.34	(273,725.30)	768,199.98	8,435.51	4,806,799.10
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	36,442,195.08						
HOSPITALS EXPENDITURES	49,213,410.67	5,935,379.17					
AUXILIARY ENTERPRISES EXPENDITURES	1,906,230.17						
INDIRECT COSTS RECOVERED		728,416.91					
REFUNDED TO GRANTORS		3,854.80					
RETIREMENT OF INDEBTEDNESS			9,195.72			3,600,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING \$158,372.51 FOR NON-CAPITALIZED EXPENDITURES)					1,070,164.20	(2,595,963.73)	4,159,751.04
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
LOSS ON DISPOSAL OF PLANT							
OTHER DEDUCTIONS							
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	87,561,835.92	6,667,750.88	9,195.72	0.00	1,070,164.20	1,004,036.27	4,159,751.04
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(2,975,474.31)				(416,841.57)	3,392,315.88	
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(1,048,304.32)				1,048,304.32		
MOBILE RACING COMMISSION	(7,593.75)				7,593.75		
PLANT ADDITIONS AND REPLACEMENTS	(2,889,647.50)				2,889,647.50		
ENDOWMENT FUND	(611,755.81)				(7,593.75)		
OTHER TRANSFERS	585,190.91	69,804.16		550,545.40	6,175.00		
TOTAL TRANSFERS	(6,948,584.78)	(594,289.31)		1,923.40	3,527,285.25	3,392,315.88	0.00
NET INCREASE (DECREASE) FOR THE PERIOD	3,071,590.74	(525,485.15)	0.00	552,468.80	3,527,285.25		
FUND BALANCES AT OCTOBER 1, 2009	10,265,106.17	(1,037,406.02)	798.62	278,743.50	3,225,321.03	2,396,719.12	647,049.06
		17,173,383.72	409,931.83	85,607,518.82	96,284,642.69	5,431,985.78	191,505,251.57
FUND BALANCES AT NOVEMBER 30, 2009	\$ 13,336,696.91	\$ 16,135,977.70	\$ 410,730.45	\$ 85,886,262.32	\$ 99,509,963.72	\$ 7,828,704.90	\$ 192,153,299.63

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$381,638.32 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	MONTH ENDED NOVEMBER 30, 2009		NOVEMBER 30, 2008	
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 19,408,788.75	\$	\$ 19,408,788.75	\$ 17,128,811.28
STATE APPROPRIATIONS	15,235,165.54		15,235,165.54	18,541,127.68
MOBILE RACING COMMISSION	7,593.75		7,593.75	23,341.52
FEDERAL GRANTS AND CONTRACTS	605,132.48	4,299,837.34	4,904,969.82	3,213,372.24
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$72,834.62)	72,833.67	958,051.89	1,030,885.56	425,640.45
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$50,449.81)	7,288,350.26	416,702.80	7,705,052.86	7,303,607.22
INVESTMENT INCOME	45,270.15		45,270.15	597,252.61
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	624,619.38		624,619.38	640,991.53
HOSPITALS - SALES AND SERVICES	48,373,416.78		48,373,416.78	44,581,744.71
- STATE APPROPRIATIONS	1,435,206.46		1,435,206.46	1,768,034.66
AUXILIARY ENTERPRISES - SALES AND SERVICES	1,989,130.60		1,989,130.60	1,892,458.24
OTHER SOURCES	2,494,493.62	260,777.34	2,755,270.96	2,728,985.12
TOTAL CURRENT REVENUES	97,580,011.44	5,935,379.17	103,515,390.61	98,846,367.26
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	14,606,187.93	3,312,812.53	17,919,000.46	18,058,218.83
RESEARCH	1,183,538.46	1,756,797.43	2,940,335.89	3,385,406.25
PUBLIC SERVICE	8,923,494.78	187,040.44	9,110,535.22	7,475,113.63
ACADEMIC SUPPORT	3,276,326.90	20,484.16	3,296,811.06	3,321,303.06
STUDENT SERVICES	3,046,020.10	200,741.09	3,246,761.19	3,461,954.23
INSTITUTIONAL SUPPORT	2,734,886.21	175,312.40	2,910,198.61	4,863,599.07
OPERATION AND MAINTENANCE OF PLANT	2,677,534.79	30,723.11	2,708,257.90	2,770,618.04
SCHOLARSHIPS	(5,784.09)	251,468.01	245,683.92	279,550.36
EDUCATIONAL AND GENERAL	36,442,195.08	5,935,379.17	42,377,574.25	43,613,763.47
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	1,802,434.54		1,802,434.54	2,002,009.66
TOTAL EDUCATIONAL AND GENERAL	38,244,629.62	5,935,379.17	44,180,008.79	45,615,773.13
HOSPITALS (INCLUDING DEBT SERVICE OF \$842,868.05)	50,056,278.72		50,056,278.72	49,568,416.49
AUXILIARY ENTERPRISES:				
EXPENDITURES	1,906,230.17		1,906,230.17	1,961,890.78
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	330,171.72		330,171.72	267,550.00
NON-MANDATORY TRANSFERS FOR:				
OTHER TRANSFERS	0.00		0.00	(5,733.70)
TOTAL AUXILIARIES	2,236,401.89	0.00	2,236,401.89	2,223,707.08
TOTAL EXPENDITURES AND TRANSFERS	90,537,310.23	5,935,379.17	96,472,689.40	97,407,896.70
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(507,866.07)	(507,866.07)	(290.66)
REFUNDED TO GRANTORS		(3,954.80)	(3,954.80)	(688.40)
FUNDED DEPRECIATION	(1,048,304.32)		(1,048,304.32)	(1,200,397.00)
MOBILE RACING COMMISSION	(7,593.75)		(7,593.75)	(23,341.52)
PLANT ADDITIONS AND REPLACEMENTS	(2,889,647.50)		(2,889,647.50)	(2,959,395.00)
ENDOWMENT FUND	(611,765.81)	68,804.16	(542,961.65)	(542,340.84)
OTHER TRANSFERS	586,190.91	(594,289.37)	(8,098.40)	(348,876.59)
TOTAL TRANSFERS	(3,971,110.47)	(1,037,406.02)	(5,008,516.49)	(5,075,310.00)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 3,071,590.74	\$ (1,037,406.02)	\$ 2,034,184.72	\$ (3,636,839.44)

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$381,638.32 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 12.07% 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.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

**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 TWO MONTHS ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				11/30/09	11/30/08
BOOKSTORE	\$ 444,678.84	\$ 568,407.79	\$ 0.00	\$ (123,728.95)	\$ (113,704.40)
BROOKLEY CENTER	327,992.78	360,016.41	0.00	(32,023.63)	(119,184.72)
FOOD SERVICES-CAMPUS	79,228.70	30,935.08	0.00	48,293.62	28,300.68
HOUSING	1,137,230.28	946,870.89	(330,171.72)	(139,812.33)	(148,952.12)
TOTAL	\$ 1,989,130.60	\$ 1,906,230.17	\$ (330,171.72)	\$ (247,271.29)	\$ (353,540.56)

**BOOKSTORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	11/30/09	11/30/08
<b>REVENUES:</b>		
SALES	\$ 409,367.27	\$ 386,277.86
LESS: DEPARTMENTAL DISCOUNTS	554.39	1,018.33
COST OF GOODS SOLD	<u>287,950.54</u>	<u>276,407.92</u>
GROSS PROFIT	120,862.34	108,851.61
CASH OVER/(SHORT)	85.06	51.25
GRADUATION (NET)	30,464.00	37,007.99
BAD DEBT RECOVERY	0.00	0.00
OTHER	4,762.51	5,926.33
NET REVENUES:	<u>156,173.91</u>	<u>151,837.18</u>
<b>EXPENDITURES:</b>		
SALARIES	124,392.17	110,161.37
EMPLOYEE BENEFITS	31,940.67	29,560.35
SUPPLIES	2,128.66	4,163.05
TRAVEL	664.68	187.20
EQUIPMENT	1,330.08	2,751.26
EQUIPMENT MAINTENANCE AND REPAIR	19,784.00	150.00
BUILDING & EQUIPMENT RENTAL	8,470.55	211.95
UTILITIES	12,500.00	12,500.00
TELEPHONE	1,141.70	638.69
INSURANCE AND BONDS	2,036.00	2,240.00
CONTRACT SERVICES	14,228.87	31,495.97
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	3,330.00
OBSOLETE INVENTORY	0.00	1,448.68
GENERAL EXPENSES	8,196.58	14,766.84
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	4,171.24	3,018.56
INSTITUTIONAL COST ALLOCATION	48,917.66	48,917.66
TOTAL EXPENDITURES	<u>279,902.86</u>	<u>265,541.58</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	0.00	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>		
<b>AND MANDATORY TRANSFERS</b>	<u>\$ (123,728.95)</u>	<u>\$ (113,704.40)</u>

\* THIS STATEMENT REFLECTS THE COMBINING OF BOOKSTORE OPERATIONS

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
<b>REVENUES:</b>					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 4,323.87	\$ 0.00	\$ 4,323.87
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	36.49	0.00	36.49
GROSS PROFIT	0.00	0.00	4,287.38	0.00	4,287.38
FEES	0.00	0.00	65,699.50	4,572.96	70,272.46
RENTALS	4,666.00	113,471.78	0.00	0.00	113,471.78
OTHER	1,336.89	0.00	15.13	0.00	15.13
FACILITY ASSESSMENT FEE	8,334.00	0.00	0.00	0.00	0.00
NET REVENUES	14,336.89	113,471.78	70,002.01	4,572.96	188,046.75
<b>EXPENDITURES:</b>					
OPERATING EXPENDITURES:					
SALARIES	99,228.00	12,246.25	30,706.94	0.00	42,953.19
EMPLOYEE BENEFITS	27,986.09	2,260.56	8,005.40	0.00	10,265.98
SUPPLIES	7,164.51	64.57	4,997.57	310.20	5,372.34
TRAVEL	519.45	0.00	0.00	0.00	0.00
CONTRACT SERVICE	9,990.44	15,969.93	8,416.75	0.00	24,386.68
BUILDING MAINTENANCE & REPAIR	1,099.08	3,506.59	78.76	0.00	3,585.35
GROUPS MAINTENANCE	5,904.35	4,276.77	2,993.02	0.00	7,269.79
UTILITIES	8,943.02	2,765.25	4,597.20	9,119.34	16,481.79
EQUIPMENT MAINTENANCE & REPAIR	13.45	485.58	4,181.09	443.70	5,110.37
BUILDING & EQUIPMENT RENTAL	516.21	0.00	0.00	0.00	0.00
TELEPHONE	1,677.11	0.00	74.54	0.48	75.02
INSURANCE AND BONDS	41,690.00	0.00	0.00	1,988.00	1,988.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	539.00	662.28	417.40	0.00	1,079.68
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	12,856.16	323.60	1,501.70	0.00	1,825.30
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(203,799.98)	57,063.99	0.00	8,152.00	85,215.99
TOTAL OPERATING EXPENDITURES	14,336.89	99,625.39	65,970.37	20,013.72	185,609.48
EXCESS REVENUES OVER EXPENDITURES	0.00	13,846.39	4,031.64	(15,440.76)	2,437.27
<b>OTHER EXPENDITURES:</b>					
EQUIPMENT	0.00	3,596.40	0.00	0.00	3,596.40
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	3,596.40	0.00	0.00	3,596.40
<b>TRANSFERS AMONG FUNDS -</b>					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 10,249.99	\$ 4,031.64	\$ (15,440.76)	\$ (1,159.13)
EXPENDITURES (DEFICIT)					

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 11/30/09	BROOKLEY CENTER TOTAL 11/30/08
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,323.87	\$ 4,970.72
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	142.28	0.00	0.00	142.28	178.77	827.10
GROSS PROFIT	(142.28)	0.00	0.00	(142.28)	4,145.10	4,143.62
FEES	21,521.25	82,845.90	0.00	104,367.15	174,639.61	178,510.80
RENTALS	2,200.00	0.00	0.00	2,200.00	120,337.78	120,092.00
OTHER	0.00	19,005.50	0.00	19,005.50	20,357.52	473.61
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	8,334.00	8,334.00
NET REVENUES	23,578.97	101,851.40	0.00	125,430.37	327,814.01	311,554.03
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	6,116.32	0.00	0.00	6,116.32	148,297.51	154,819.61
EMPLOYEE BENEFITS	1,495.15	0.00	0.00	1,495.15	39,757.22	43,989.52
SUPPLIES	4,285.96	1,367.54	0.00	5,653.50	18,190.35	14,369.08
TRAVEL	0.00	0.00	0.00	0.00	519.45	819.53
CONTRACT SERVICE	1,000.55	54.86	0.00	1,055.41	35,432.53	33,229.64
BUILDING MAINTENANCE & REPAIR	388.51	748.32	0.00	1,136.83	5,821.26	12,501.65
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	13,174.14	10,029.16
UTILITIES	25,947.43	19,037.41	0.00	44,984.84	70,409.65	105,237.40
EQUIPMENT MAINTENANCE & REPAIR	432.57	102.25	0.00	534.82	5,658.64	9,549.54
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	516.21	3,010.12
TELEPHONE	0.00	0.00	0.00	0.00	1,752.13	5,416.80
INSURANCE AND BONDS	840.00	0.00	0.00	840.00	44,518.00	41,192.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	876.50
ADVERTISING	2,786.50	0.00	0.00	2,786.50	4,405.18	4,487.67
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	20,970.23	23,085.57
EXPENSE OFFSET	0.00	6,288.77	0.00	6,288.77	0.00	(5,675.00)
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	(55,236.66)	(36,644.34)
OPERATING COST ALLOCATIONS	42,798.00	34,646.00	(55,236.66)	138,583.99	0.00	0.00
TOTAL OPERATING EXPENDITURES	86,090.99	62,245.15	61,139.99	154,239.47	354,185.84	420,284.45
EXCESS REVENUES OVER EXPENDITURES	(62,512.02)	39,606.25	(5,903.33)	(28,809.10)	(26,371.83)	(108,730.42)
<b>OTHER EXPENDITURES:</b>						
EQUIPMENT	2,055.40	0.00	0.00	2,055.40	5,651.80	4,316.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	2,055.40	0.00	0.00	2,055.40	5,651.80	4,316.00
<b>TRANSFERS AMONG FUNDS -</b>						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(11,872.00)
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	5,733.70
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	(6,138.30)
EXCESS REVENUES OVER	(64,567.42)	39,606.25	(5,903.33)	(30,864.50)	(32,023.63)	(119,184.72)
EXPENDITURES (DEFICIT)	\$	\$	\$	\$	\$	\$

**FOOD SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	11/30/09	11/30/08
REVENUES:		
COMMISSION INCOME	\$ 79,228.70	\$ 62,257.09
TOTAL REVENUES	<u>79,228.70</u>	<u>62,257.09</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	(41.87)	0.00
EQUIPMENT MAINTENANCE AND REPAIR	4,334.04	6,922.18
UTILITIES	10,833.34	10,833.34
TELEPHONE	101.44	15.83
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	1,354.34	770.00
INSURANCE AND BONDS	11,149.00	12,269.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	550.00	150.00
INDIRECT COST	2,697.00	2,697.00
GENERAL EXPENSE	(42.21)	299.06
TOTAL EXPENDITURES	<u>30,935.08</u>	<u>33,956.41</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>\$ 48,293.62</u>	<u>\$ 28,300.68</u>



HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING	GAMMA DORMS
REVENUES:						
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 42,300.00	\$ 20,939.00	\$ 70,042.55	\$ 204,312.36
BAD DEBT RECOVERY	150.00	0.00	0.00	124.92	0.00	0.00
OTHER	25.00	0.00	0.00	763.43	(965.00)	250.00
TOTAL REVENUES	<u>175.00</u>	<u>0.00</u>	<u>42,300.00</u>	<u>21,827.35</u>	<u>69,077.55</u>	<u>204,562.36</u>
EXPENDITURES:						
SALARIES	51,653.40	20,663.94	0.00	26,591.97	16,440.48	44,288.43
EMPLOYEE BENEFITS	14,211.81	0.00	0.00	8,057.79	1,726.06	6,440.40
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	53.00	0.00	28,798.00	492.83	1,494.98	1,444.39
TRAVEL	1,584.40	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	2,424.04	0.00	0.00	0.00	0.00
SUPPLIES	3,273.63	231.47	0.00	972.79	2,425.71	1,046.32
CABLE	25,900.24	0.00	0.00	36.56	0.00	0.00
TELEPHONE	39.22	0.00	0.00	150.26	177.64	11,063.84
UTILITIES	0.00	0.00	0.00	871.94	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	2,231.00	7,629.00	12,762.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	252.25	0.00
EQUIPMENT	374.44	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	458.02	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	95.39	0.00	0.00
GENERAL EXPENSES	7,494.95	12.25	0.00	1,216.87	0.00	14,902.00
ADMINISTRATIVE OVERHEAD	76,509.50	0.00	0.00	0.00	13,616.50	77,385.26
ADMINISTRATIVE EXPENSES	(181,377.61)	(23,331.70)	7,574.26	818.83	19,037.96	39,304.19
TOTAL EXPENDITURES	<u>175.00</u>	<u>0.00</u>	<u>36,372.26</u>	<u>41,536.23</u>	<u>62,800.58</u>	<u>208,636.83</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(151,758.00)	(38,285.72)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(151,758.00)</u>	<u>(38,285.72)</u>
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<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>(151,758.00)</u>	<u>(38,285.72)</u>
EXCESS REVENUES OVER EXPENDITURES						
AND TRANSFERS (DEFICIT)	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 5,927.74</u>	<u>\$ (19,708.88)</u>	<u>\$ (145,481.03)</u>	<u>\$ (42,360.19)</u>

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 11/30/09	TOTAL HOUSING 11/30/08
REVENUES:					
RENTAL INCOME	\$ 130,326.93	\$ 484,112.52	\$ 179,663.07	\$ 1,131,696.43	\$ 1,069,375.52
BAD DEBT RECOVERY	0.00	0.00	0.00	274.92	1,723.50
OTHER	215.00	2,025.00	2,945.50	5,258.93	17,457.57
TOTAL REVENUES	<u>130,541.93</u>	<u>486,137.52</u>	<u>182,608.57</u>	<u>1,137,230.28</u>	<u>1,088,556.59</u>
EXPENDITURES:					
SALARIES	17,208.20	49,368.67	28,935.30	255,150.39	265,845.29
EMPLOYEE BENEFITS	2,618.05	5,833.58	2,056.01	40,943.70	46,241.34
CONTRACT LABOR	0.00	0.00	0.00	0.00	3,396.79
CONTRACT SERVICES	619.99	2,736.42	2,803.20	38,442.81	43,746.10
TRAVEL	0.00	0.00	0.00	1,584.40	718.22
RECEPTIONS	0.00	0.00	0.00	2,424.04	3,329.42
SUPPLIES	1,816.02	9,924.38	9,174.96	28,865.28	20,266.45
CABLE	0.00	0.00	0.00	25,936.80	25,653.21
TELEPHONE	4,547.86	26,767.91	8,862.35	51,609.08	49,566.34
UTILITIES	0.00	0.00	0.00	871.94	3,693.48
INSURANCE AND BONDS	6,550.00	17,885.00	5,729.00	52,786.00	62,602.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	252.25	520.63
EQUIPMENT	0.00	0.00	0.00	374.44	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	458.02	648.55
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	95.39	1,002.50
GENERAL EXPENSES	12,580.00	41,252.00	17,081.50	94,539.57	95,708.63
ADMINISTRATIVE OVERHEAD	36,533.00	111,337.76	37,154.76	352,536.78	336,600.04
ADMINISTRATIVE EXPENSES	22,313.31	86,796.74	28,864.02	0.00	0.00
TOTAL EXPENDITURES	<u>104,786.43</u>	<u>351,902.46</u>	<u>140,661.10</u>	<u>946,870.89</u>	<u>959,538.99</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(11,440.00)	(66,540.00)	(62,148.00)	(330,171.72)	(277,969.72)
TOTAL MANDATORY TRANSFERS	<u>(11,440.00)</u>	<u>(66,540.00)</u>	<u>(62,148.00)</u>	<u>(330,171.72)</u>	<u>(277,969.72)</u>
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(11,440.00)</u>	<u>(66,540.00)</u>	<u>(62,148.00)</u>	<u>(330,171.72)</u>	<u>(277,969.72)</u>
EXCESS REVENUES OVER EXPENDITURES AND TRANSFERS (DEFICIT)	<u>\$ 14,315.50</u>	<u>\$ 67,695.06</u>	<u>\$ (20,200.53)</u>	<u>\$ (139,812.33)</u>	<u>\$ (148,952.12)</u>

# **I N D E X** **DECEMBER 2009**

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## Financial Report Highlights

### December 31, 2009

#### 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 three months ended, December 31, 2009 and 2008 are as follows (in thousands):

	At and for the three months ended	
	12-31-09	12-31-08
<i>Total assets, by fund</i>		
Current	\$ 212,304	\$ 217,487
Loan	4,787	4,754
Endowment	97,658	73,134
Plant	607,962	606,771

#### *Fund Balances, by fund*

Current	\$ 29,440	\$ 44,222
Loan	413	421
Endowment	88,207	63,774
Plant	295,408	292,051

#### *Other balance sheet highlights*

Cash and investments	\$ 270,388	\$ 312,259
Receivables, primarily patient care	88,801	83,246
Bonds and notes payable	302,528	305,837

	For the three months ended	
	12-31-09	12-31-08
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 28,249	\$ 24,727
State appropriations	25,006	27,722
Hospital revenues	73,692	70,260
Gifts, grants and contracts	23,771	19,016
Instruction and academic support	32,489	32,900
Research and public service	17,766	16,429
Hospital expenses	76,666	75,111
Net current fund increase (decrease)	2,011	(4,798)

#### 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

While enrollment and tuition have increased in recent years, the University is experiencing a significant decrease in state appropriations in the fiscal 2010 year. Additionally, the University is subject to declines in general economic conditions in the United States and the State of Alabama. Recent declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential additional negative impact on other aspects of the University's operations.

UNIVERSITY OF SOUTH ALABAMA  
BALANCE SHEETS  
DECEMBER 2009 AND 2008

ASSETS		2009	2008	LIABILITIES AND FUND BALANCES		2009	2008
<b>CURRENT FUNDS:</b>				<b>CURRENT FUNDS:</b>			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	140,988.03	\$ 147,977.65	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	50,347,904.03	\$ 51,580,184.19
INVESTMENTS		76,037,221.15	88,017,375.03	DEFERRED REVENUES		36,359,867.40	30,290,777.61
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE				DUE TO OTHER FUNDS		94,414,263.61	89,048,508.01
FOR DOUBTFUL ACCOUNTS OF \$48,484,873.05				DEPOSITS HELD IN CUSTODY		384,481.68	697,285.73
FOR 2009 AND \$46,288,605.96 FOR 2008)				OTHER DEPOSITS		699,634.22	615,057.78
DEPOSITS		88,801,075.99	83,246,270.39	FUND BALANCES:			
INVENTORIES AT COST		35,000.00	35,000.00	ALLOCATED FOR:			
PREPAID EXPENSES		5,703,735.98	5,969,866.37	HOSPITALS			
		22,773,072.70	21,272,630.06	AUXILIARY ENTERPRISES		(31,380,843.40)	(21,415,941.01)
				ENCUMBRANCES		1,895,022.39	1,563,884.59
				SELF-SUPPORTING ACTIVITIES		38,571,165.41	3,597,124.09
				UNALLOCATED		(793,234.89)	45,759,779.25
				TOTAL FUND BALANCES		11,285,122.91	(3,047,540.74)
				TOTAL UNRESTRICTED		193,491,093.85	26,457,306.18
							198,689,119.50
<b>TOTAL UNRESTRICTED</b>		<b>193,491,093.85</b>	<b>198,689,119.50</b>				
<b>RESTRICTED FUNDS:</b>				<b>RESTRICTED FUNDS:</b>			
CASH AND CASH EQUIVALENTS		7,669,578.34	9,904,352.87	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		124,821.81	6,319.05
INVESTMENTS		7,458.21	11,529.80	OTHER DEPOSITS		1,170.00	1,100.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		11,135,404.49	8,881,876.57	DEFERRED REVENUES		531,816.43	1,025,433.30
				FUND BALANCES		18,154,632.80	17,764,906.49
				TOTAL RESTRICTED		18,812,441.04	18,797,758.84
<b>TOTAL RESTRICTED</b>		<b>18,812,441.04</b>	<b>18,797,758.84</b>	<b>TOTAL CURRENT FUNDS</b>		<b>212,303,534.89</b>	<b>217,486,876.34</b>
<b>TOTAL CURRENT FUNDS</b>		<b>212,303,534.89</b>	<b>217,486,878.34</b>				
<b>LOAN FUNDS:</b>				<b>LOAN FUNDS:</b>			
CASH AND CASH EQUIVALENTS		896,883.39	485,199.07	REFUNDABLE GOVERNMENT ADVANCES		4,374,048.83	4,333,038.93
NOTES RECEIVABLE (LESS ALLOWANCE FOR				FUND BALANCES:			
DOUBTFUL ACCOUNTS OF \$490,934.85 FOR				UNIVERSITY FUNDS, UNRESTRICTED		413,420.38	421,065.98
2009 AND \$500,533.16 FOR 2008)				TOTAL FUND BALANCES		413,420.38	421,065.98
<b>TOTAL LOAN FUNDS</b>		<b>3,890,585.82</b>	<b>4,268,905.84</b>	<b>TOTAL LOAN FUNDS</b>		<b>4,787,469.21</b>	<b>4,754,104.91</b>
<b>ENDOWMENT FUNDS:</b>				<b>ENDOWMENT FUNDS:</b>			
CASH AND CASH EQUIVALENTS		20,327,531.58	21,554,016.58	DEFERRED REVENUES		1,641,786.00	2,023,282.00
FUNDS WITH TRUSTEES		0.00	53,981.22	BONDS PAYABLE		7,809,044.00	7,336,871.00
INVESTMENTS		72,314,978.04	48,025,415.24	FUND BALANCES:			
PREPAID-LIFE ESTATE		3,676,713.00	3,500,298.00	RESTRICTED NONEXPENDABLE		26,855,050.26	21,636,867.76
REAL ESTATE HELD FOR RESALE		1,338,429.00	0.00	UNRESTRICTED EXPENDABLE		61,351,769.36	42,136,690.28
				TOTAL FUND BALANCES		88,206,819.62	63,773,558.04
<b>TOTAL ENDOWMENT FUNDS</b>		<b>97,657,649.62</b>	<b>73,133,711.04</b>	<b>TOTAL ENDOWMENT FUNDS</b>		<b>97,657,649.62</b>	<b>73,133,711.04</b>
<b>PLANT FUNDS:</b>				<b>PLANT FUNDS:</b>			
CASH AND CASH EQUIVALENTS		31,980,807.41	89,973,429.31	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		3,798,266.84	2,062,636.87
FUNDS WITH TRUSTEES		0.00	351,707.17	DEFERRED REVENUES		6,199,856.71	6,724,752.17
INVESTMENTS		61,012,279.93	55,139,464.85	OTHER DEPOSITS		27,791.67	27,791.67
REAL ESTATE HELD FOR RESALE		0.00	988,429.00	BONDS PAYABLE		302,528,238.68	305,837,250.93
ACCOUNTS RECEIVABLE		1,746,839.00	1,799,284.00	CAPITAL LEASE OBLIGATIONS		0.00	67,060.34
NOTES RECEIVABLE		254,936.16	254,936.16				
DUE FROM OTHER FUNDS		94,414,263.61	89,048,508.01				
PREPAID EXPENSES		4,881,288.93	5,087,834.76				
CAPITAL LEASE RECEIVABLE		1,151,203.43	1,108,897.58				
INVESTMENT IN PLANT:							
LAND		29,232,252.32	29,232,252.32				
LAND IMPROVEMENTS		9,240,824.33	9,782,992.23				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		253,060,263.97	134,552,558.85				
OTHER EQUIPMENT, BOOKS AND FILMS		56,715,690.11	57,156,313.18				
CONSTRUCTION IN PROGRESS		64,271,519.76	133,294,295.34				
<b>TOTAL PLANT FUNDS</b>		<b>607,962,168.96</b>	<b>606,770,908.76</b>				
<b>TOTAL ASSETS</b>		<b>\$ 922,710,822.68</b>	<b>\$ 902,145,601.05</b>	<b>TOTAL LIABILITIES AND FUND BALANCES</b>		<b>\$ 922,710,822.68</b>	<b>\$ 902,145,601.05</b>

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009

	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	69,928,183.11						
HOSPITALS REVENUES	75,844,692.47						
AUXILIARY ENTERPRISES REVENUES	2,847,177.67						
GRANTS AND CONTRACTS:							
FEDERAL		8,486,996.83					
STATE AND LOCAL		2,036,786.68					
PRIVATE		677,297.52					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE					627,422.00		
INVESTMENT INCOME, GAINS/LOSS			1,016.66	1,318,028.59	10,301.53	1,832.46	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			12,817.61	485,579.12	170,781.04	10,725.42	
EXPENDED FOR PLANT FACILITIES (INCLUDING							5,256,519.13
\$620,511.19 CURRENT FUNDS EXPENDITURES)							
RETIREMENT OF INDEBTEDNESS							3,600,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		1,659,805.18	0.00	6,072.88	154,565.44		120,240.67
TOTAL REVENUES AND OTHER ADDITIONS	148,620,053.25	12,860,886.21	13,834.27	1,809,880.59	963,070.01	12,357.88	8,976,759.80
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	58,808,253.57	10,097,594.46					
HOSPITALS EXPENDITURES	75,402,066.13						
AUXILIARY ENTERPRISES EXPENDITURES	2,765,428.28						
INDIRECT COSTS RECOVERED	1,192,002.46						
REFUNDED TO GRANTORS	16,314.83						
RETIREMENT OF INDEBTEDNESS							3,600,000.00
ADMINISTRATIVE AND COLLECTION COSTS			396.50				
EXPENDED FOR PLANT FACILITIES (INCLUDING					4,909,195.14		
\$273,187.20 FOR NON-CAPITALIZED EXPENDITURES)							
INTEREST ON INDEBTEDNESS							6,237,967.36
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
LOSS ON DISPOSAL OF PLANT							
OTHER DEDUCTIONS			9,849.22	96,805.00			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	136,995,747.98	11,305,911.75	10,346.72	96,805.00	4,909,195.14	6,911,578.87	6,237,967.36
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(4,483,211.47)				(625,262.35)	5,088,473.82	
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(1,477,308.48)						
MOBILE RACING COMMISSION	(18,309.40)				1,477,308.48		
PLANT ADDITIONS AND REPLACEMENTS	(4,334,471.25)				18,309.40		
ENDOWMENT FUND	(938,979.57)				4,334,471.25		
OTHER TRANSFERS	825,991.84	70,787.16		884,501.81	(18,309.40)		
TOTAL TRANSFERS	(10,604,288.53)	(844,512.54)		1,923.40	377,132.50	65,781.25	(426,316.25)
NET INCREASE (DECREASE) FOR THE PERIOD	1,020,016.74	(573,725.38)	0.00	886,425.21	5,563,649.88	5,154,255.07	(426,316.25)
FUND BALANCES AT OCTOBER 1, 2009	10,285,106.17	981,249.08	3,488.55	2,595,300.80	1,617,524.75	(1,744,965.92)	2,312,476.19
FUND BALANCES AT DECEMBER 31, 2009	11,285,122.91	17,173,383.72	409,931.83	85,607,518.82	96,284,642.69	5,431,985.78	191,506,251.57
	\$	\$	\$	\$	\$	\$	\$
		18,154,632.80	413,420.38	88,206,819.62	97,902,167.44	3,687,019.86	193,818,727.76

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$572,457.48 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	MONTH ENDED DECEMBER 31, 2009		DECEMBER 31, 2008
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 28,249,465.52	\$	\$ 28,249,465.52
STATE APPROPRIATIONS	22,852,748.31		22,852,748.31
MOBILE RACING COMMISSION	18,309.40		18,309.40
FEDERAL GRANTS AND CONTRACTS	1,008,740.44	7,895,598.61	8,704,339.05
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$106,548.53)	154,946.70	1,433,505.79	1,588,452.49
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$76,713.49)	12,900,303.70	577,775.73	13,478,079.43
INVESTMENT INCOME	35,218.10		35,218.10
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	882,989.11		882,989.11
HOSPITALS - SALES AND SERVICES	73,691,882.78		73,691,882.78
- STATE APPROPRIATIONS	2,152,809.69		2,152,809.69
AUXILIARY ENTERPRISES - SALES AND SERVICES	2,847,177.67	390,714.33	2,847,177.67
OTHER SOURCES	3,845,461.83		3,845,461.83
TOTAL CURRENT REVENUES	148,620,053.25	10,097,594.46	158,717,647.71
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	22,792,698.83	4,846,095.51	27,738,794.34
RESEARCH	1,989,758.15	2,920,524.47	4,910,282.62
PUBLIC SERVICE	12,568,832.81	287,184.98	12,856,017.77
ACADEMIC SUPPORT	4,719,219.54	30,726.24	4,749,945.78
STUDENT SERVICES	4,895,436.00	264,002.88	5,159,438.88
INSTITUTIONAL SUPPORT	7,378,430.80	173,935.40	7,552,366.20
OPERATION AND MAINTENANCE OF PLANT	4,466,351.76	1,141,958.99	5,608,310.75
SCHOLARSHIPS	(2,474.32)	333,166.01	330,691.69
EDUCATIONAL AND GENERAL	56,808,253.57	10,097,594.46	68,905,848.03
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	2,703,651.81		2,703,651.81
TOTAL EDUCATIONAL AND GENERAL	61,511,905.38	10,097,594.46	71,609,499.84
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,264,302.08)	76,666,368.21		76,666,368.21
AUXILIARY ENTERPRISES:			
EXPENDITURES	2,785,428.28		2,785,428.28
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	495,257.58		495,257.58
NON-MANDATORY TRANSFERS FOR:			
OTHER TRANSFERS	0.00	0.00	0.00
TOTAL AUXILIARIES	3,280,685.86	0.00	3,280,685.86
TOTAL EXPENDITURES AND TRANSFERS	141,459,959.45	10,097,594.46	151,557,553.91
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		1,571,289.29	1,571,289.29
REFUNDED TO GRANTORS		(16,314.83)	(16,314.83)
FUNDED DEPRECIATION	(1,477,308.48)		(1,477,308.48)
MOBILE RACING COMMISSION	(18,309.40)		(18,309.40)
PLANT ADDITIONS AND REPLACEMENTS	(4,334,471.25)		(4,334,471.25)
ENDOWMENT FUND	(936,979.57)	70,787.16	(866,192.41)
OTHER TRANSFERS	825,991.64	(644,512.54)	(18,520.90)
TOTAL TRANSFERS	(6,141,077.08)	981,249.08	(5,159,827.98)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 1,020,016.74	\$ 981,249.08	\$ 2,001,265.82
			\$ (4,788,167.29)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$572,457.48 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 12.07% 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.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

**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 THREE MONTHS ENDED DECEMBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				12/31/09	12/31/08
BOOKSTORE	\$ 601,922.89	\$ 847,770.09	\$ 0.00	\$ (245,847.20)	\$ (237,260.49)
BROOKLEY CENTER	468,592.68	537,809.07	0.00	(69,216.39)	(182,907.30)
FOOD SERVICES-CAMPUS	93,179.37	47,106.08	0.00	46,073.29	28,620.46
HOUSING	1,683,482.73	1,352,743.04	(495,257.58)	(164,517.89)	(218,471.03)
TOTAL	\$ 2,847,177.67	\$ 2,785,428.28	\$ (495,257.58)	\$ (433,508.19)	\$ (610,018.36)

**BOOKSTORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	<u>12/31/09</u>	<u>12/31/08</u>
<b>REVENUES:</b>		
SALES	\$ 575,908.69	\$ 556,411.33
LESS: DEPARTMENTAL DISCOUNTS	729.55	1,254.46
COST OF GOODS SOLD	<u>408,539.15</u>	<u>401,004.58</u>
GROSS PROFIT	166,639.99	154,152.29
CASH OVER/(SHORT)	150.13	14.57
GRADUATION (NET)	11,052.00	15,626.00
BAD DEBT RECOVERY	0.00	0.00
OTHER	14,812.07	9,657.88
NET REVENUES:	<u>192,654.19</u>	<u>179,450.74</u>
<b>EXPENDITURES:</b>		
SALARIES	176,854.10	168,028.53
EMPLOYEE BENEFITS	52,701.62	47,099.57
SUPPLIES	4,341.34	7,655.08
TRAVEL	664.68	187.20
EQUIPMENT	3,334.45	3,179.66
EQUIPMENT MAINTENANCE AND REPAIR	19,784.00	23,312.50
BUILDING & EQUIPMENT RENTAL	9,246.23	425.29
UTILITIES	18,750.00	18,750.00
TELEPHONE	1,370.30	678.74
INSURANCE AND BONDS	2,036.00	2,240.00
CONTRACT SERVICES	51,982.35	45,681.73
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	4,995.00
OBSOLETE INVENTORY	0.00	1,448.68
GENERAL EXPENSES	17,936.67	14,898.66
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	6,123.16	4,754.10
INSTITUTIONAL COST ALLOCATION	73,376.49	73,376.49
TOTAL EXPENDITURES	<u>438,501.39</u>	<u>416,711.23</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	0.00	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>		
<b>AND MANDATORY TRANSFERS</b>	<u>\$ (245,847.20)</u>	<u>\$ (237,260.49)</u>

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 5,184.23	\$ 0.00	\$ 5,184.23
LESS: COST OF GOODS SOLD	0.00	0.00	3,732.36	0.00	3,732.36
DISCOUNTS	0.00	0.00	(353.38)	0.00	(353.38)
GROSS PROFIT	0.00	0.00	1,805.25	0.00	1,805.25
FEES	0.00	0.00	77,258.50	8,568.22	85,826.72
RENTALS	6,999.00	169,317.16	0.00	0.00	169,317.16
OTHER	1,356.84	0.00	26.72	0.00	26.72
FACILITY ASSESSMENT FEE	12,501.00	0.00	0.00	0.00	0.00
NET REVENUES	20,856.84	169,317.16	79,090.47	8,568.22	256,975.85
EXPENDITURES:					
OPERATING EXPENDITURES:					
SALARIES	151,895.27	18,690.85	47,822.77	0.00	66,513.82
EMPLOYEE BENEFITS	45,792.65	3,569.31	13,070.28	0.00	16,569.59
SUPPLIES	13,285.15	96.82	8,339.03	310.20	8,746.05
TRAVEL	554.32	0.00	0.00	0.00	0.00
CONTRACT SERVICE	15,732.03	22,550.61	17,953.47	390.00	40,894.08
BUILDING MAINTENANCE & REPAIR	1,571.56	8,964.85	78.76	0.00	9,043.61
GROUPS MAINTENANCE	5,904.35	4,276.77	3,412.09	0.00	7,688.86
UTILITIES	22,118.37	3,883.85	7,180.23	12,095.67	23,159.75
EQUIPMENT MAINTENANCE & REPAIR	13.45	1,089.45	5,382.16	833.70	7,305.31
BUILDING & EQUIPMENT RENTAL	714.43	0.00	4,092.02	0.00	4,092.02
TELEPHONE	3,699.10	0.00	146.27	0.88	147.15
INSURANCE AND BONDS	41,690.00	0.00	0.00	1,988.00	1,988.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	893.84	1,023.13	649.75	0.00	1,672.88
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	20,224.24	323.60	3,003.40	380.65	3,707.65
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	(303,251.92)	84,916.12	0.00	12,130.87	97,046.99
TOTAL OPERATING EXPENDITURES	20,856.84	149,405.36	111,130.23	28,129.97	288,665.56
EXCESS REVENUES OVER EXPENDITURES	0.00	19,911.80	(32,039.76)	(19,561.75)	(31,689.71)
OTHER EXPENDITURES:					
EQUIPMENT	0.00	3,596.40	0.00	0.00	3,596.40
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	3,596.40	0.00	0.00	3,596.40
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER					
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 16,315.40	\$ (32,039.76)	\$ (19,561.75)	\$ (35,286.11)

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 12/31/09	BROOKLEY CENTER TOTAL 12/31/08
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,184.23	\$ 7,853.66
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	3,732.36	0.00
DISCOUNTS	200.82	0.00	0.00	200.82	(152.56)	1,456.89
GROSS PROFIT	(200.82)	0.00	0.00	(200.82)	1,804.43	6,396.77
FEES	39,106.25	120,529.73	0.00	159,635.98	245,462.70	277,883.73
RENTALS	0.00	0.00	0.00	0.00	176,316.16	181,578.18
OTHER	0.00	27,745.03	0.00	27,745.03	29,128.59	618.52
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	12,501.00	12,501.00
NET REVENUES	38,905.43	148,274.76	0.00	187,180.19	485,012.88	478,978.20
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	9,387.84	0.00	0.00	9,387.84	227,796.73	238,474.38
EMPLOYEE BENEFITS	2,413.26	0.00	0.00	2,413.26	64,885.50	70,425.99
SUPPLIES	5,034.28	2,071.86	0.00	7,106.14	29,137.34	26,008.37
TRAVEL	0.00	0.00	0.00	0.00	554.32	999.53
CONTRACT SERVICE	1,505.60	109.72	0.00	1,615.32	58,261.43	58,214.05
BUILDING MAINTENANCE & REPAIR	631.16	1,721.94	0.00	2,353.10	12,968.27	22,497.02
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	13,593.21	12,370.86
UTILITIES	34,146.44	24,351.94	0.00	58,498.38	103,776.50	143,908.19
EQUIPMENT MAINTENANCE & REPAIR	432.57	102.25	0.00	534.82	7,853.58	17,330.12
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	4,806.45	5,254.35
TELEPHONE	0.00	0.00	0.00	0.00	3,846.25	8,547.44
INSURANCE AND BONDS	840.00	0.00	0.00	840.00	44,518.00	41,192.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	876.50
ADVERTISING	2,786.50	0.00	0.00	2,786.50	5,353.22	5,163.31
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	10,169.77	0.00	10,169.77	34,101.66	53,942.97
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	(8,512.50)
OPERATING COST ALLOCATIONS	63,687.10	51,556.22	(82,854.99)	(82,854.99)	(82,854.99)	(54,966.51)
TOTAL OPERATING EXPENDITURES	120,864.75	90,083.70	90,981.61	206,204.93	528,577.47	641,726.07
EXCESS REVENUES OVER EXPENDITURES	(81,959.32)	58,191.06	(8,106.62)	(31,874.88)	(63,564.59)	(162,747.87)
<b>OTHER EXPENDITURES:</b>						
EQUIPMENT	2,055.40	0.00	0.00	2,055.40	5,851.80	8,085.13
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	2,055.40	0.00	0.00	2,055.40	5,851.80	8,085.13
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	(17,808.00)
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	5,733.70
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	(12,074.30)
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ (84,014.72)	\$ 58,191.06	\$ (8,106.62)	\$ (33,930.28)	\$ (69,216.39)	\$ (182,907.30)



**FOOD SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2009**  
**WITH COMPARATIVE FIGURES FOR 2008**

	<u>12/31/09</u>	<u>12/31/08</u>
REVENUES:		
COMMISSION INCOME	\$ <u>93,179.37</u>	\$ <u>75,809.34</u>
TOTAL REVENUES	<u>93,179.37</u>	<u>75,809.34</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	458.13	0.00
EQUIPMENT MAINTENANCE AND REPAIR	11,144.94	11,458.78
UTILITIES	16,250.01	16,250.01
TELEPHONE	134.20	20.80
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	2,656.51	2,052.17
INSURANCE AND BONDS	11,149.00	12,269.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	1,310.00	627.00
INDIRECT COST	4,045.50	4,045.50
GENERAL EXPENSE	<u>(42.21)</u>	<u>465.62</u>
TOTAL EXPENDITURES	<u>47,106.08</u>	<u>47,188.88</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>\$ 46,073.29</u>	<u>\$ 28,620.46</u>

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING	GAMMA DORMS
REVENUES:						
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 42,300.00	\$ 20,939.00	\$ 96,511.14	\$ 300,396.63
BAD DEBT RECOVERY	155.00	0.00	0.00	124.92	0.00	0.00
OTHER	25.00	0.00	0.00	1,086.35	1,810.00	943.40
TOTAL REVENUES	<u>180.00</u>	<u>0.00</u>	<u>42,300.00</u>	<u>22,150.27</u>	<u>98,321.14</u>	<u>301,340.03</u>
EXPENDITURES:						
SALARIES	86,641.50	34,467.03	0.00	40,687.02	20,392.23	56,946.27
EMPLOYEE BENEFITS	22,689.43	0.00	0.00	13,305.79	2,849.70	9,870.65
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	273.75	0.00	28,798.00	565.66	2,809.96	3,257.50
TRAVEL	1,858.09	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	5,374.59	0.00	0.00	0.00	0.00
SUPPLIES	3,991.88	231.47	0.00	1,108.05	4,445.64	1,074.96
CABLE	25,900.24	0.00	0.00	36.56	0.00	0.00
TELEPHONE	57.48	0.00	0.00	300.36	266.46	16,596.24
UTILITIES	0.00	0.00	0.00	1,900.17	45.14	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	2,231.00	7,629.00	12,762.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	390.00	0.00
EQUIPMENT	374.44	0.00	0.00	0.00	1,723.71	0.00
EQUIPMENT RENTAL	551.62	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	95.39	0.00	0.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	22,510.29	12.25	0.00	1,216.87	0.00	22,355.00
ADMINISTRATIVE OVERHEAD	114,764.25	0.00	0.00	0.00	20,424.75	116,077.89
ADMINISTRATIVE EXPENSES	(279,432.97)	(40,085.34)	11,822.19	1,278.07	29,715.20	61,347.52
TOTAL EXPENDITURES	<u>180.00</u>	<u>0.00</u>	<u>40,620.19</u>	<u>62,724.94</u>	<u>90,691.79</u>	<u>300,288.03</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(227,637.00)	(57,428.58)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(227,637.00)</u>	<u>(57,428.58)</u>
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<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>(227,637.00)</u>	<u>(57,428.58)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 1,679.81	\$ (40,574.67)	\$ (220,007.65)	\$ (56,376.58)
AND TRANSFERS (DEFICIT)						

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009  
WITH COMPARATIVE FIGURES FOR 2008

	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 12/31/09	TOTAL HOUSING 12/31/08
REVENUES:					
RENTAL INCOME	\$ 198,602.35	\$ 735,929.21	\$ 272,306.07	\$ 1,666,984.40	\$ 1,528,893.35
BAD DEBT RECOVERY	0.00	0.00	0.00	279.92	1,723.50
OTHER	1,245.00	5,528.16	5,580.50	16,218.41	26,367.16
TOTAL REVENUES	<u>199,847.35</u>	<u>741,457.37</u>	<u>277,886.57</u>	<u>1,683,482.73</u>	<u>1,556,984.01</u>
EXPENDITURES:					
SALARIES	21,130.86	60,861.21	36,571.62	357,697.74	362,772.65
EMPLOYEE BENEFITS	3,858.87	9,447.32	3,371.58	65,393.34	74,962.91
CONTRACT LABOR	0.00	0.00	0.00	0.00	5,752.15
CONTRACT SERVICES	1,059.98	4,936.38	3,022.70	44,723.93	50,426.89
TRAVEL	0.00	0.00	0.00	1,858.09	1,568.48
RECEPTIONS	0.00	0.00	0.00	5,374.59	7,505.77
SUPPLIES	2,138.80	12,366.85	9,667.57	35,025.22	29,985.97
CABLE	0.00	0.00	0.00	25,936.80	38,913.51
TELEPHONE	6,822.68	40,149.94	13,293.70	77,486.86	74,142.99
UTILITIES	0.00	0.00	0.00	1,945.31	5,219.30
INSURANCE AND BONDS	6,550.00	17,885.00	5,729.00	52,786.00	62,602.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	390.00	520.63
EQUIPMENT	0.00	0.00	0.00	2,098.15	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	551.62	861.10
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	95.39	1,002.50
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	18,870.00	61,880.00	25,730.42	152,574.83	137,363.55
ADMINISTRATIVE OVERHEAD	54,799.50	167,006.64	55,732.14	528,805.17	504,900.06
ADMINISTRATIVE EXPENSES	34,827.49	135,475.76	45,052.08	0.00	0.00
TOTAL EXPENDITURES	<u>150,058.18</u>	<u>510,009.10</u>	<u>198,170.81</u>	<u>1,352,743.04</u>	<u>1,358,500.46</u>
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(17,160.00)	(99,810.00)	(93,222.00)	(495,257.58)	(416,954.58)
TOTAL MANDATORY TRANSFERS	<u>(17,160.00)</u>	<u>(99,810.00)</u>	<u>(93,222.00)</u>	<u>(495,257.58)</u>	<u>(416,954.58)</u>
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(17,160.00)</u>	<u>(99,810.00)</u>	<u>(93,222.00)</u>	<u>(495,257.58)</u>	<u>(416,954.58)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 32,629.17	\$ 131,638.27	\$ (13,506.24)	\$ (164,517.89)	\$ (218,471.03)
AND TRANSFERS (DEFICIT)					

**University of South Alabama**  
**Quarterly Financial Statements**  
**(A Component Unit of the State of Alabama)**  
**Three Months Ended December 31, 2009 and 2008**

**Unaudited**

**University of South Alabama**  
**Quarterly Financial Statements**  
**(A Component Unit of the State of Alabama)**  
**Three Months Ended December 31, 2009 and 2008**

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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 December 31, 2009 the University had total assets of \$828,682,000, total liabilities of \$415,214,000 and net assets of \$413,468,000. University net assets increased \$6,789,000 for the three months ended December 31, 2009 compared to a decrease of \$10,741,000 for the three months ended December 31, 2008. 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 three months ended December 31, 2009 and 2008 follow (in thousands):

### Condensed Statements of Net Assets

	2009	2008
<i>Assets</i>		
Current	\$ 276,910	\$ 231,920
Capital and other noncurrent assets	551,772	581,177
	<u>828,682</u>	<u>813,097</u>
<i>Liabilities</i>		
Current	91,321	87,122
Noncurrent	323,893	328,389
	<u>415,214</u>	<u>415,511</u>
<i>Net Assets</i>		
Invested in capital assets, net of related debt	185,241	201,337
Restricted, nonexpendable	29,558	25,200
Restricted, expendable	27,608	21,823
Unrestricted	171,061	149,226
	<u>\$ 413,468</u>	<u>\$ 397,586</u>

# University of South Alabama

## Management's Discussion and Analysis (continued)

### Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
<i>Operating revenues</i>		
Tuition and fees	\$ 27,983	\$ 24,485
Hospital revenues, net	52,224	49,289
Other	<u>26,921</u>	<u>27,294</u>
	107,128	101,068
<i>Operating expenses</i>		
Salaries and benefits	95,911	96,745
Supplies and other services	28,241	27,472
Other	<u>9,446</u>	<u>9,319</u>
	<u>133,598</u>	<u>133,536</u>
Operating loss	(26,470)	(32,468)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	25,006	27,722
State appropriated ARRA funds	2,724	-
Other, net	<u>3,105</u>	<u>(6,620)</u>
Net nonoperating revenues	<u>30,835</u>	<u>21,102</u>
Other revenues, expenses, gains or losses	<u>2,424</u>	<u>625</u>
Increase (decrease) in net assets	6,789	(10,741)
Beginning net assets	406,679	408,327
Ending net assets	<u>\$ 413,468</u>	<u>\$ 397,586</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

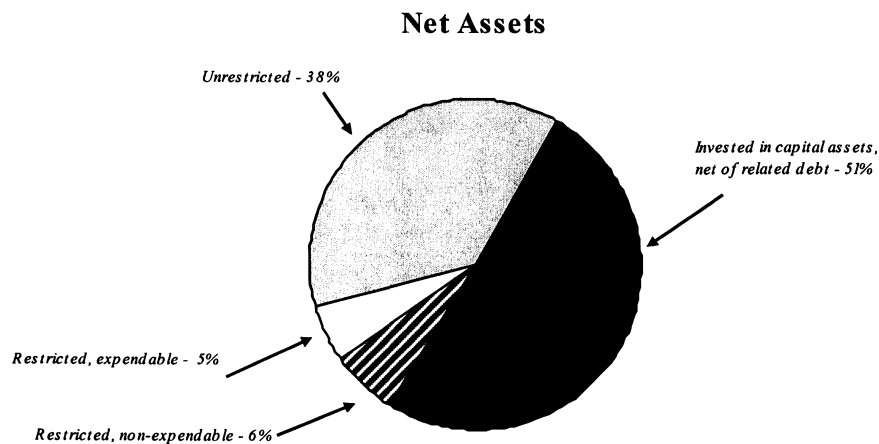
## University of South Alabama

### Management's Discussion and Analysis (continued)

accounting, whereby revenues are recognized when the service is provided and expenses 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)

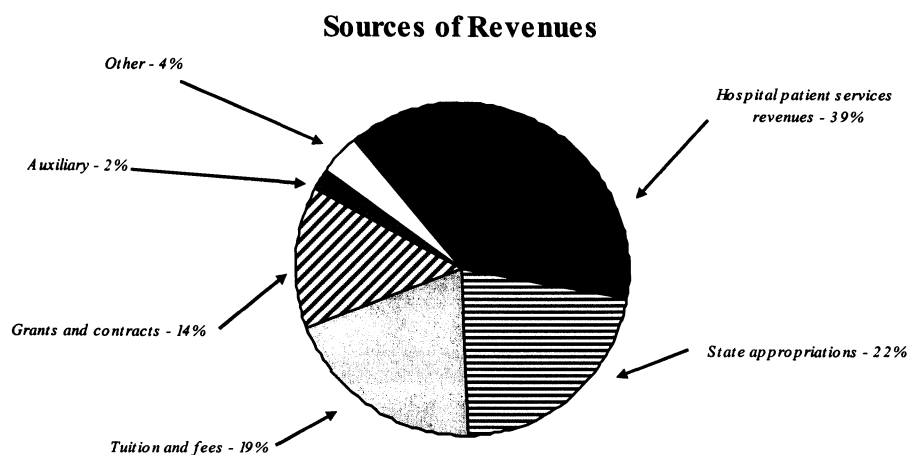
Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives as well as capital projects.

#### *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:

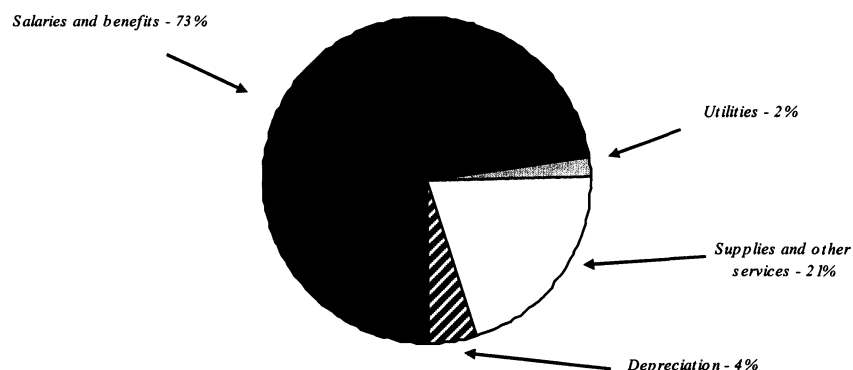


## University of South Alabama

### 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 Student Recreation Center, the Moulton Bell Tower and Alumni Plaza, and Shelby Hall. Preliminary work is underway on the new patient care tower and USA's Children's and Women's Hospital. Additionally, several construction and renovation projects at the University and Hospitals were ongoing during the current period. In fiscal 2009, the Mitchell Cancer Institute and the Health Sciences Building were completed and placed into service.

In September 2008, the University issued the University Facilities Revenue and Capital Improvement Bonds, Series 2008, with a face value of \$112,885,000. The net proceeds of these bonds, issued at a premium of approximately \$132,000, will be used to fund an expansion of the USA Children's and Women's Hospital as well as other construction and capital improvements at the University.

During the year ended September 30, 2008, the University's bond credit rating was upgraded by Moody's Investors Services from A2 to A1. This represents the first upgrade of the University's bond credit rating since 2004. The University also received a

## **University of South Alabama**

### **Management's Discussion and Analysis (continued)**

rating of A+ from Standard and Poor's Rating Services. The ratings remained unchanged in the current period

#### **Economic Outlook**

While enrollment and tuition have both increased in recent years, state appropriations have historically been relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16.1%, 19.0% and 17.2%, respectively, or approximately \$19,349,000, \$19,185,000 and \$14,581,000, respectively, in state appropriations. These increases are unusually high and are not expected to continue. For the 2009 fiscal year, the University's appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008, the Governor of Alabama announced proration of the original appropriation of 9% or approximately \$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

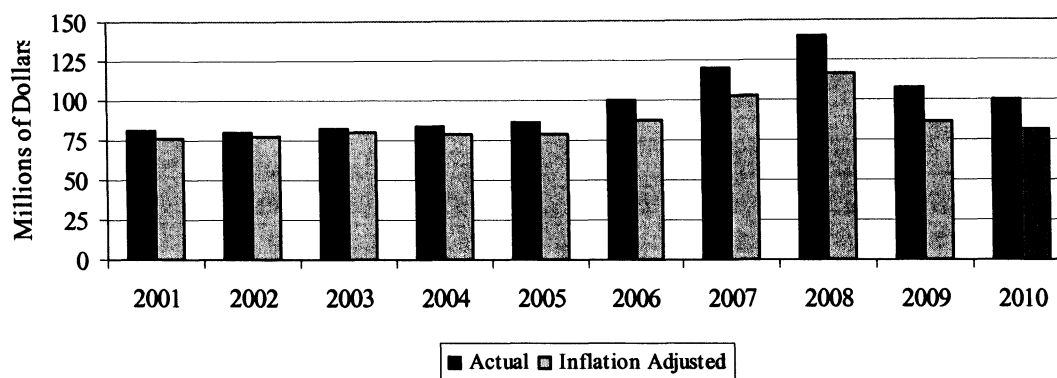
A state appropriation in the amount of approximately \$108,132,000 has been authorized for the year ending September 30, 2010; however, in September 2009, the Governor announced proration of 7.5% for the year ending September 30, 2010. Following the announcement of proration, the state appropriation for the year ending September 30, 2010 is currently \$100,022,000. Additionally, University management is aware additional decreases in the 2010 fiscal year are possible.

## University of South Alabama

### Management's Discussion and Analysis (continued)

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

**State Appropriations - Ten Year History**



In addition to state appropriations, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. Declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential further negative impact on the University's enrollment, extramural funding, endowment performance, and health care operations.

In early 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress and signed into law by the President. As a result of this legislation, the University has been awarded approximately \$10,769,000 annually in 2010 and 2011 through the U. S. Department of Education's State Fiscal Stabilization Fund Program. As of the current date, the total award is 90% of \$21,538,000, or \$19,384,000. The remaining 10% will not be awarded until the State had made application to the federal government. Additional funding is available through the competitive grant process from various federal agencies. As of the current date, the University has been awarded or appropriated ARRA funding totaling approximately \$22,583,000. Additional proposals remain currently outstanding.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2010 beyond those unknown variables having a global effect on virtually all types of business operations.

# University of South Alabama

## Statements of Net Assets

December 31, 2009 and 2008

(In thousands)

	2009	2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	63,042	20,316
Investments	111,977	115,031
Net patient service receivables	30,651	27,994
Accounts receivable, affiliates	20,574	15,826
Accounts receivable, other	43,000	42,964
Notes receivable, net	218	782
Prepaid expenses, inventories and other	7,448	8,282
Total current assets	276,910	231,195
Noncurrent assets		
Restricted cash and cash equivalents	27,370	101,808
Investments, at fair value	68,926	75,376
Investments	795	725
Accounts receivable	7,527	7,237
Notes receivable, net	3,895	4,783
Other noncurrent assets	30,738	27,954
Capital assets (net of accumulated depreciation)	412,521	364,019
Total noncurrent assets	551,772	581,902
Total assets	828,682	813,097
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	46,439	49,004
Deferred revenue	37,381	31,632
Deposits	1,354	1,342
Current portion of long-term debt	6,147	5,144
Total current liabilities	91,321	87,122
Noncurrent liabilities		
Long-term debt	304,331	308,097
Other long-term liabilities	19,562	20,292
Total noncurrent liabilities	323,893	328,389
Total liabilities	415,214	415,511
<b>Net Assets</b>		
Invested in capital assets, net of related debt	185,241	201,337
Restricted, nonexpendable		
Scholarships	5,520	11,415
Other	24,038	13,785
Restricted, expendable		
Scholarships	12,630	1,525
Other	14,978	20,298
Unrestricted	171,061	149,226
Total net assets	413,468	397,586

See accompanying notes.

# University of South Alabama

## Statements of Revenues, Expenses and Changes in Net Assets

**Three Months Ended December 31, 2009 and 2008**

*(In thousands)*

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Operating revenues		
Tuition and fees (net of scholarship allowances)	27,983	24,485
Patient services and other (net of contractual allowances and bad debt expense)	52,224	49,289
Federal grants and contracts	4,664	4,944
State grants and contracts	2,069	816
Private grants and contracts	9,916	11,718
Auxiliary enterprises (net of scholarship allowances)	2,837	2,687
Other operating revenues	7,435	7,129
Total operating revenues	<u>107,128</u>	<u>101,068</u>
<b>Expenses</b>		
Operating expenses		
Salaries and benefits	95,911	96,745
Supplies and other services	28,241	27,472
Scholarships and fellowships	81	80
Utilities	3,127	3,186
Depreciation	6,238	6,053
Total operating revenues	<u>133,598</u>	<u>133,536</u>
Operating loss	<u>(26,470)</u>	<u>(32,468)</u>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	25,006	27,722
State appropriated ARRA funds	2,724	-
Investment income and gains (losses) on investments	1,392	(8,395)
Interest on indebtedness	(3,408)	(3,680)
Other nonoperating revenues	6,026	5,457
Other nonoperating expenses	(905)	(2)
Net nonoperating revenues	<u>30,835</u>	<u>21,102</u>
Income (loss) before other revenues, expenses, gains or losses	<u>4,365</u>	<u>(11,366)</u>
Capital appropriations	627	-
Capital gifts and grants	1,312	278
Additions to endowment	485	347
Increase (decrease) in net assets	<u>6,789</u>	<u>(10,741)</u>
<b>Net assets</b>		
Beginning of period	<u>406,679</u>	<u>408,327</u>
End of period	<u><u>413,468</u></u>	<u><u>397,586</u></u>

*See accompanying notes.*

# University of South Alabama

## Statement of Cash Flows

December 31, 2009 and 2008

(in thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 5,903	\$ 5,079
Receipts from and on behalf of patients and third-party payers	52,497	44,310
Receipts from grants and contracts	14,363	18,314
Receipts related to auxiliary enterprises	1,507	1,472
Payments to suppliers and vendors	(38,942)	(32,888)
Payments to employees and related benefits	(97,702)	(98,274)
Payments for scholarships and fellowships	(82)	(80)
Other operating receipts	11,487	11,347
Net cash used in operating activities	<u>(50,969)</u>	<u>(50,720)</u>
Cash flows from noncapital financing activities:		
State appropriations	25,005	20,309
State appropriated ARRA Funds	2,724	-
Endowment gifts	485	347
Agency funds received	179	438
Agency funds disbursed	(172)	(289)
Stafford and PLUS loans received	(32)	(30)
Stafford and PLUS loans disbursed	143	70
New loans issued to students	(1,180)	(1,010)
Student loan repayments	1,111	1,093
Other nonoperating revenues	6,015	4,835
Other nonoperating expenses	(905)	(2)
Net cash provided by noncapital financing activities	<u>33,373</u>	<u>25,761</u>
Cash flows from capital and related financing activities:		
Capital gifts and grants	1,312	278
Purchases of capital assets	(5,747)	(17,023)
Principal payments on capital debt	(3,600)	(3,060)
Interest payments on capital debt	(2,663)	(2,400)
Net cash used in capital and related financing activities	<u>(10,698)</u>	<u>(22,205)</u>
Cash flows from investing activities:		
Interest and dividends on investments	130	1,742
Purchases of investments	(23,414)	(35,743)
Proceeds from sales of investments	8,045	73,277
Net cash provided by (used in) investing activities	<u>(15,239)</u>	<u>39,276</u>
Net decrease in cash and cash equivalents	(43,533)	(7,888)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	<u>133,945</u>	<u>130,012</u>
End of year	<u>\$ 90,412</u>	<u>\$ 122,124</u>

# University of South Alabama

## Statement of Cash Flows

December 31, 2009 and 2008

(in thousands)

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (26,470)	\$ (32,468)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	6,238	6,053
Changes in assets and liabilities, net:		
Student receivables	(26,702)	(23,814)
Net patient accounts receivable	662	(4,978)
Grants and contracts receivables	(1,517)	1,148
Other receivables	(1,667)	1,282
Prepaid expenses, inventories, and other	(1,487)	(382)
Accounts payable and accrued liabilities	(8,235)	(3,203)
Deferred revenue	8,209	5,642
Net cash used in operating activities	<u>\$ (50,969)</u>	<u>\$ (50,720)</u>

See accompanying notes to basic financial statements.



# University of South Alabama

## Notes to 2010 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, 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 is responsible, as defined by GASB Statement No. 14. 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

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

in its 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 the 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 the GASB, including all applicable

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

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.

#### *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 2010 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 Infirmary 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 2010 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 Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amount as to University determines to be prudent for the purposes for which the endowment was established. 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.

# University of South Alabama

## Notes to 2010 Quarterly Financial Statements

### *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, 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.

### *State Appropriated ARRA Funds*

Pursuant to the American Recovery and Reinvestment Act of 2009 the University has been awarded approximately \$10,769,000 annually in 2010 and 2011 through the U. S.

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

Department of Education's State Fiscal Stabilization Fund Program. These funds are billed and recorded as revenue as they are expended and reported in the Statement of Revenues, Expenses and Changes in Net Assets as State Appropriated ARRA Funds.

#### *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.

#### *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 2008 basic financial statements have been reclassified in order to conform to fiscal 2009 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, 2009, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$6,396,247,000.

### **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

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

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.

#### *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.

### **5. Derivative Transactions**

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

#### *Terms*

A summary of the transactions is as follow:



# University of South Alabama

## Notes to 2010 Quarterly Financial Statements

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 counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$46,245,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of 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 the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University advantage, 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 counterparty chooses to not exercise its option, the swaption would be cancelled and the University would have no further obligation under this agreement.

### Financial statement presentation

A swaption is considered a hybrid instrument and consists of two components, a time value and an intrinsic value. The intrinsic value of the swaption represents the value of the counterparty's option if it were exercised immediately. The time value of the swaption is the difference between the total value and the intrinsic value and represents the probability weighted, discounted values of a range of future possible outcomes. The time and intrinsic values at the date of execution of this transaction are as follows:

	2004 Bonds	2006 Bonds
Time value	\$ 520,000	1,741,000
Intrinsic value	1,468,000	5,599,000
	<u>\$ 1,988,000</u>	<u>7,340,000</u>

The time value of the payment to the University is considered an embedded derivative and is reported at its fair value in the statement of net assets as of the current date. Changes in the fair value of the derivative are reported as deferred cash inflows or outflows in the statement of net assets.

The intrinsic value of the payment to the University is considered a borrowing, and as such is included in long-term debt on the University's statement of net assets. Interest is being accrued on, and added to, the borrowing through the expiration date of the option.

**University of South Alabama**  
**Notes to 2010 Quarterly Financial Statements**

Pursuant to the terms of the agreement, the University is required to maintain certain collateral with the counterparty. Such amounts are included as restricted investments on the statement of net assets.

**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's fixed rate bonds. If the counterparty 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 counterparty exercises its right under the swaptions, 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.

*Basis risk.* If the counterparty 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 date, the swap counterparty was rated Aa2 by Moody's investors Services, AA by Standard and Poor's and AA- 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. As of the current date, no events of termination have occurred.

**University of South Alabama**  
**Notes to 2010 Quarterly Financial Statements**

**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 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

University Facilities Revenue and Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

Borrowing arising from swaption, Series 2004 Bonds

Borrowing arising from swaption, Series 2006 Bonds

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds include Children's and Women's Hospital revenues in amounts not exceeding \$10,000,000. 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. Series 2008 Bonds begin maturing in August 2009 and are redeemable beginning September 2018.

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 a counterparty. The proceeds from each sale, totaling \$9,328,000, consist of two components, a time value and an intrinsic value. The intrinsic value of the payment is considered a borrowing and is included in long-term debt. As a result of this transaction, the counterparty has the option to force the University to redeem its Series 2004 and 2006 bonds at their respective redemption dates. See footnote five for a complete description of this transaction.

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.

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

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. 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 2006 and settled through 2005. The cost report for USA Children's and Women's Hospital has been audited through 2007 and settled through 2006. The cost report for USA Knollwood Hospital has been audited and settled through March 2006 and settled through September 2004. Revenue from the Medicare program accounted for approximately 18% of the Hospitals' net patient service revenue for both years ended September 30, 2009 and 2008.

*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. Revenue from the Blue Cross program accounted for approximately 23% and 20% of the Hospitals' net patient service revenue for the years ended September 30, 2009 and 2008, respectively.

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

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

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**Notes to 2010 Quarterly Financial Statements**

participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 37% and 30% of the Hospitals' net patient service revenue for the years ended September 30, 2009 and 2008, respectively.

*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.

#### **8. Hospital Lease**

The University and Infirmity Health System, Inc. (the Infirmity) has entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operation of its USA Knollwood Hospital campus to the Infirmity. The lease is effective through March 2056 with an automatic renewal, for an additional forty-nine years, through March 2105; and may be canceled by the Infirmity after the initial fifty-year term. 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, as defined by the lease. University management does not anticipate that this option will be exercised by the Infirmity.

In January 2009, the Infirmity and the University entered into a "First Amendment to Lease Agreement" (the Amendment). The Amendment deferred the original payment terms of the lease for two years such that during the period from January 2009 to December 2010, annual lease payments are reduced to \$1 annually. Beginning in January 2011, the original payment schedule resumes. The payment schedule and narrative presented below reflect these revised terms.

The total amount of lease payments due the University was based on the fair market value of the appraised assets, \$32,418,000. The allocation of the appraised fair market value was \$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. In addition to the prepayment, required lease payments by the Infirmity to the University are as follows (payable monthly):

- Months one through thirty-three of the initial lease term - \$1,000,000 annually (\$83,333 monthly)

**University of South Alabama**  
**Notes to 2010 Quarterly Financial Statements**

- Months thirty-four through fifty-seven of the initial lease term - \$1 annually
- Months fifty-eight through eighty-four of the initial lease term - \$1,000,000 annually (\$83,333 monthly)
- Years eight through twelve of the initial lease term - \$1,250,000 annually
- Years thirteen through seventeen of the initial lease term – \$1,500,000 annually
- Years eighteen through thirty-two of the initial lease term – The monthly payment will be the remaining unpaid balance of the lease payments amortized over years sixteen through thirty using an interest rate calculated from the immediately previous 15-year monthly average of the 20-year state and local tax exempt general obligation bond issues as determined by the United States Federal Reserve System. The remaining unpaid balance at the end of year fifteen, \$17,401,000, is derived by taking the initial unpaid balance of rent due after the partial lease prepayment, \$25,000,000 plus accrued interest at an annual rate of 3.75%, less monthly lease payments.
- Years thirty-three through fifty of the initial lease term – \$1 annually
- Year fifty-one through ninety-nine of the extended lease term – \$1 annually

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.

In order to properly report this transaction, the University has bifurcated the lease into an equipment component and a real property component, as required by FASB Statement No. 13, 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.

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 capital equipment lease is being amortized through fiscal 2011 at a fixed rate of 3.75%.

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 twenty-eight years are approximately \$43,788,000. These total receipts will be recognized as revenue in the amount of approximately \$485,000 annually. Payments received in excess of this amount, along with cash and other consideration already received in the amount of \$6,327,000, will be deferred and amortized over the ninety-nine year lease term.

## **9. 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'

## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

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 employed prior to October 1, 2009, and participation by eligible employees is optional. Under this plan, administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay.

#### *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.

**University of South Alabama**  
**Notes to 2010 Quarterly Financial Statements**

**10. 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.

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

**12. 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



## **University of South Alabama**

### **Notes to 2010 Quarterly Financial Statements**

with Wachovia Bank. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds are currently advanced under this letter.

#### *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*

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

#### *State Bond Issue*

The State of Alabama has made allocations to the University from bonds issued in prior years. Pursuant to the allocations, funds are available to the University for certain future construction costs. The allocations have not been reflected in the accompanying financial statement.

### **13. Significant New Accounting Pronouncements**

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition. GASB State No. 54 revised classification requirements related to fund balance reporting and will be effective for the year ending September 30, 2011. GASB Statement No. 54 is not applicable to the University.

**University of South Alabama**  
**Summary Comparison of Fund Financial Reports to**  
**GASB Statement 34 Financial Statements**  
**December 31, 2009 and 2008**

	Three Months Ended December 31,		Year Ended September 30,
	2009	2008	2009
Net increase (decrease) in current unrestricted operating funds (fund accounting format)	\$ 1,020,017	\$ (6,365,741)	\$ (22,557,941)
Add:			
Debt service	1,151,633	3,798,174	3,160,915
Equipment*	-	-	7,259,482
Depreciation	(4,760,659)	(4,275,051)	(21,615,731)
Plant Fund revenues	4,537,236	3,637,791	18,127,139
Other, net	3,544,039	(7,536,173)	13,978,136
Net increase (decrease) in net assets - GASB Statement 34/35	<u>\$ 5,492,266</u>	<u>\$ (10,741,000)</u>	<u>\$ (1,648,000)</u>

\* Netted for quarterly reporting purpose

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

**Three Months Ended December 31, 2009**

Net decrease from operating (current unrestricted) funds - fund accounting format		\$ 1,020,017
Add back:		
Debt service:		
Principal payment on long term debt	3,600,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>(2,448,367)</u>	1,151,633
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(6,237,967)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>1,477,308</u>	<u>(4,760,659)</u>
		(2,589,009)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		4,537,236
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	2,559,301	
Loan fund	3,489	
Restricted fund	981,249	<u>3,544,039</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 5,492,266</u>

\* Netted for quarterly reporting purpose

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

**Three Months Ended December 31, 2008**

Net decrease from operating (current unrestricted) funds - fund accounting format		\$ (6,365,741)
Add back:		
Debt service:		
Principal payment on long term debt	3,060,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>738,174</u>	3,798,174
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(6,053,374)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>1,778,323</u>	<u>(4,275,051)</u>
		(6,842,618)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		3,637,791
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	(9,114,128)	
Loan fund	10,382	
Restricted fund	<u>1,567,573</u>	<u>(7,536,173)</u>
Net decrease in net assets - GASB Statement No. 34 Format		<u>\$ (10,741,000)</u>

\* Netted for quarterly reporting purpose

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

**Year Ended September 30, 2009**

Net decrease from operating (current unrestricted) funds - fund format		\$ (22,557,941)
Add back:		
Debt service:		
Principal payment on long term debt	\$ 4,868,073	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>(1,707,158)</u>	3,160,915
Equipment purchases		7,259,482
Depreciation of buildings and equipment:		
Computed depreciation	(25,183,157)	
Non-capitalized plant fund expenditures	(3,415,010)	
Transfers of funded depreciation	<u>6,982,436</u>	<u>(21,615,731)</u>
		(33,753,275)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		18,127,139
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	12,719,833	
Loan fund	(752)	
Restricted fund	<u>1,259,055</u>	<u>13,978,136</u>
Net decrease in net assets - GASB Statement No. 34 Format		<u>\$ (1,648,000)</u>

**RESOLUTION**

**ARCHITECT FOR SPECIALIZED LABORATORY BUILDING**

**WHEREAS**, the University of South Alabama has a strong medical research capability, and

**WHEREAS**, the quality of research is strongly enhanced by the necessary facilities, and

**WHEREAS**, the National Institutes of Health has recognized the value of the University's research effort with a grant to expand capabilities with a new Specialized Laboratory Building, and

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

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

**WHEREAS**, the firms Lord Aeck & Sargent, TRO Jung/Brannen and Barganier Davis Sims Architects Associated were selected as best qualified to do the design, and

**WHEREAS**, each best qualified firm was interviewed and evaluated for this project,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the University of South Alabama authorizes the President to engage the firm \_\_\_\_\_ for this project.



REC'D  
OFFICE OF THE PRESIDENT

MAR 01 2010

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


UNIVERSITY OF SOUTH ALABAMA

## MEMORANDUM

---

February 26, 2010

TO: President V. Gordon Moulton

FROM: M. Wayne Davis 

SUBJECT: Awarding of Construction Design Contract  
for the Specialized Laboratory Building

Attached is a resolution concerning the awarding of a construction design contract for the Specialized Laboratory Building. I recommend that the resolution be presented to the Board of Trustees for consideration and approval at the March 12, 2010, meeting.

Thank you.

MWD/cbm

Attachment

**RESOLUTION**

**CONSTRUCTION CONTRACT FOR CAMPUS PORTALS**

**WHEREAS**, the University of South Alabama has, in recent years, constructed several facilities, improving the overall function and aesthetics of the main campus, and

**WHEREAS**, the addition of portals at the entrances to the main campus would enhance the beauty and safety of the University grounds, and

**WHEREAS**, the University recently solicited bids for construction of the portals, and

**WHEREAS**, the University was successful in receiving competitive bids from ten qualified construction companies as shown on the attached schedule, and

**WHEREAS**, on March 4, 2010, the bids were opened, and Jesco, Inc., of Montgomery, Alabama, was the apparent low bidder,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees authorizes the University President to negotiate and execute a contract with the lowest bidder according to the Alabama Bid Law.





REC'D  
OFFICE OF THE PRESIDENT  
MAR 05 2010

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

UNIVERSITY OF SOUTH ALABAMA

## MEMORANDUM

---

TO: President V. Gordon Moulton  
FROM: M. Wayne Davis *Wayne*  
SUBJECT: Summary of Bids for Campus Portals  
DATE: March 5, 2010

Enclosed is a summary of the bids which were opened on March 4, 2010, for construction of the portals on the main campus. Also enclosed is the construction contract resolution.

With your approval, we will place this on the agenda of the Board of Trustees Executive Committee meeting, scheduled for Thursday, March 11, 2010.

MWD/cbm

Enclosure

BARGANIER DAVIS SIMS ARCHITECTS ASSOCIATES  
624 SOUTH MCDONOUGH STREET  
MONTGOMERY, ALABAMA 36014

TELEPHONE: (334) 834-2038

BIDS FOR: NEW CAMPUS PORTALS  
FOR THE  
UNIVERSITY OF SOUTH ALABAMA  
MOBILE, ALABAMA

ABSTRACT OF BIDS

DATE: March 4, 2010  
PROJECT NO. 2009-132

Brick

BIDDERS	G.C. LICENSE NO.	SURETY	BID BOND	DISCLOSURE STATEMENT	ADDENDAS 1-4	ENVELOPE ADJUSTMENTS (+/-)	BASE BID	ALT 1	ALT 2	ALT 3	ALT 4
Commercial Contracting Group	276913	✓	✓	✓	✓	-20K	4,179,000	-12,820	+18,700	+21,367	+3,205
Delta Civil Developers	<del>37028</del>					—					
③ 3,239,000 Elkins Constructors, Inc.	37028	✓	✓	✓	✓	None	3,239,000	232,000 28,000	43,000	103,000	35,000
① 2,838,000 Jesco	13177	✓	✓	✓	✓	-112,000	2,950,000	230,000 +29,700	2,838,000 +82,000	+55,000	+61,600
Roy Lewis Construction											
Stuart Contracting Co.	22457	✓	✓	✓	✓	None	4,295,000	200,000 +54,000	+49,700	+189,800	+73,000
Summitt Industries											
Valleycrest Landscape											
② 3,137,000 White-Spunner Construction	13302	✓	✓	✓	✓	None	3,137,000	177,000 +30,000	+43,000	+150,000	+20,000
Youngblood-Barrett	22436	✓	✓	✓	✓	-200,000	4,000,000	200,000 +50,000	+50,000	+100,000	+10,000
								+100,000			

Sworn to and subscribed before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

I certify this to be a true and correct tabulation of all bids received for this project.

Notary Public

Barganier Davis Sims Architects Associates

**RESOLUTION**

**CONSTRUCTION CONTRACT FOR ADDITION TO CENTRAL ENERGY PLANT  
AT THE UNIVERSITY OF SOUTH ALABAMA  
CHILDREN'S & WOMEN'S HOSPITAL**

**WHEREAS**, the University of South Alabama recently solicited bids for the construction of an upgrade to the existing central energy plant and new mechanical systems for the USA Children's & Women's Hospital and proposed expansion, and

**WHEREAS**, this upgrade will provide new heating, ventilation and air conditioning chillers and boilers, medical gas, medical air and air redistribution for the existing plant facilities, and

**WHEREAS**, the University was successful in receiving competitive bids from five pre-qualified construction companies as shown on the attached schedule, and

**WHEREAS**, on December 17, 2009, the bids were opened, and Flintco, Inc.'s Pensacola, Florida, division was the apparent low bidder,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees authorizes the University President to negotiate and execute a contract with the low bidder, according to the Alabama Bid Law.



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

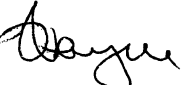
REC'D  
OFFICE OF THE PRESIDENT

MAR 09 2010

MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

TO: President V. Gordon Moulton

FROM: M. Wayne Davis 

SUBJECT: Summary of Bids for  
Addition to the Central Energy Plant at the  
Children's & Women's Hospital

DATE: March 9, 2010

Enclosed is a summary of the bids which were opened on December 17, 2009, for construction of the addition to the central energy plant at the Children's & Women's Hospital. Also enclosed is the construction contract resolution.

With your approval, we will place this on the agenda of the Board of Trustees Executive Committee meeting, scheduled for Thursday, March 11, 2010.

MWD/cbm

Enclosures

A handwritten signature, likely of the Vice President, written in dark ink. The signature is stylized and appears to be 'V. Gordon Moulton'.

# CERTIFIED BID TABULATION SHEET

**BIDS RECEIVED:** December 17, 2009 at 2:00 p.m.

**PROJECT:** USA Children's & Women's Hospital  
Central Energy Plant Expansion  
Mobile, Alabama

**PLACE:** USA Children's & Women's Hospital  
Jubilee Room

	White-Spinner Const., Inc.	Commercial Contracting Corp.	Elkins Const., Inc.	Hoar Construction	Flintco, Inc.	Jim Parker Bldg. Co.
Bid Bond	✓	✓	✓	✓	✓	No Bids
Disclosure Statement	✓	✓	✓	✓	✓	
Acknowledged Addendums	1-2	1-2	1-2	1-2	1-2	
Base Bid	\$,680,000	9,406,000	9,048,000	8,862,000	8,668,000	
+/- Notation on Envelope	None	-207,000	none	none	none	
Total Base Bid		9,199,000				
Alternate No. 1 (Chiller)	φ	NC φ	φ	φ	φ	
Alternate No. 2 (Cooling Towers)	φ	NC φ	φ	φ	φ	
Alternate No. 3 (Generator)	100,000	Nº 110,000	99,000	104,219	104,000	
Alternate No. 4 (Water Tank)	200,000	<del>114</del> 226 K	167 K	208,310	203,000	
Alternate No. 5 (Bldg. Mgmt. System)	φ	NC φ	φ	φ	φ	
Alternate No. 6 (Parking Lot)	130,000	Nº 158 K	241 K	198,517	117,000	
Total Bid with Alternates						

I certify the above bids were received sealed and were publicly opened and read aloud at the time and place indicated and that this is a true and correct tabulation of all bids received for this project.

T. Harold Hays, Jr., P.E.



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

Basic Financial Statements and Supplementary Information  
on Federal Awards Programs

September 30, 2009

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

**Basic Financial Statements**  
**September 30, 2009 and 2008**

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

**Management's Discussion and Analysis (Unaudited)**

September 30, 2009 and 2008

**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, 2009 and 2008 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, 2009, 2008, and 2007, the University had total assets of \$856,249,000, \$862,666,000, and \$707,687,000, respectively; total liabilities of \$449,570,000, \$454,339,000, and \$323,171,000, respectively; and net assets of \$406,679,000, \$408,327,000, and \$384,516,000, respectively. University net assets decreased \$1,648,000 during the year ended September 30, 2009 compared to increases of \$23,811,000 and \$73,158,000 in the years ended September 30, 2008 and 2007, 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, 2009 and 2008. 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 are generally designated for specific purposes, and 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, is 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 net patient accounts receivable. Of these amounts, cash and cash equivalents, investments, and patient accounts receivable comprise approximately 29%, 44%, and 12%, respectively, of current assets at September 30, 2009. Noncurrent assets at September 30, 2009 consist primarily of capital assets and restricted investments and noncurrent investments.

(Continued)

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

Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008

The Condensed Schedule of Net Assets at September 30, 2009, 2008, and 2007 follows (in thousands):

<b>Condensed Schedule of Net Assets</b>			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets:</b>			
Current	\$ 268,814	287,430	271,983
Capital assets	413,513	353,829	286,890
Other noncurrent	<u>173,922</u>	<u>221,407</u>	<u>148,814</u>
Total assets	<u>\$ 856,249</u>	<u>862,666</u>	<u>707,687</u>
<b>Liabilities:</b>			
Current	\$ 91,851	90,773	80,389
Noncurrent	<u>357,719</u>	<u>363,566</u>	<u>242,782</u>
Total liabilities	<u>\$ 449,570</u>	<u>454,339</u>	<u>323,171</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 187,489	186,986	163,688
Restricted, nonexpendable	28,622	24,165	16,828
Restricted, expendable	28,685	23,071	35,955
Unrestricted	<u>161,883</u>	<u>174,105</u>	<u>168,045</u>
Total net assets	<u>\$ 406,679</u>	<u>408,327</u>	<u>384,516</u>

University cash, cash equivalents, and investments (current and noncurrent) decreased between September 30, 2008 and 2009 by \$73,526,000 to \$350,222,000. This decrease is due primarily to the use of existing funds for construction and to a \$31,286,000 decrease in 2009 state appropriations. This follows an increase of \$88,101,000 in cash, cash equivalents, and investments between 2007 and 2008, which resulted from cash generated by the issuance of additional bonded indebtedness totaling \$120,085,000 and a \$19,349,000 increase in state appropriations in 2008.

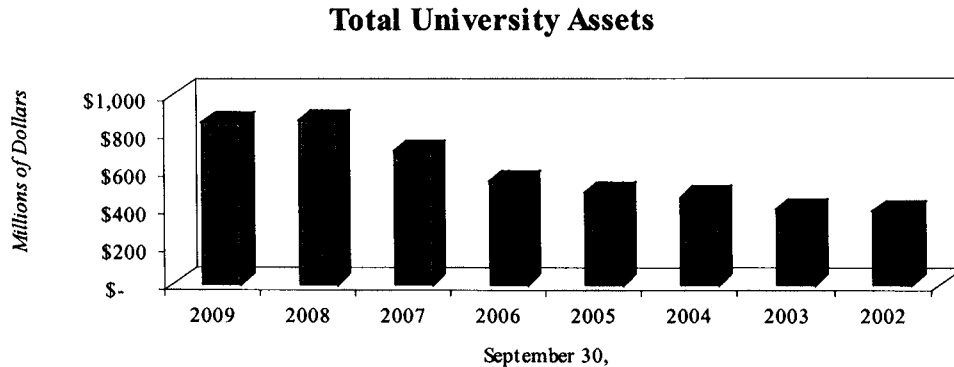
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**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008

Total assets of the University as of September 30 are as follows:



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.

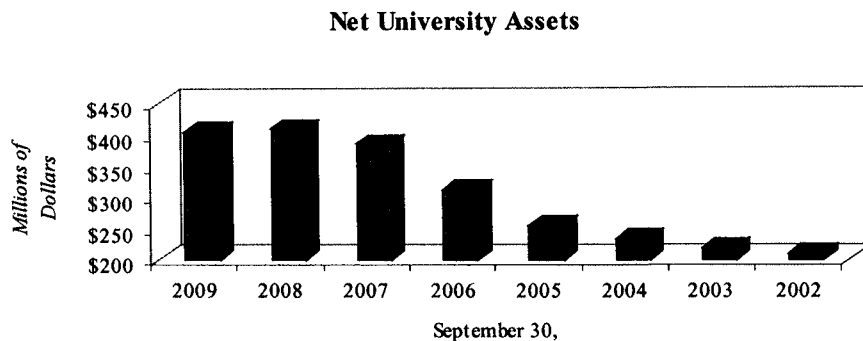
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**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008

Net assets of the University as of September 30 are as follows:



All categories of restricted net assets increased by approximately 21% between September 30, 2008 and 2009 primarily due to the improvement in financial market conditions and due to the addition of restricted gifts to the University. Unrestricted net assets decreased from \$174,105,000 to \$161,883,000 between September 30, 2008 and 2009 reflecting the results of University financial operations during fiscal year 2009.

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

Nonoperating revenues have the characteristics of nonexchange transactions 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, 2009 and 2008

The Condensed Schedule of Revenues, Expenses, and Changes in Net Assets for the years ended September 30, 2009, 2008, and 2007 follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Tuition and fees	\$ 61,076	54,823	49,579
Net patient service revenue	206,532	201,603	205,337
Federal, state and private grants and contracts	78,274	77,245	74,874
Other	<u>49,753</u>	<u>47,660</u>	<u>45,803</u>
	<u>395,635</u>	<u>381,331</u>	<u>375,593</u>
Operating expenses:			
Salaries and benefits	379,360	370,749	333,688
Supplies and other services	122,672	123,782	111,297
Other	<u>46,540</u>	<u>39,565</u>	<u>35,977</u>
	<u>548,572</u>	<u>534,096</u>	<u>480,962</u>
Operating loss	<u>(152,937)</u>	<u>(152,765)</u>	<u>(105,369)</u>
Nonoperating revenues (expenses):			
State appropriations	108,451	139,737	120,388
Investment income (loss)	11,744	(4,257)	19,534
Other, net	<u>10,149</u>	<u>12,332</u>	<u>14,855</u>
Net nonoperating revenues	<u>130,344</u>	<u>147,812</u>	<u>154,777</u>
(Loss) income before capital contributions and additions to endowment	(22,593)	(4,953)	49,408
Capital appropriations, capital contributions and additions to endowment	<u>20,945</u>	<u>28,764</u>	<u>23,750</u>
Change in net assets	(1,648)	23,811	73,158
Beginning net assets	<u>408,327</u>	<u>384,516</u>	<u>311,358</u>
Ending net assets	<u>\$ 406,679</u>	<u>408,327</u>	<u>384,516</u>

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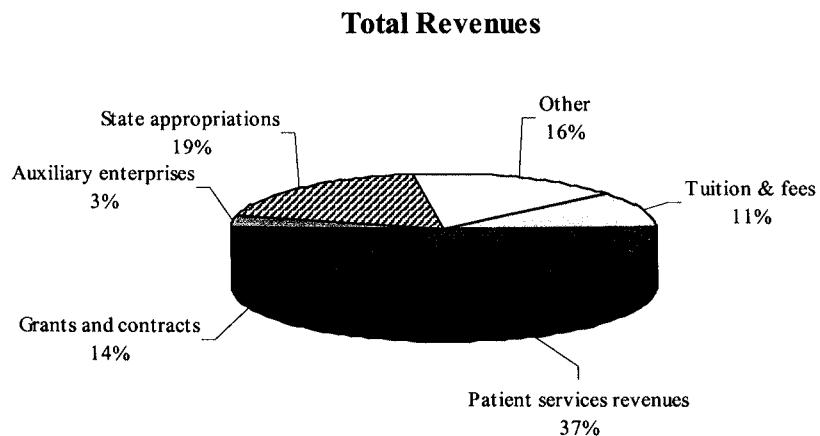
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

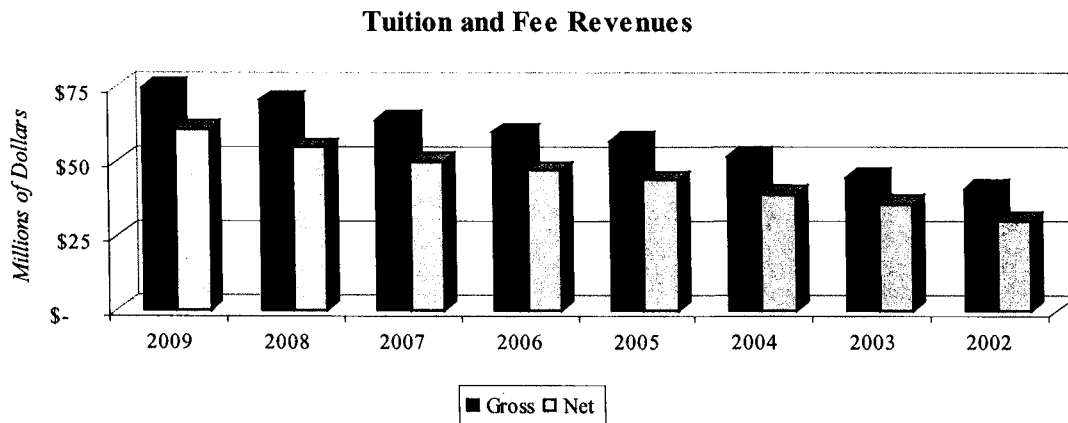
September 30, 2009 and 2008

In 2009, 2008, and 2007, approximately 37%, 35%, and 38%, 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 19% of total revenues in fiscal 2009. Also in 2009 tuition and fees charged to students and grants and contracts (federal, state and private) represented approximately 11% and 14% of total revenues, respectively.

A summary of University revenues for the year ended September 30, 2009 is presented below:



Tuition and fees have increased in each of the last six 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 revenues continue to increase, from 9.5% of operating revenues in 2002 to 15.4% in 2009. Tuition and fees, gross and net of scholarship allowances, for the past eight fiscal years are as follows:



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

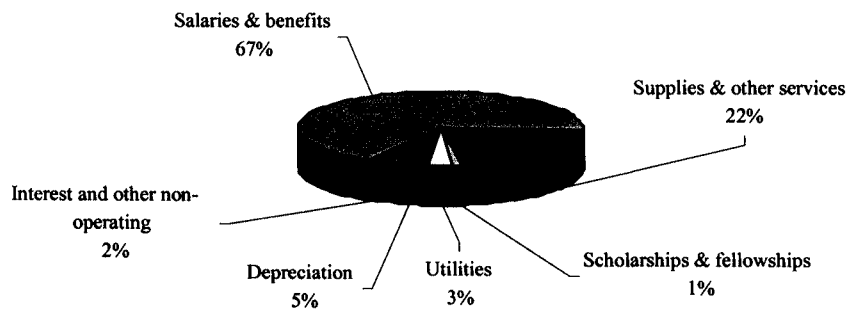
Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008

Further, capital contributions and grants decreased from \$19,268,000 in 2008 to \$5,325,000 in 2009 due to the substantial completion in 2008 of grant funded construction of the Mitchell Cancer Institute. Additionally, the University recognized \$10,171,000 in capital appropriations in 2009, compared to \$0 in 2008. Those appropriations were utilized in the construction of the Student Recreation Center. As a result of significant fluctuations in financial market conditions, net investment income (loss) increased from a loss of \$4,257,000 in 2008 to income of \$11,744,000 in 2009. Included in 2009 income are unrealized market gains of \$4,716,000.

University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2009 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 16 to the basic financial statements.

In 2009, 2008, and 2007, approximately 69% of the University's total operating expenses were salaries and benefits. Salaries and benefits have steadily increased over the last eight years, resulting primarily from increases in salary rates to faculty and staff, as shown as follows:

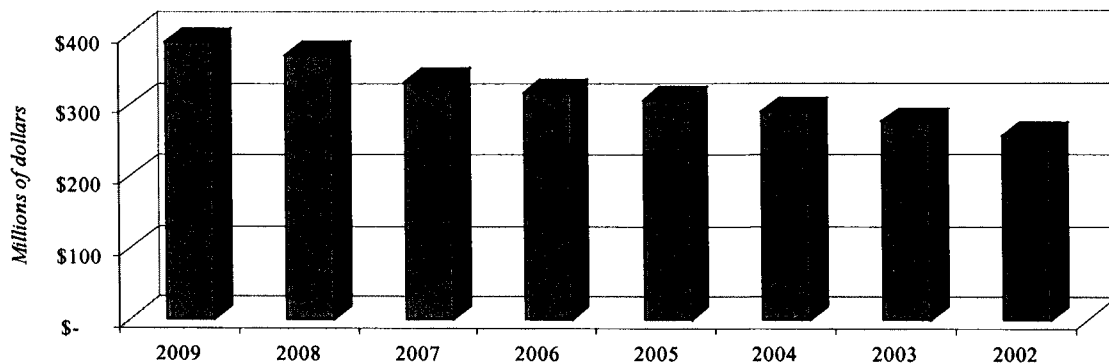
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**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008

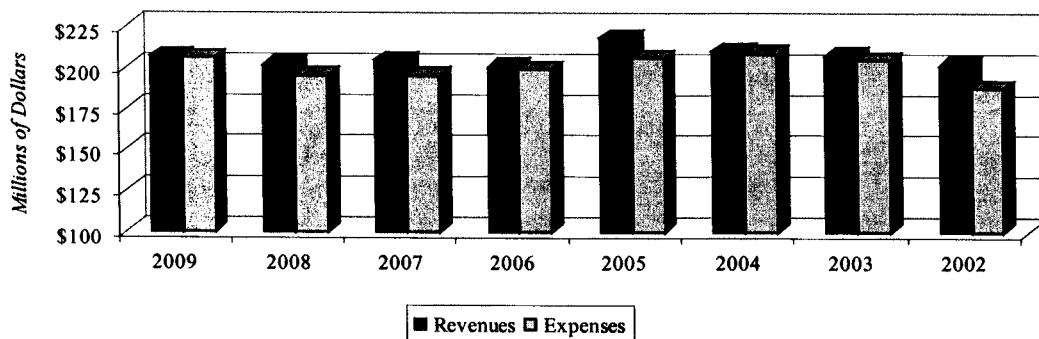
**Total Salaries and Benefits Expense**



For the years ended September 30, 2009, 2008, and 2007, the University reported an operating loss of approximately \$152,937,000, \$152,765,000, and \$105,369,000, respectively. Operating losses are offset partially by state appropriations, which are reported as nonoperating revenue. After adding state appropriations and other nonoperating revenues and expenses, (primarily capital appropriations, capital contributions, and additions to endowment) the total change in net assets was approximately \$(1,648,000), \$23,811,000, and \$73,158,000, for the years ended September 30, 2009, 2008, and 2007, respectively.

The Hospitals represent a significant portion of total University revenues and expenses and have remained relatively constant over the past three years. Operating hospital revenues and expenses for the last eight fiscal years are presented below:

**Hospital Operating Revenues and Expenses**



**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.

(Continued)



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

**Management's Discussion and Analysis (Unaudited)**

**September 30, 2009 and 2008**

**Capital Assets and Debt Administration**

Total capital asset additions for the University were approximately \$84,904,000 in 2009. During 2009, the Mitchell Cancer Institute, the Nursing and Allied Health Building, and a major addition to the University's central utility plant system were placed into service and the Football Field House was substantially completed. Significant construction projects that remain in progress at September 30, 2009 include the Student Recreation Center, Bell Tower, and the Engineering and Science Building. Significant projects in fiscal 2007 and 2008 included Building II in the USA Technology and Research Park, JagTran (the campus shuttle system), Meisler Hall, and various ongoing projects. At September 30, 2009, the University has outstanding commitments of approximately \$56,218,000 for various capital projects.

In a prior year, the State of Alabama made allocations from state bond issues to the University in the amount of \$21,332,000. During 2009, \$10,171,000 was recognized by the University and is reported as a capital appropriation and \$11,161,000 remains unspent at September 30, 2009.

In September 2008, the University issued the University Facilities Revenue and Capital Improvement Bonds, Series 2008, with a face value of \$112,885,000. The net proceeds of these bonds are being used to fund various construction and capital improvements at the University.

In order to realize debt service savings currently from future debt refunding, 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 a counterparty and resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds. A portion of this payment is considered a borrowing and is included in the long-term debt of the University.

During the year ended September 30, 2008, the University's bond credit rating was upgraded by Moody's Investors Services from A2 to A1. This represents the first upgrade of the University's bond credit rating since 2004. The University also received a rating of A+ from Standard and Poor's Rating Services. There is no change in the University's rating at September 30, 2009.

**Economic Outlook**

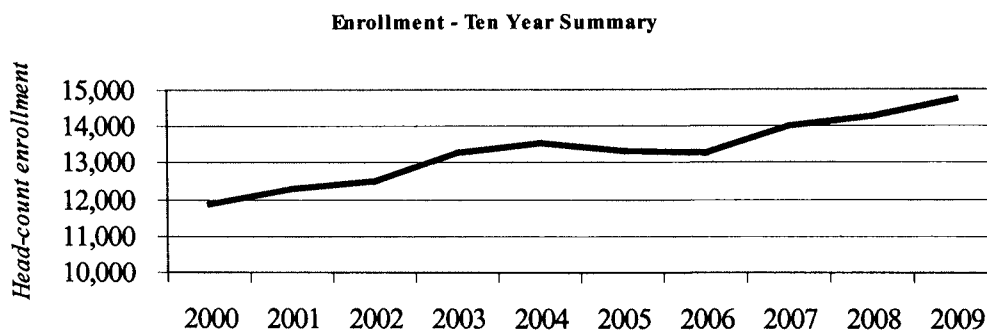
Student enrollment and tuition have both increased over the past ten years. The University has experienced an increase in enrollment of approximately 24%, or 2,900 students, between 2000 and 2009, from 11,870 in 2000 to 14,755 for the 2009 fall semester. The enrollment trend for the University between 2000 and 2009 is as follows:

(Continued)

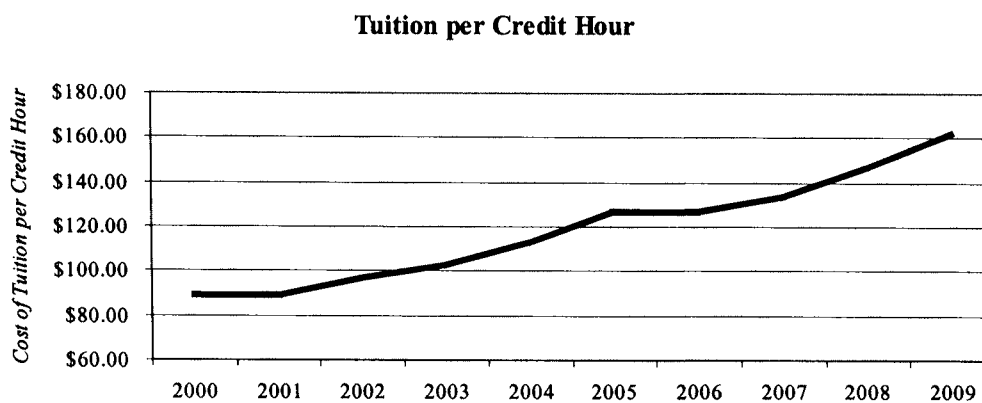
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2009 and 2008



In that same time period, in-state tuition per credit hour has increased by approximately 96%. Similar increases have been experienced in out-of-state tuition, College of Medicine tuition, fees and housing fees. The trend of in-state tuition per credit hour between 2000 and 2009 is as follows:



While enrollment and tuition have both increased in recent years, state appropriations have historically been relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16%, 19% and 17%, respectively, or approximately \$19,349,000, \$19,185,000 and \$14,581,000, respectively, in its state appropriation. These increases were unusually high. For the 2009 fiscal year, the University's original state appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008 the Governor of Alabama announced proration of 9%, or approximately \$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

A state appropriation in the amount of approximately \$108,286,000 has been authorized for the year ending September 30, 2010; however, in September 2009, the Governor announced proration of 7.5% for the year ending September 30, 2010. Following the announcement of proration, the state appropriation for the year ending September 30, 2010 is currently \$100,022,000.

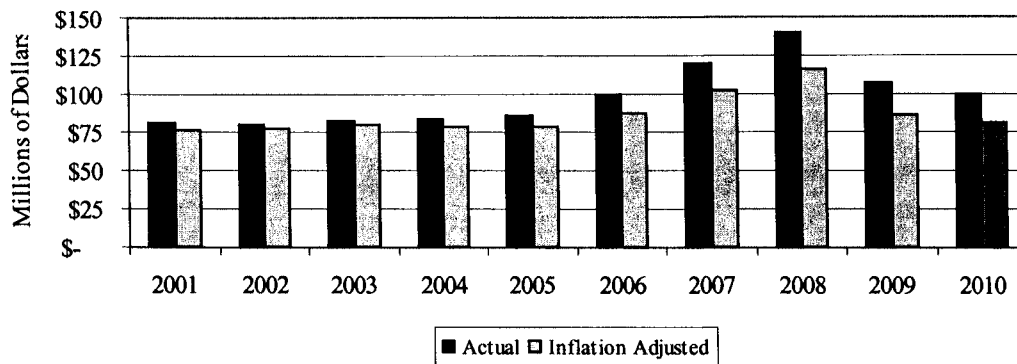
(Continued)

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

Management's Discussion and Analysis (Unaudited)  
September 30, 2009 and 2008

The ten year history of State Appropriations for the University is as follows:

**State Appropriations - Ten Year History**



In addition to state appropriations, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. Declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential further negative impact on the University's enrollment, extramural funding, endowment performance, and health care operations.

In early 2009, the American Recovery and Reinvestment Act (ARRA) was passed by Congress and signed into law by the President. As a result of this legislation, the University has been awarded approximately \$10,769,000 in 2010 and 2011 through the U. S. Department of Education's State Fiscal Stabilization Fund Program. As of the current date, the total award is 90% of \$21,538,000, or \$19,384,000. The remaining 10% will not be awarded until the State has made application to the federal government. Additional funding is available through the competitive grant process from various federal agencies. As of September 30 2009, the University had been awarded ARRA grants totaling approximately \$1,919,000. Additional proposals remain outstanding at September 30, 2009.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2010 beyond those unknown variables having a global effect on virtually all types of business operations.

(Continued)



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## **Independent Auditors' Report on Basic Financial Statements and Schedule of Expenditures of Federal Awards**

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, 2009 and 2008, 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 2009 and 2008 consolidated financial statements of the University of South Alabama Foundation, which represents 80%, 101% and (50)%, respectively, of the 2009 assets, net assets, and revenues, gains and other support of the discretely presented component units and 82%, 100% and (14)%, respectively, of the 2008 assets, net assets, and revenues, gains and other support 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. 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 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. 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 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, 2009 and 2008, 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, 2009 and 2008, 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 13, 2009, 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 11 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.

Our audits were performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2009 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2009 basic financial statements taken as a whole.

KPMG LLP

November 13, 2009

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

Statements of Net Assets

September 30, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 79,297	34,914
Investments	117,816	187,947
Net patient accounts receivable, (net of allowance for doubtful accounts of \$48,690 and \$45,650)	30,929	26,018
Accounts receivable, affiliates	18,284	15,329
Accounts receivable, other	15,162	14,485
Notes receivable, net	306	837
Prepaid expenses, inventories, and other	7,020	7,900
Total current assets	<u>268,814</u>	<u>287,430</u>
Noncurrent assets:		
Restricted cash and cash equivalents	56,615	95,893
Restricted investments	95,506	103,889
Investments	988	1,105
Accounts receivable	7,447	7,237
Notes receivable, net	5,058	4,887
Other noncurrent assets	8,308	8,396
Capital assets, net	413,513	353,829
Total noncurrent assets	<u>587,435</u>	<u>575,236</u>
Total assets	<u>856,249</u>	<u>862,666</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	55,598	58,588
Deferred revenue	29,468	26,228
Deposits	904	990
Current portion of long-term debt	5,881	4,967
Total current liabilities	<u>91,851</u>	<u>90,773</u>
Noncurrent liabilities:		
Long-term debt, less current portion	307,471	311,359
Other long-term liabilities	50,248	52,207
Total noncurrent liabilities	<u>357,719</u>	<u>363,566</u>
Total liabilities	<u>449,570</u>	<u>454,339</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	187,489	186,986
Restricted, nonexpendable:		
Scholarships	11,702	10,741
Other	16,920	13,424
Restricted, expendable:		
Scholarships	4,865	4,698
Other	23,820	18,373
Unrestricted	161,883	174,105
Total net assets	<u>\$ 406,679</u>	<u>408,327</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA FOUNDATION**  
(Discretely Presented Component Unit)

Consolidated Statements of Financial Position

June 30, 2009 and 2008

(In thousands)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 2,298	1,337
Investments:		
Securities, at fair value	83,884	120,133
Timber and mineral properties	150,211	154,462
Real estate	8,573	9,792
Other	5,519	5,500
Accounts receivable	7	—
Other assets	520	452
Total assets	<u>\$ 251,012</u>	<u>291,676</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 169	82
Other liabilities	672	646
Total liabilities	<u>841</u>	<u>728</u>
Net assets:		
Unrestricted	55,053	87,273
Temporarily restricted	26,295	34,739
Permanently restricted	168,823	168,936
Total net assets	<u>250,171</u>	<u>290,948</u>
Total liabilities and net assets	<u>\$ 251,012</u>	<u>291,676</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA  
HEALTH SERVICES FOUNDATION**  
(Discretely Presented Component Unit)

Statements of Financial Position

September 30, 2009 and 2008

(In thousands)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Current assets:		
Cash and cash equivalents	\$ 1,397	846
Patient accounts receivable (net of allowance for uncollectible accounts of approximately \$4,827 and \$5,281)	10,395	10,747
Other current assets	1,039	1,269
Total current assets	12,831	12,862
Interest in assets of University of South Alabama Professional Liability Trust Fund	20,685	20,928
Property and equipment, net	2,475	2,604
Total assets	\$ 35,991	36,394
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 2,179	1,978
Current portion of notes payable	—	570
Due to affiliates	18,149	15,069
Total current liabilities	20,328	17,617
Estimated professional liability costs	20,685	20,928
Total liabilities	41,013	38,545
Unrestricted net deficit	(5,022)	(2,151)
Total liabilities and net assets	\$ 35,991	36,394

See accompanying notes to basic financial statements.



**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(Discretely Presented Component Unit)

Statements of Net Assets

September 30, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 863	1,505
Investments	499	3,265
Rent receivable	167	147
Tenant expense reimbursements and other	32	14
Total current assets	<u>1,561</u>	<u>4,931</u>
<b>Noncurrent assets:</b>		
Intangible assets, net	261	245
Capital assets, net	26,492	24,052
Total noncurrent assets	<u>26,753</u>	<u>24,297</u>
Total assets	<u>28,314</u>	<u>29,228</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Deposits, other current liabilities, and accrued expenses	554	557
Payable to University of South Alabama	11	11
Deferred rent income	115	137
Current portion of notes payable	909	858
Total current liabilities	<u>1,589</u>	<u>1,563</u>
<b>Noncurrent liabilities:</b>		
Notes payable, excluding current portion	25,278	26,173
Total noncurrent liabilities	<u>25,278</u>	<u>26,173</u>
Total liabilities	<u>26,867</u>	<u>27,736</u>
<b>Net assets (deficit):</b>		
Invested in capital assets, net of related debt	247	(259)
Unrestricted	1,200	1,751
Total net assets	<u>\$ 1,447</u>	<u>1,492</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, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Tuition and fees (net of scholarship allowances of \$20,516 and \$16,483)	\$ 61,076	54,823
Net patient service revenue	206,532	201,603
Federal grants and contracts	23,017	22,378
State grants and contracts	7,146	8,238
Private grants and contracts	48,111	46,629
Auxiliary enterprises (net of scholarship allowances of \$635 and \$510)	16,806	16,866
Other operating revenues	32,947	30,794
Total operating revenues	<u>395,635</u>	<u>381,331</u>
Operating expenses:		
Salaries and benefits	379,360	370,749
Supplies and other services	122,672	123,782
Scholarships and fellowships	5,615	4,997
Utilities	15,742	14,400
Depreciation and amortization	25,183	20,168
Total operating expenses	<u>548,572</u>	<u>534,096</u>
Operating loss	<u>(152,937)</u>	<u>(152,765)</u>
Nonoperating revenues (expenses):		
State appropriations	108,451	139,737
Investment income (loss)	11,744	(4,257)
Interest expense	(12,290)	(8,089)
Other nonoperating revenues	24,070	27,018
Other nonoperating expenses	(1,631)	(6,597)
Net nonoperating revenues	<u>130,344</u>	<u>147,812</u>
Loss before capital appropriations, contributions, and additions to endowment	<u>(22,593)</u>	<u>(4,953)</u>
Capital appropriations	10,171	—
Capital contributions and grants	5,325	19,268
Additions to endowment	5,449	9,496
Change in net assets	<u>(1,648)</u>	<u>23,811</u>
Net assets:		
Beginning of year	<u>408,327</u>	<u>384,516</u>
End of year	<u>\$ 406,679</u>	<u>408,327</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, 2009  
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Net realized and unrealized				
losses on investments	\$ (24,589)	(10,367)	(114)	(35,070)
Rents, royalties and timber sales	5,852	—	71	5,923
Interest and dividends	816	1,225	10	2,051
Gifts	5	6	2	13
Required match of donor contributions	(13)	13	—	—
Interfund interest	(118)	118	—	—
Transfers	125	(43)	(82)	—
Reclassification of net assets				
based on change in law	(1,931)	1,931	—	—
Net assets released from program				
restrictions	1,327	(1,327)	—	—
Total revenues, gains, and	<u>(18,526)</u>	<u>(8,444)</u>	<u>(113)</u>	<u>(27,083)</u>
other support				
Expenditures:				
Program services:				
Faculty support	2,299	—	—	2,299
Scholarships	1,065	—	—	1,065
Other	1,506	—	—	1,506
Total program service	<u>4,870</u>	<u>—</u>	<u>—</u>	<u>4,870</u>
expenditures				
Management and general	1,536	—	—	1,536
Other investment expense	1,675	—	—	1,675
Depreciation expense	5,564	—	—	5,564
Depletion expense	49	—	—	49
Total expenditures	<u>13,694</u>	<u>—</u>	<u>—</u>	<u>13,694</u>
Decrease in net assets	<u>(32,220)</u>	<u>(8,444)</u>	<u>(113)</u>	<u>(40,777)</u>
Net assets – beginning of year	<u>87,273</u>	<u>34,739</u>	<u>168,936</u>	<u>290,948</u>
Net assets – end of year	<u>\$ 55,053</u>	<u>26,295</u>	<u>168,823</u>	<u>250,171</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, 2008  
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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	8,840	(8,840)	—	—
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	6,262	—	—	6,262
Total program service expenditures	<u>9,799</u>	<u>—</u>	<u>—</u>	<u>9,799</u>
Management and general	2,007	—	—	2,007
Other investment expense	2,900	—	—	2,900
Depreciation and depletion expense	3,408	—	—	3,408
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 accompanying notes to basic financial statements.

**UNIVERSITY OF SOUTH ALABAMA  
HEALTH SERVICES FOUNDATION**  
(Discretely Presented Component Unit)

Statements of Operations and Changes in Unrestricted Net Assets (Deficit)

Years ended September 30, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 68,257	67,484
Other revenue	8,046	7,857
Total unrestricted revenues, gains, and other support	<u>76,303</u>	<u>75,341</u>
Expenses:		
Salaries and benefits	47,936	46,212
General and administrative	12,746	17,748
Provision for uncollectible accounts	13,582	13,459
Depreciation and amortization	976	993
Interest	7	65
Total expenses	<u>75,247</u>	<u>78,477</u>
Operating income (loss)	1,056	(3,136)
Nonoperating gains	301	180
Total nonoperating gains	<u>301</u>	<u>180</u>
Revenues over (under) expenses	1,357	(2,956)
Contributions restricted for debt service, received and expended within the same year	577	1,000
Transfer of capital to University of South Alabama College of Medicine	<u>(4,805)</u>	<u>(1,517)</u>
Change in unrestricted net assets (deficit)	(2,871)	(3,473)
Unrestricted net (deficit) assets at beginning of year	<u>(2,151)</u>	1,322
Unrestricted net deficit at end of year	<u><u>\$ (5,022)</u></u>	<u><u>(2,151)</u></u>

See accompanying notes to basic financial statements.

**USA RESEARCH AND TECHNOLOGY CORPORATION**  
(Discretely Presented Component Unit)

Statements of Revenues, Expenses, and Changes in Net Assets

Year ended September 30, 2009

(In thousands)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Rental income	\$ 3,475	2,878
Tenant reimbursements	39	29
Total operating revenues	<u>3,514</u>	<u>2,907</u>
Operating expenses:		
Building management and operating expenses	804	533
Depreciation and amortization	810	681
Legal and administrative fees	34	32
Insurance	48	57
Total operating expenses	<u>1,696</u>	<u>1,303</u>
Operating income	<u>1,818</u>	<u>1,604</u>
Nonoperating revenues (expenses):		
Investment income	31	83
Interest expense	(1,635)	(1,426)
Donation revenue	159	140
Other	5	3
Net nonoperating expenses	<u>(1,440)</u>	<u>(1,200)</u>
Transfer of building to University of South Alabama	<u>(423)</u>	<u>—</u>
Change in net assets	<u>(45)</u>	<u>404</u>
Net assets:		
Beginning of year	<u>1,492</u>	<u>1,088</u>
End of year	<u>\$ 1,447</u>	<u>1,492</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, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 63,151	57,061
Receipts from and on behalf of patients and third-party payers	201,850	206,743
Receipts from grants and contracts	74,695	79,517
Receipts related to auxiliary enterprises	16,832	16,823
Payments to suppliers and vendors	(142,998)	(141,907)
Payments to employees and related benefits	(378,752)	(366,379)
Payments for scholarships and fellowships	(5,615)	(5,451)
Other operating receipts	34,084	31,856
Net cash used in operating activities	<u>(136,753)</u>	<u>(121,737)</u>
Cash flows from noncapital financing activities:		
State appropriations	108,451	139,737
Endowment gifts	5,099	9,361
Agency funds received	515	625
Agency funds disbursed	(687)	(280)
Stafford and PLUS loans received	83,809	76,739
Stafford and PLUS loans disbursed	(83,768)	(76,857)
New loans issued to students	(26)	(113)
Student loan repayments	300	299
Other nonoperating revenues	23,852	26,476
Other nonoperating expenses	(2,133)	(5,173)
Net cash provided by noncapital financing activities	<u>135,412</u>	<u>170,814</u>
Cash flows from capital and related financing activities:		
Capital contributions and grants	5,062	19,268
Purchases of capital assets	(72,108)	(89,417)
Proceeds from sale of capital assets	105	68
Proceeds from issuance of capital debt	—	120,085
Principal payments on capital debt	(4,877)	(5,281)
Interest payments on capital debt	(12,131)	(7,860)
Net cash (used in) provided by capital and related financing activities	<u>(83,949)</u>	<u>36,863</u>
Cash flows from investing activities:		
Interest and dividends on investments	6,455	11,590
Purchases of investments	(86,749)	(392,507)
Proceeds from sales of investments	170,689	368,100
Net cash provided by (used in) investing activities	<u>90,395</u>	<u>(12,817)</u>
Net increase in cash and cash equivalents	5,105	73,123
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	130,807	57,684
End of year	<u>\$ 135,912</u>	<u>130,807</u>

(Continued)

**UNIVERSITY OF SOUTH ALABAMA**  
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Statements of Cash Flows

Years ended September 30, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (152,937)	(152,765)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	25,183	20,168
Changes in assets and liabilities, net:		
Student receivables	(1,186)	(598)
Net patient accounts receivable	(4,911)	3,628
Grants and contracts receivables	(3,542)	1,742
Other receivables	1,512	8,345
Prepaid expenses, inventories, and other	(2,351)	1,035
Accounts payable and accrued liabilities	(1,703)	(8,445)
Deferred revenue	3,182	5,153
Net cash used in operating activities	<u>\$ (136,753)</u>	<u>(121,737)</u>
Noncash investing, noncapital financing, and capital and related financing transactions:		
Increase (decrease) in fair value of investments recognized as a component of investment income	\$ 4,716	(13,771)
Additional maturity on capital appreciation bonds payable recorded as interest expense	1,998	1,813
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital assets	9,786	—
Gifts of capital and other assets	613	60
Pledges of operating and capital gifts	559	412
Capitalization of construction period interest	2,483	1,537
Increase (decrease) in accounts payable related to capital assets	179	(2,226)

See accompanying notes to basic financial statements.



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Notes to Basic Financial Statements

September 30, 2009 and 2008

**(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, 2009 and 2008, 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.

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 14 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 GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities which are

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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, 2009 and 2008 were \$4,772,000 and \$9,627,000, 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, 2009 and 2008 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 \$43,535,000 and \$40,745,000 for the years ended September 30, 2009 and 2008, 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, 2009 and 2008 are discretely presented following the statements of net assets and statements of revenues, expenses, and changes in net assets of the University.

**(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

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opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB. The statements of net assets and statements of revenues, expenses and changes in net assets for the Corporation are discretely presented following the statements of net assets and statements of revenues, expenses and changes in net assets of the University.

**(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, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months and include repurchase agreements and money market accounts.

**(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 partnerships 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 recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income (loss).

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The liquidity crisis that originally was linked principally to the sub-prime lending markets has spread to other corners of the credit markets in the U.S. and internationally. It is not possible at this time to predict the full impact or duration of the existing illiquid credit market conditions. The unstable market conditions and the resulting uncertainties contribute to additional risks associated with certain significant investment valuation estimates. Management continues to monitor the composition of its portfolio to assess the potential impact of these market conditions on the valuation of its investments.

**(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 estimated 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.

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The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2009 and 2008, no impairments were recorded.

**(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 11) are deferred and recognized as revenue over the term of the lease using the straight-line method.

The time value component of the payment to the University resulting from the sale of two swaptions by the University with respect to the outstanding Series 2004 and 2006 bonds is deferred and recognized as investment income over the term of the swaption (see note 5).

**(n) Classification of Net Assets**

The University's net assets are classified as follows:

*Invested in capital assets, net of related debt* reflect 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.

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**(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 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 Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 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

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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 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 2008 basic financial statements have been reclassified in order to conform to the 2009 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.

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**(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, 2009, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$6,589,000,000. The University had cash and cash equivalents totaling \$135,912,000 and \$130,807,000 at September 30, 2009 and 2008, 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 UPMIFA as well as any requirements placed on them by contract or donor agreements.

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

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Investments of the University, by type, at fair value, are as follows at September 30, 2009 and 2008 (in thousands).

	<u>2009</u>	<u>2008</u>
U.S. Treasury notes	\$ 9,177	14,977
U.S. federal agency notes	119,836	188,810
Commercial paper	—	14,231
Pooled equity mutual funds	53,461	44,229
Pooled debt mutual funds	16,748	15,328
Managed income alternative investments (limited partnerships, private equity securities, and other)	9,979	12,858
State agency obligations	468	—
Other	4,641	2,508
	<u>\$ 214,310</u>	<u>292,941</u>

At September 30, 2009 and 2008, \$3,501,000 and \$3,849,000, 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, 2009 is as follows:

	<u>Credit rating</u>	<u>Percentage of total investments</u>
Federal Home Loan Mortgage Corporation	AAA	10.9%
Federal Home Loan Bank Corporation	AAA	9.4
Federal National Mortgage Association	AAA	13.5
Common Fund Bond Fund	AA	4.8
Federal Farm Credit Banks Funding Corporation	AAA	0.4
Government National Mortgage Association	AAA	—
Various State Housing Authorities	AAA	0.1

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The University's exposure to credit risk and concentration of credit risk at September 30, 2008 is as follows:

	<u>Credit rating</u>	<u>Percentage of total investments</u>
Federal Home Loan Mortgage Corporation	AAA	27.3%
Federal Home Loan Bank Corporation	AAA	15.0
G. E. Capital Corporation	Aaa	3.4
Federal National Mortgage Association	AAA	1.5
Common – Bond Fund	AA	3.6
Federal Farm Credit Banks Funding Corporation	AAA	1.0
Government National Mortgage Association	AAA	0.1

**Interest Rate Risk**

At September 30, 2009, the maturity dates of the University's debt investments were as follows (in thousands):

		<u>Years to maturity</u>			
	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury notes	\$ 9,177	1,786	7,391	—	—
U.S. federal agency notes	119,836	95,847	23,468	—	521
State agency obligations	468	—	—	—	468
Pooled debt mutual funds	16,748	—	16,748	—	—
	<u>\$ 146,229</u>	<u>97,633</u>	<u>47,607</u>	<u>—</u>	<u>989</u>

At September 30, 2008, the maturity dates of the University's debt investments were as follows (in thousands):

		<u>Years to maturity</u>			
	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury notes	\$ 14,977	4,810	10,167	—	—
U.S. federal agency notes	188,810	169,011	18,012	324	1,463
Commercial paper	14,231	14,231	—	—	—
Pooled debt mutual funds	15,328	—	15,328	—	—
	<u>\$ 233,346</u>	<u>188,052</u>	<u>43,507</u>	<u>324</u>	<u>1,463</u>

Because the debt mutual funds had a weighted average maturity of 3.9 and 4.8 years, the investments were presented in the 1-5 year category at September 30, 2009 and 2008.

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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, 2009 or 2008.

At September 30, 2009, restricted investments consist of \$24,967,000 related to unspent bond proceeds, \$18,934,000 related to swaption collateral obligations and \$51,605,000 related to investments included in the PLTF and GLTF to pay insurance liability claims. At September 30, 2008, restricted investments consist of \$50,079,000 related to unspent bond proceeds and \$53,810,000 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 \$83,884,000 and \$120,133,000, at June 30, 2009 and 2008, respectively.

Investment loss was comprised of the following for the years ended June 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Unrealized losses	\$ (32,468)	(19,142)
Realized (losses) gains	(2,602)	1,367
Timber sales	5,135	3,813
Interest and dividends	2,051	3,256
Rents	589	520
Royalties	199	273
	<u>\$ (27,096)</u>	<u>(9,913)</u>

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Investment related expenses in the amount of \$214,000 and \$350,000, respectively, are included in the USA Foundation's management and general expenses in the accompanying 2009 and 2008 consolidated statements of activities and changes in net assets.

Real estate at June 30, 2009 and 2008 consisted of the following property held (in thousands):

	<u>2009</u>	<u>2008</u>
Land and land improvements – held for investment	\$ 7,443	8,658
Building and building improvements – held for investment, net of depreciation	<u>1,130</u>	<u>1,134</u>
	<u>\$ 8,573</u>	<u>9,792</u>

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.

In the fiscal year ended 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 \$9,367,000. The Foundation recognized a gain on the sale of real estate in the amount of \$396,000.

Investments at June 30, 2009 and 2008, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation of the trustee responsible for the management of the company and the timber valuation.

The Foundation adopted FASB Statement No. 157, *Fair Value Measurements*, for the fiscal year beginning July 1, 2008. FASB Statement No. 157 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

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The Foundation's investment assets are summarized based on the criteria of FASB Statement No. 157 as follows (in thousands):

<b>Fair value measurements at June 30, 2009</b>				
<b>Description</b>	<b>Observable values based on quoted prices</b>	<b>Other observable values</b>	<b>Unobservable values</b>	<b>Total</b>
Marketable equity securities	\$ 35,358	48,526	—	83,884
Timber and mineral properties	—	—	150,211	150,211
Real estate	—	—	8,573	8,573
Other investments	—	—	5,519	5,519
	<u>\$ 35,358</u>	<u>48,526</u>	<u>164,303</u>	<u>248,187</u>

For the year ended June 30, 2009, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

<b>Description</b>	<b>Timber and mineral properties</b>	<b>Real estate</b>	<b>Other investments</b>	<b>Total</b>
Beginning balance	\$ 154,462	9,792	5,500	169,754
Total gains or losses (realized/ unrealized)	809	(1,198)	19	(370)
Additions	190	6	—	196
Reforestation	314	—	—	314
Depreciation/depletion	(5,564)	(27)	—	(5,591)
Ending balance	<u>\$ 150,211</u>	<u>8,573</u>	<u>5,519</u>	<u>164,303</u>

**(5) Derivative Transactions**

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000, which was recorded as a liability, in exchange for selling the counterparty 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.

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***Terms***

A summary of the transactions is as follows:

<u>Issue</u>	<u>Date of issue</u>	<u>Option expiration date</u>	<u>Effective date of swap</u>	<u>Termination date</u>	<u>Payment amount</u>
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 counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,125,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of 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 the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University advantage, 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 counterparty chooses to not exercise its option, the swaption would be canceled and the University would have no further obligation under this agreement.

***Financial Statement Presentation***

A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a time value component and an intrinsic value component, and each component treated separately. The intrinsic value of the swaption represents the value resulting from the fact that the fixed rate stated in the swaption is greater than the at-the-market rate. The time value of the swaption is the difference between the up front payment and the swaption's intrinsic value and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The time and intrinsic values at the date of execution of this transaction are as follows:

	<u>2004 Bonds</u>	<u>2006 Bonds</u>
Time value	\$ 520,000	1,741,000
Intrinsic value	1,468,000	5,599,000
	<u>\$ 1,988,000</u>	<u>7,340,000</u>

The time value of the payment to the University is considered an embedded derivative, is recorded as deferred investment income and is being amortized to investment income through the expiration date of the option. For the years ended September 30, 2009 and 2008, \$307,000 and \$237,000, respectively, was

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amortized and that amortization is included as investment income in the statement of revenues, expenses, and changes in net assets.

The intrinsic value of the payment to the University is considered a borrowing, and as such is included in long-term debt on the University's 2009 statement of net assets. Interest is being accreted on, and added to, the borrowing through the expiration date of the option. For the years ended September 30, 2009 and 2008, \$375,000 and \$269,000, respectively, was accreted and is included in interest expense in the statements of revenues, expenses, and changes in net assets.

***Fair Value***

At September 30, 2009 and 2008, the derivative transactions had a fair value of \$(17,986,000) and \$(12,290,000), respectively.

***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's fixed rate bonds. If the counterparty 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 counterparty exercises its right under the swaptions, 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.

*Basis risk.* If the counterparty 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 September 30, 2009 and 2008, the swap counterparty was rated Aa3 by Moody's investors Services and AA- 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. At September 30, 2009 and 2008, no events of termination have occurred.

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**(6) Capital Assets**

**(a) University of South Alabama**

A summary of the University's capital asset activity for the year ended September 30, 2009 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	\$ 29,287	25	—	—	29,312
Construction-in-progress	118,251	75,849	(134,149)	(12)	59,939
	<u>147,538</u>	<u>75,874</u>	<u>(134,149)</u>	<u>(12)</u>	<u>89,251</u>
Capital assets being depreciated:					
Land improvements	21,860	—	316	—	22,176
Buildings, fixed equipment, and infrastructure	311,101	1,920	132,742	(47)	445,716
Other equipment	116,146	4,188	1,091	(3,525)	117,900
Library materials	43,170	2,922	—	—	46,092
	<u>492,277</u>	<u>9,030</u>	<u>134,149</u>	<u>(3,572)</u>	<u>631,884</u>
Less accumulated depreciation for:					
Land improvements	(11,822)	(905)	—	—	(12,727)
Buildings, fixed equipment, and infrastructure	(167,522)	(11,072)	—	32	(178,562)
Other equipment	(74,927)	(10,849)	—	3,309	(82,467)
Library materials	(31,715)	(2,151)	—	—	(33,866)
	<u>(285,986)</u>	<u>(24,977)</u>	<u>—</u>	<u>3,341</u>	<u>(307,622)</u>
Capital assets being depreciated, net	<u>206,291</u>	<u>(15,947)</u>	<u>134,149</u>	<u>(231)</u>	<u>324,262</u>
Capital assets, net	<u>\$ 353,829</u>	<u>59,927</u>	<u>—</u>	<u>(243)</u>	<u>413,513</u>

At September 30, 2009, the University had commitments of approximately \$56,218,000 related to various construction projects.

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A summary of the University's capital asset activity for the year ended September 30, 2008 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	\$ 29,271	55	—	(39)	29,287
Construction-in-progress	64,828	65,291	(11,868)	—	118,251
	<u>94,099</u>	<u>65,346</u>	<u>(11,868)</u>	<u>(39)</u>	<u>147,538</u>
Capital assets being depreciated:					
Land improvements	21,888	—	(28)	—	21,860
Buildings, fixed equipment, and infrastructure	298,751	1,432	10,918	—	311,101
Other equipment	99,147	18,116	978	(2,095)	116,146
Library materials	40,519	2,651	—	—	43,170
	<u>460,305</u>	<u>22,199</u>	<u>11,868</u>	<u>(2,095)</u>	<u>492,277</u>
Less accumulated depreciation for:					
Land improvements	(10,747)	(1,075)	—	—	(11,822)
Buildings, fixed equipment, and infrastructure	(159,404)	(8,118)	—	—	(167,522)
Other equipment	(68,165)	(8,705)	—	1,943	(74,927)
Library materials	(29,198)	(2,517)	—	—	(31,715)
	<u>(267,514)</u>	<u>(20,415)</u>	<u>—</u>	<u>1,943</u>	<u>(285,986)</u>
Capital assets being depreciated, net	<u>192,791</u>	<u>1,784</u>	<u>11,868</u>	<u>(152)</u>	<u>206,291</u>
Capital assets, net	<u>\$ 286,890</u>	<u>67,130</u>	<u>—</u>	<u>(191)</u>	<u>353,829</u>

At September 30, 2008, the University had commitments of approximately \$68,372,000 related to various construction projects.

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

Changes in capital assets for the years ended September 30, 2009 and 2008 are as follows (in thousands):

		2009			
		Beginning balance	Additions	Transfers	Ending balance
Land improvements	\$	1,950	181	—	2,024
Buildings		24,102	2,061	—	25,847
Tenant improvements		—	603	—	603
Construction in progress		—	795	—	795
Other equipment		173	5	—	178
		<u>26,225</u>	<u>3,645</u>	<u>—</u>	<u>29,447</u>
Less accumulated depreciation for:					
Land improvements		(381)	(89)	—	(470)
Buildings		(1,783)	(629)	—	(2,412)
Tenant improvements		—	(46)	—	(46)
Other equipment		(9)	(18)	—	(27)
		<u>(2,173)</u>	<u>(782)</u>	<u>—</u>	<u>(2,955)</u>
Capital assets, net	\$	<u>24,052</u>	<u>2,863</u>	<u>—</u>	<u>26,492</u>
		2008			
		Beginning balance	Additions	Transfers	Ending balance
Land improvements	\$	1,828	122	—	1,950
Buildings		22,228	1,874	—	24,102
Other equipment		—	173	—	173
		<u>24,056</u>	<u>2,169</u>	<u>—</u>	<u>26,225</u>
Less accumulated depreciation for:					
Land improvements		(292)	(89)	—	(381)
Buildings		(1,217)	(566)	—	(1,783)
Other equipment		—	(9)	—	(9)
		<u>(1,509)</u>	<u>(664)</u>	<u>—</u>	<u>(2,173)</u>
Capital assets, net	\$	<u>22,547</u>	<u>1,505</u>	<u>—</u>	<u>24,052</u>

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**(7) Noncurrent Liabilities**

A summary of the University's noncurrent liability activity for the years ended September 30, 2009 and 2008 follows (in thousands):

2009						
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	\$ 316,234	1,998	(4,880)	313,352	5,881	307,471
Capital lease payable	92	—	(92)	—	—	—
Total long-term debt	316,326	1,998	(4,972)	313,352	5,881	307,471
Other long-term liabilities	65,470	17,599	(21,280)	61,789	11,541	50,248
Total noncurrent liabilities	\$ 381,796	19,597	(26,252)	375,141	17,422	357,719
2008						
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Note payable	\$ 1,456	—	(1,456)	—	—	—
Bonds payable	198,155	121,898	(3,819)	316,234	4,875	311,359
Capital lease payable	188	—	(96)	92	92	—
Total long-term debt	199,799	121,898	(5,371)	316,326	4,967	311,359
Other long-term liabilities	58,562	29,280	(22,372)	65,470	13,263	52,207
Total noncurrent liabilities	\$ 258,361	151,178	(27,743)	381,796	18,230	363,566

Other long-term liabilities primarily consist of self-insurance liabilities and liabilities related to compensated absences. Amounts due within one year are included in accounts payable and accrued liabilities.

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**(8) Bonds Payable**

Bonds payable consisted of the following at September 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
University Tuition Revenue Bonds, Series 1999 Current Interest, 3.70% to 4.35%, payable through November 2010	\$ 7,565	10,625
University Tuition Revenue Bonds, Series 1999 Capital Appreciation, 4.70% to 5.25%, payable November 2011 through November 2018	33,443	31,821
University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024	44,895	46,245
University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00%, payable through December 2036	100,000	100,000
University Facilities Revenue and Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038	112,510	112,885
Borrowing arising from swaption, Series 2004 Bonds	1,602	1,524
Borrowing arising from swaption, Series 2006 Bonds	6,110	5,813
	<u>306,125</u>	<u>308,913</u>
Plus unamortized premium	8,005	8,354
Less unamortized discount	(62)	(69)
Less unamortized debt extinguishment costs	(716)	(964)
	<u>\$ 313,352</u>	<u>316,234</u>

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds includes Children's and Women's Hospital revenues in an amount not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and 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. Series 2008 Bonds began maturing in August 2009 and are redeemable beginning in August 2018.

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 a counterparty. The proceeds from each sale, totaling \$9,328,000, consist of two components, a time value and an intrinsic value. The intrinsic value of the payment is considered a borrowing and is included in long-term debt. As a result of this transaction, the counterparty has the option to force the University to redeem its Series 2004 and 2006 bonds at their respective redemption dates. See note 5 for a complete description of this transaction.

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During the years ended September 30, 2009 and 2008, the maturity value of the Capital Appreciation Bonds increased \$1,622,000 and \$1,544,000, respectively, over the original principal amount of \$19,810,000, reflecting accretion of interest.

Approximately \$79,615,000 of proceeds from the issuance of the Series 2008 Bonds remained unspent at September 30, 2009 (\$54,648,000 is included in restricted cash and cash equivalents and \$24,967,000 is included in restricted investments in the 2009 statement of net assets) and are restricted for capital purposes as outlined in the indenture.

The University is subject to restrictive covenants related to its bonds payable. At September 30, 2009, management believes the University was in compliance with such financial covenants.

**Debt Service on Long-Term Obligations**

Total debt service by fiscal year is as follows as of September 30, 2009 (in thousands):

<b>Debt service on bonds</b>				
	<b>Principal</b>	<b>Interest</b>	<b>Additional maturity</b>	<b>Total</b>
2010	\$ 5,715	12,700	(2,100)	16,315
2011	5,410	12,464	(2,207)	15,667
2012	6,995	12,324	(2,144)	17,175
2013	7,295	12,219	(2,039)	17,475
2014	7,599	12,213	(1,830)	17,982
2015 – 2019	50,014	60,084	(4,441)	105,657
2020 – 2024	57,658	52,401	—	110,059
2025 – 2029	53,933	38,888	—	92,821
2030 – 2034	68,939	23,879	—	92,818
2035 – 2038	57,328	5,795	—	63,123
Subtotal	320,886	242,967	(14,761)	549,092
Plus (less):				
Additional maturity	(14,761)			
Unamortized bond premium	8,005			
Unamortized bond discount	(62)			
Unamortized debt extinguishment cost	(716)			
Total	\$ 313,352			

The principal amount of debt service due on bonds at September 30, 2009 includes \$11,847,000 representing additional maturity value on Series 1999 Capital Appreciation Bonds. These bonds mature in years 2011 through 2019. Also included in the principal amount of debt service due on bonds at September 30, 2009, is \$2,914,000 representing additional maturity value of the borrowing

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resulting from the Series 2004 and Series 2006 swaption. As described in note 5, additional maturity will continue to accrue until the swaption option period in 2014 and 2016. Although this additional maturity is presented as principal on the debt service schedule above, it is also recognized as interest expense on an annual basis in the University's financial statements as it accretes.

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

**Notes Payable**

Notes payable consisted of the following at September 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Whitney National Bank commercial mortgage note, 6.0%, payable through 2014	\$ 8,803	9,178
Wachovia Bank, N.A. promissory note, one-month LIBOR plus 0.85% (4.989% at September 30, 2009), payable through 2028	17,369	17,853
Hancock Bank of Alabama construction loan, convertible into a promissory note on January 1, 2010, 6.5%, payable through 2030	15	—
	<u>\$ 26,187</u>	<u>27,031</u>

The note payable to Whitney National Bank is secured by all funds of the Corporation on deposit with Whitney National Bank, an interest in the ground lease with respect to the parcel of land on which Building I stands, an interest in Building I, an interest in the tenant lease for Building I, and an interest in income received from rental of Building I. The note has a 10-year term and amortization is based on a 20-year term.

The note payable to Wachovia was incurred by the Corporation to acquire Buildings II and III in the USA Technology & Research Park and to provide funds for renovations and tenant finishing costs. First structured as a construction loan, it was an interest-only loan until May 1, 2008. At that time the loan was converted to a fully amortizing promissory note with a 20-year term. The Corporation has entered into two derivative instruments in connection with the borrowing, an interest rate cap of 6.1% on the construction loan and a "receive variable, pay fixed" type of interest rate swap on the promissory note, which will yield a synthetic fixed interest rate of 6.1%. The construction loan was and the promissory note payable is secured by an interest in the ground lease with respect to the parcels of land on which Buildings II and III stand, an interest in Buildings II and III, an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The University also entered into an agreement with Wachovia providing that, for a year in which the Corporation's debt service coverage ratio is less than one to one, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to one to one.

The note payable to Hancock Bank of Alabama was incurred by the Corporation to finance construction of the shell of a building that will be leased to a company that provides dialysis services. The maximum amount that might be borrowed under the construction loan is \$1,250,000.

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The construction loan is an interest-only loan until January 1, 2010, at which time the loan will be converted to a fully amortizing promissory note with a 20-year term and bearing a 6.5% interest rate. The construction loan is and the promissory note payable will be secured by an interest in the ground lease with respect to the parcel of land on which the dialysis building stands, an interest in the dialysis building, an interest in the tenant lease for the dialysis building, and an interest in income received from rental of the dialysis building. The University also entered into an agreement with Hancock Bank of Alabama providing that, for a year in which the Corporation's debt service coverage ratio is less than one to one, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to one to one.

At September 30, 2009, the Corporation's management believes the Corporation was in compliance with all debt covenants.

***Debt Service on Long-Term Obligations***

At September 30, 2009, total debt service by fiscal year is as follows (in thousands):

<b>Debt service on note and loan</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 909	1,574	2,483
2011	970	1,513	2,483
2012	1,030	1,453	2,483
2013	1,096	1,387	2,483
2014	7,717	1,046	8,763
2015 – 2019	3,963	3,843	7,806
2020 – 2024	5,372	2,435	7,807
2025 – 2029	5,130	607	5,737
Total	\$ 26,187	13,858	40,045

***Derivative Transactions***

On February 27, 2007, the Corporation entered into two derivative transactions with Wachovia, the counterparty. The first transaction was an interest rate cap entered into in connection with the construction loan. The second transaction is a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note that came into effect upon conversion of the construction loan into a permanent loan on May 1, 2008. On December 31, 2008, Wells Fargo & Company completed its merger with Wachovia Corporation (the holding company parent of Wachovia Bank, N.A.). As of September 30, 2009, Wachovia Bank, N.A. and other banking subsidiaries of the combined corporation remained as separate legal entities.

***Objectives of the derivative transactions.*** The Corporation utilized the interest rate cap to limit its variable rate exposure on the construction loan and utilizes the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate.

***Terms.*** The construction loan and the associated interest rate cap were entered into on July 17, 2007 and February 27, 2007, respectively. The interest rate cap terminated on May 1, 2008 when the loan

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was converted into a promissory note. The interest rate cap's notional amount was equal to the construction loan balance and was limited to a maximum of \$18,000,000. The construction loan bore variable rate interest equal to the one-month London Interbank Offered Rate (LIBOR) plus 0.85%. When the variable rate exceeded 6.10%, the cap operated to cause the counterparty to pay the Corporation the difference between the variable rate and 6.10%. For the year ended September 30, 2008, the Corporation received \$6,345 under the interest rate cap agreement, which is reflected as a reduction of interest expense.

The promissory note came into effect on May 1, 2008 upon conversion of the construction loan. Also, on May 1, 2008, the interest rate swap associated with the loan became effective. The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty a fixed payment of 6.10% and receives a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the loan bears interest at the one-month LIBOR rate plus 0.85%. The Corporation paid \$755,523 and \$206,104 under the interest rate swap agreement for the years ended September 30, 2009 and 2008, respectively, which is reflected as an increase in interest expense.

*Fair value.* The interest rate swap had a fair value of \$(2,916,000) and \$(1,315,000) at September 30, 2009 and 2008, respectively.

*Credit risk.* As of September 30, 2009 and 2008, the Corporation was not exposed to credit risk on the interest rate swap because it had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated AA by Standard & Poor's Ratings Services as of September 30, 2009 and 2008.

*Termination risk.* The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. At September 30, 2009 and 2008, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a net negative fair value, the Corporation would be liable to the counterparty for a payment equal to the interest rate swap's fair value. To allow the Corporation the maximum flexibility to manage the utilization of Buildings II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases, and a security interest in income received from rental of Building II.

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*Derivative payments and hedged debt.* As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2009, debt service requirements by fiscal year of the variable rate debt and net derivative payments, assuming current interest rates remain the same in the future, are as follows (in thousands):

	<b>Variable rate loan</b>		<b>Interest rate</b>	
	<b>Principal</b>	<b>Interest</b>	<b>swap, net</b>	<b>Total</b>
2010	\$ 512	193	855	1,560
2011	548	184	828	1,560
2012	582	178	800	1,560
2013	619	171	770	1,560
2014	657	165	738	1,560
2015 – 2019	3,960	699	3,141	7,800
2020 – 2024	5,368	442	1,990	7,800
2025 – 2029	5,123	110	496	5,729
Total	\$ 17,369	2,142	9,618	29,129

**(9) Capital Lease Obligation**

In September 2006, the University signed a three-year purchase agreement as a method of financing the purchase of certain computer equipment for the USA Hospitals. All required payments pertaining to this agreement were paid in 2009 and there was no balance outstanding at September 30, 2009,

**(10) 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 and settled through 2006. A re-opening has been requested for USA Medical Center cost reports for the 2004 and 2005 fiscal years. The cost report for USA Children's and Women's Hospital has been audited through 2008 and settled through 2007. The cost report for USA Knollwood Hospital has been audited through March 2006 and settled through September 2004. Revenue from the Medicare program accounted for approximately 15% of the Hospitals' net patient service revenue for both years ended September 30, 2009 and 2008.

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**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 2008. Revenue from the Blue Cross program accounted for approximately 23% and 20% of the Hospitals' net patient service revenue for the years ended September 30, 2009 and 2008, respectively.

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

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.

Revenue from the Medicaid program accounted for approximately 37% and 30% of the Hospitals' net patient service revenue for the years ended September 30, 2009 and 2008, respectively.

**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.

The composition of net patient service revenue for the years ended September 30, 2009 and 2008 follows (in thousands):

	<u>2009</u>	<u>2008</u>
Gross patient service revenue	\$ 416,428	399,945
Less provision for contractual and other adjustments	133,795	125,674
Less provision for bad debts	<u>76,101</u>	<u>72,668</u>
	<u>\$ 206,532</u>	<u>201,603</u>

Changes in estimates related to prior cost reporting periods resulted in an increase of approximately \$123,000 and \$2,082,000 in net patient service revenue for the years ended September 30, 2009 and 2008, respectively.

**(11) Hospital Lease**

In fiscal 2006, the University and Infirmary Health System, Inc. (the Infirmary) entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operation of its USA Knollwood Hospital campus to the Infirmary. The lease is effective through March 2056 with an automatic renewal, for an additional forty-nine years, through March 2105; and may be canceled by the Infirmary after the initial fifty-year term. Upon the expiration or

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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 Infirmary, 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 Infirmary, 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 Infirmary to be significant, as defined by the lease. University management does not anticipate that this option will be exercised by the Infirmary.

In January 2009, the Infirmary and the University entered into a "First Amendment to Lease Agreement" (the Amendment). The Amendment deferred the original payment terms of the lease for two years such that during the period from January 2009 to December 2010, annual lease payments are reduced to \$1 annually. Beginning in January 2011, the original payment schedule resumes. The payment schedule and narrative presented below reflects these revised terms.

The total amount of lease payments due the University was based on the fair market value of the appraised assets, \$32,418,000. The allocation of the appraised fair market value was \$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 Infirmary. In addition to the prepayment, required lease payments by the Infirmary to the University are as follows (payable monthly):

- Months one through thirty-three of the initial lease term – \$1,000,000 annually (\$83,333 monthly)
- Months thirty-four through fifty-seven of the initial lease term – \$1 annually
- Months fifty-eight through eighty-four of the initial lease term – \$1,000,000 annually (\$83,333 monthly)
- Years eight through twelve of the initial lease term – \$1,250,000 annually
- Years thirteen through seventeen of the initial lease term – \$1,500,000 annually
- Years eighteen through thirty-two of the initial lease term – The monthly payment will be the remaining unpaid balance of the lease payments amortized over years sixteen through thirty using an interest rate calculated from the immediately previous 15-year monthly average of the 20-year state and local tax exempt general obligation bond issues as determined by the United States Federal Reserve System. The remaining unpaid balance at the end of year fifteen, \$17,401,000, is derived by taking the initial unpaid balance of rent due after the partial lease prepayment, \$25,000,000 plus accrued interest at an annual rate of 3.75%, less monthly lease payments.
- Years thirty-three through fifty of the initial lease term – \$1 annually
- Year fifty-one through ninety-nine of the extended lease term – \$1 annually

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.

In order to properly report this transaction, the University has bifurcated the lease into an equipment component and a real property component, as required by FASB Statement No. 13, 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.

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The equipment component of the lease is considered a capital lease (sales-type lease) and as such the current portion of the receivable has been recorded as a capital lease receivable in other current assets and the noncurrent portion has been recorded in other noncurrent assets in the accompanying basic financial statements of the University. The capital equipment lease is being amortized through fiscal 2011 at a fixed rate of 3.75%. Future receipts from this capital lease are expected as follows:

Year ending September 30:	
2010	\$ —
2011	416,000
2012	555,000
2013	277,000
	<hr/>
	1,248,000
Less amounts representing interest	<hr/> (108,000) <hr/>
Total capital lease receivable	\$ <hr/> 1,140,000 <hr/>

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 twenty-eight years are approximately \$43,788,000. These total receipts will be recognized as revenue in the amount of approximately \$485,000 annually. Payments received in excess of this amount, along with cash and other consideration already received in the amount of \$6,327,000, will be deferred and amortized over the ninety-nine year lease term.

**(12) Employee Benefits**

**(a) 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.

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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. During 2009, 2008 and 2007, the University made total contributions of \$32,465,000, \$30,252,000, and \$22,023,000 (100% of the required contributions), respectively, to TRS on behalf of participants, which represents 12.07%, 11.06%, and 9.36%, respectively, of each participant's gross earnings. The University's payroll for all employees was approximately \$295,647,000 and \$288,477,000 in 2009 and 2008, respectively. Total payroll for University employees participating in the Teachers' Retirement System of Alabama was approximately \$268,969,000 and \$257,466,000 in 2009 and 2008, respectively.

The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. Under this plan, administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University and the employees each contributed \$982,000 and \$951,000 in 2009 and 2008, respectively, representing 519 and 457 employees participating in this Plan.

**(b) *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. The accompanying statements of net assets include accruals for vacation pay of approximately \$16,398,000 and \$16,197,000 at September 30, 2009 and 2008, respectively. The current portion of the accrual is included in accounts payable and accrued liabilities and the noncurrent portion is included in other long-term liabilities in the accompanying basic financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

**(c) *Other Postretirement Employee Benefits***

As the provider of postretirement benefits to state retirees, the state is responsible for implementing GASB Statement No. 45, *Accounting for Postemployment Benefits Other Than Pensions*. In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University was assessed a monthly premium by the Public Education Employees' Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium. During the years ended September 30, 2009 and 2008, the University's expense related to PEEHIP was \$5,482,000 and \$4,842,000, respectively.

**(13) 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

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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.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, as defined by GASB Statement No. 14, and as such are included in the basic financial statements of the University for the years ended September 30, 2009 and 2008. 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. Administrative fees paid by the University for such services were approximately \$1,573,000 and \$1,521,000 in 2009 and 2008, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2009 and 2008 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 37,283	33,956
Liabilities incurred and other additions	35,013	43,382
Claims, administrative fees paid and other reductions	<u>(37,541)</u>	<u>(40,055)</u>
Balance, end of year	<u>\$ 34,755</u>	<u>37,283</u>

Self-insurance liabilities due within one year are included in accounts payable and accrued liabilities. The noncurrent portion is included in other long-term liabilities in the accompanying basic financial statements.

**(14) Other Related Party**

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2009 and 2008, SAMSF had total assets of \$9,317,000 and \$9,354,000, net assets of \$6,801,000 and \$5,980,000, and total revenues of \$4,717,000 and \$14,816,000, respectively. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$1,538,000 and \$1,556,000 in 2009 and 2008, respectively, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net assets.

**(15) Commitments and Contingencies**

**(a) Grants and Contracts**

At September 30, 2009 and 2008, the University had been awarded approximately \$61,699,000 and \$52,337,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which

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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.

**(b) 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, 2009 and 2008.

**(c) Litigation**

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

**(d) Rent Supplement Agreements**

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 8(b)). As of September 30, 2009 and 2008, no amounts were payable pursuant to these agreements.

**(e) State Bond Issues**

The State of Alabama has made allocations to the University from bond issues in prior years. Pursuant to these allocations, at September 30, 2009, approximately \$11,161,000 is unspent and remains available to the University for certain future construction costs. The allocations have not been reflected in the accompanying financial statements.

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**(f) USA Research and Technology Corporations Leases**

The Corporation leases space in Building I to a single tenant under an operating lease. The lease has a 10-year initial term with two 5-year renewal options. Under the lease, the tenant must also pay, or reimburse to the Corporation for expenses paid by the Corporation, property taxes on the building, common area maintenance, utilities, and general liability and property damage insurance. In 2009, the lease calls for a one-time increase in monthly rent of 4%. Beginning on November 1, 2008, after providing a one-year advance notice, the tenant has the annual noncumulative option to terminate up to 10% of the square footage covered under the lease. Such advance notice was not received by November 1, 2008 or 2009.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. Space under lease to the University was 48,556 and 51,662 square feet at September 30, 2009 and 2008, respectively. Under these leases, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, property taxes, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (the Corporation's fiscal year beginning after the date the lease is signed). The leases have terms varying from one to ten years.

The Corporation had four and three ground leases in place at September 30, 2009 and 2008, respectively. One lease is for a 40-year initial term with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term with four 5-year renewal options. The first and second leases were in effect for the whole of each of the years ended September 30, 2009 and 2008. The third lease was entered into on March 14, 2008 and has a 38.5-year initial term with 20-year and 15-year renewal options. The fourth lease was entered into on June 26, 2009 and has a 29-year initial term with two 10-year renewal options.

Minimum future rentals by fiscal year are as follows:

2010	\$	3,416,569
2011		3,211,788
2012		2,771,511
2013		2,197,768
2014		951,695
2015 – 2046		<u>7,689,999</u>
Total	\$	<u><u>20,239,330</u></u>

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**(16) Functional Information**

Operating expenses by functional classification for the years ended September 30, 2009 and 2008 are listed below (in thousands). In preparing the basic financial statements, all significant transactions and balances among accounts have been eliminated.

	<u>2009</u>	<u>2008</u>
Instruction	\$ 113,323	115,044
Research	21,548	21,275
Public service	41,647	39,202
Academic support	15,816	13,557
Student services	24,619	23,249
Institutional support	31,769	29,992
Operation and maintenance of plant	25,161	24,934
Scholarships	458	1,425
Hospital	233,306	229,162
Auxiliary enterprises	15,742	16,088
Depreciation and amortization	25,183	20,168
	<u>\$ 548,572</u>	<u>534,096</u>

**(17) 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 were effective for the year ended September 30, 2009. In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 addressed accounting and reporting standards for real estate held by endowments. The adoption of these Statements did not have a material impact on the University's basic financial statements.

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 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. In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. GASB State No. 54 revised classification requirements related to fund balance reporting and will be effective for the year ending September 30, 2011.

The effect of the implementation of GASB Statements Nos. 51 and 53 on the University has not been determined. GASB Statement No. 54 is not applicable to the University.

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Schedule of Expenditures of Federal Awards  
Year ended September 30, 2009

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
<b>Student Financial Aid Cluster*:</b>						
U.S. Department of Education:				\$ 12,399,617	—	12,399,617
Federal Pell Grant Program	84.063			496,987	—	496,987
Federal Supplemental Educational Opportunity Grant Program	84.007			76,321,276	—	76,321,276
Federal Family Educational Loan Program	84.032			270,172	—	270,172
Federal Work Study Program	84.033			109,838	—	109,838
Academic Competitiveness Grant	84.375			—	—	—
National Science and Mathematics Access to Retain Talent Grant	84.376			229,706	—	229,706
Teacher Education Assistance for College and Higher Education	84.379			2,000	—	2,000
Total Student Financial Aid Cluster				89,829,596	—	89,829,596
<b>Research and Development Cluster*:</b>						
U.S. Department of Commerce:						
Sea Grant Support	11.417	USM-GRO2639/	University of Southern Mississippi	—	7,238	7,238
Undersea Research	11.430	08-04-068	University of Mississippi	—	9,365	9,365
Marine Fisheries Initiative	11.433			94,579	—	94,579
Unaffiliated Management Projects	11.454	80182	Alabama Department of Conservation and Natural Resources	—	239,061	239,061
	11.454	2254KP-A-ADCNR	Dauphin Island Sea Lab (MESC)	—	82,435	82,435
Total CFDA				—	321,496	321,496
Habitat Conservation	11.463			804,795	—	804,795
Applied Meteorological Research	11.468			461,835	—	461,835
Congressionally Identified Award and Projects	11.469			—	22,646	22,646
Total U.S. Department of Commerce				1,361,209	360,745	1,721,954
U.S. Department of Defense:						
Military Medical Research and Development	12.420			142,806	—	142,806
Research and Technology Development	15.810			10,983	—	10,983
Total U.S. Department of Defense				153,789	—	153,789
U.S. Department of Housing and Urban Development:						
Community Development Block Grants	14.228	CDBG/HUD	Washington County Commission	—	9,490	9,490
U.S. Department of Interior:						
Cooperative Endangered Species Conservation Fund	15.615	80240	Alabama Division of Wildlife and Fisheries	—	18,674	18,674
National Cooperative Geologic Mapping Program	15.810			3,754	—	3,754
Historic Preservation Fund Grants-In-Aid	15.904	AL-06-003	Alabama Historical Commission	—	(476)	(476)
Total U.S. Department of Interior				3,754	18,198	21,952
U.S. Department of Justice:						
Developing, Testing and Demonstrating Promising New Programs	16.541			295,057	—	295,057
U.S. Department of Transportation:						
Highway Planning and Construction	20.205			262,704	—	262,704
Pipeline Safety Program Base Grants	20.700			—	11,050	11,050
University Transportation Centers Program	20.701	8/10/2007	Prince William Sound Science Center	143,187	—	143,187
Total U.S. Department of Transportation				405,891	11,050	416,941
National Aeronautics and Space Administration:						
Technology Transfer	43.002	SUB2005-152-A5	University of Alabama in Huntsville	338,557	—	338,557
Total CFDA	43.002			338,557	18,624	357,181

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## Year ended September 30, 2009

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Schedule of Expenditures of Federal Awards  
Year ended September 30, 2009

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
Arthritis Musculoskeletal and Skin Diseases Research	93.846			\$ 17,824	—	17,824
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			198,693	—	198,693
Extramural Research Programs in Neurosciences and Neurological Disorders	93.853	70190	Columbia University	10,349	—	10,349
	93.853	UOI NS0404060	University of Miami	1,570	—	1,570
	93.853	116447/115709-02	University of Texas	(3,801)	—	(3,801)
	93.853	AO5648	Yale University	63,083	—	63,083
	93.853	SWISS	Mayo Foundation for Medical Research	149,960	—	149,960
	93.853			(285)	—	(285)
Total CFDA				10,349	210,527	220,876
Biomedical Research and Research Training	93.859			355,417	—	355,417
Allergy Immunology and Transplantation Research	93.855			591,263	—	591,263
Microbiology and Infectious Diseases Research	93.856			995,540	—	995,540
		09-002/09-111	University of Texas Medical Branch	130,769	—	130,769
				995,540	—	995,540
Total CFDA				11,076,244	512,986	11,589,230
Total U.S. Department of Health and Human Services				15,788,794	1,126,189	16,914,983
Total Research and Development Cluster						
Other federal assistance:						
U.S. Department of Commerce:						
Coastal Zone Management Estuarine Research	11.420			19,408	—	19,408
Congressionally Identified Projects*	11.617			1,744,956	—	1,744,956
				1,764,364	—	1,764,364
Total U.S. Department of Commerce				—	22,000	22,000
U.S. Department of Defense:						
Procurement Technical Assistance for Business Firms	12.002	DOD 07-70	University of Alabama Birmingham	—	—	—
U. S. Housing and Urban Development:						
Resident Opportunity and Supportive Services - Elderly and Persons with Disabilities	14.876	AL002REL041A007	Mobile Housing Board	—	17,350	17,350
U.S. Department of Transportation:						
Highway Planning and Construction	20.205			129,795	—	129,795
National Motor Carrier Safety	20.218			77,937	—	77,937
				207,732	—	207,732
Total U.S. Department of Transportation				(134)	—	(134)
National Aeronautics and Space Administration:						
Technology Transfer	43.002	SUB2005-152	University of Alabama in Huntsville	—	35,996	35,996
	43.002			(134)	—	(134)
				35,996	—	35,996
Total CFDA				5,267	—	5,267
National Endowment for the Humanities:						
Promotion of the Humanities Division and Preservation	45.149			64,511	—	64,511
National Science Foundation:						
Biological Sciences	47.074			86,259	—	86,259
Education and Human Resources	47.076	0602359-011-A1	University of Alabama at Birmingham	—	11,517	11,517
				86,259	—	86,259
				82,223	—	82,223
				92,482	—	92,482
Total CFDA				11,517	—	11,517
ARRA - NSF Recovery Act Research Support	47.082			—	—	—
Total National Science Foundation				238,078	—	238,078
U.S. Small Business Administration:						
Minority Business Development	59.006			—	115,116	115,116
Small Business Development Centers	59.037	SBA FY2007-2008	University of Alabama at Birmingham	238,078	—	238,078
				115,116	—	115,116
Total U.S. Small Business Administration				353,194	—	353,194

(Continued)

UNIVERSITY OF SOUTH ALABAMA  
(A Component Unit of the State of Alabama)  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2009

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
U.S. Department of Education:				\$		\$
TRIO Upward Bound	84.047			598,880	—	598,880
Nursing Faculty Loan Program	84.264			8,096	—	8,096
Special Education - State Personnel Development	84.323	U900524, U800176	Alabama Department of Education	9,989	9,989	9,989
Transition to Teaching	84.350			201,825	—	201,825
Reading First State Grants	84.357	370684-005503 -170030-1	Alabama Department of Education	—	224,319	224,319
Mathematics and Science Partnerships	84.366	U900135	Alabama Department of Education	—	197,527	197,527
Improving Teacher Quality State Grants	84.367	50406	Alabama Commission of Higher Education	—	165,776	165,776
College Access Challenge Grant Program	84.378	FY09-4018	Alabama Department of Education	—	10,184	10,184
Total U.S. Department of Education				808,801	607,795	1,416,596
National Archives and Records Administration:				—	2,497	2,497
National Historical Publications and Records Grants	89.003	09-090114	Alabama Department of Archives and History	—	2,497	2,497
U.S. Department of Health and Human Services:				—	9,714	9,714
Alzheimer's Disease Demonstration Grants to States	93.051	80273	South Alabama Regional Planning Commission	—	22,932	22,932
Public Health Emergency Preparedness	93.069	9041172	Alabama Department of Mental Health	—	—	—
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153			372,205	—	372,205
Advanced Education Nursing Grant Programs*	93.247			3,160,416	—	3,160,416
Centers for Disease Control and Prevention	93.283			3,239	—	3,239
President's Council on Physical Fitness and Sports	93.289			—	(18,187)	(18,187)
Minority Health and Health Disparities Research	93.307	C7019129	Alabama Department of Public Safety	14,993	—	14,993
Professional Nurse, Traineeships	93.358			331,855	—	331,855
Basic Nurse Education and Practice Grants	93.359			23,425	—	23,425
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G9-923638	Alabama Department of Mental Health	—	24,660	24,660
Foster Care, Title IV-E	93.658	80055	University of Alabama	—	(1,155)	(1,155)
Medical Library Assistance	93.879	CHECK #12461 070106-MOA	Medical Library Association University of Maryland Baltimore	—	90	90
Total CFDA				—	791	791
Grants for Residency Training for General Pediatrics	93.884			89,646	—	89,646
Health Care and Other Facilities*	93.887			2,600,223	—	2,600,223
National Biodefense Hospital Preparedness Program	93.889			—	1,012,720	1,012,720
HIV Care Formula Grants	93.917	C8017142	Alabama Department of Public Health	—	95,039	95,039
Block Grants for Community Mental Health Services	93.958	RW-USAF-0809	United Way of Central Alabama	—	56,786	56,786
Geriatric Education Centers	93.969	09-405 R00891	University of Alabama Florida State University	—	77,592	77,592
Total U.S. Department of Health and Human Services				6,598,002	1,280,892	7,878,894
Corporation for National and Community Service:				—	—	—
AmeriCorps	94.006			23,234	—	23,234
Total other federal assistance				9,802,337	2,093,163	11,895,500
Total federal expenditures				\$ 115,620,727	3,219,352	\$ 118,840,079

\* Denotes a major program.  
See accompanying notes to the schedule of expenditures of federal awards.  
See accompanying independent auditors' report on supplementary information.

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2009

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University of South Alabama (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures listed on the accompanying schedule of expenditures of federal awards, except for Federal Perkins Loans, Federal Family Educational Loan (FFEL) Programs, Parent Loans-PLUS Loans, Loans to Disadvantaged Students and Health Education Assistance Loans (HEAL), represent actual expenditures incurred under the accrual basis of accounting for the year ended September 30, 2009. Outstanding loans made by the University are included in notes receivable in the University's 2009 statement of net assets and consist of the following loan programs:

Federal Perkins Loan Program	\$ 4,190,969
Loans to Disadvantaged Students	1,435
Health Professional Loans	<u>59,968</u>
	4,252,372
Less outstanding balance of loans granted in previous years	<u>(4,252,372)</u>
Loans advanced to eligible students of the University during 2009	\$ <u><u>—</u></u>

The FFEL and HEAL federal awards represent loans received by students of the University during fiscal year 2009 which were not made by the University. Accordingly, FFEL and HEAL amounts are not reflected in the University's basic financial statements.

**(2) Contingencies**

These federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the University's continued participation in specific programs.

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2009

**(3) Federal Family Education Loan Programs**

During fiscal year ended September 30, 2009, the University advanced to students the following amount of new loans under the Federal Family Education Loan Program:

	<u>CFDA #</u>		<u>Amount expended</u>
Subsidized Stafford loans	84.032	\$	27,653,280
Unsubsidized Stafford loans	84.032		45,490,314
Parents' Loans for Undergraduate Students	84.032		<u>3,177,682</u>
Total		\$	<u><u>76,321,276</u></u>

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2009

**(4) Subrecipients**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the University provided federal awards to subrecipients under the following programs:

	<u>Federal CFDA #</u>	<u>Amounts expended</u>
Habitat Conservation	11.463	\$ 149,266
Applied Meteorological Research	11.468	15,047
Technology Transfer	43.002	97,969
Mathematical and Physical Sciences	47.049	94,279
Biological Sciences	47.074	39,379
Office of Research and Development Consolidated		
Research/Training/Fellowships	66.511	293,339
Research in Special Education	84.324	6,000
Transition to Teaching	84.350	42,301
U.S. Department of Education/Alabama		
Department of Education	84.366	223,030
U.S. Department of Education/Alabama		
Department of Higher Education	84.367	73,436
Help America Vote Act Requirements Payments	90.401	94,044
Environmental Health	93.113	52,619
Coordinated Services and Access to Research for Women,		
Infants, Children, and Youth	93.153	8,168
Minority Health and Health Disparities Research	93.307	334,047
Cancer Biology Research	93.396	16,751
Health Resources Services Administration/Alabama		
Department of Public Health	93.889	20,000
Biomedical Research and Research Training	93.859	9,476
Cardiovascular Diseases Research	93.837	35,893
U.S. Department of Health and Human Services/		
Alabama Department of Mental Health	93.630	833
Health Resources Services Administration/United Way of		
Central Alabama	93.917	1,400
		<u>\$ 1,607,277</u>

**(5) Matching**

Under the Federal Work Study Program and Federal Supplemental Education Opportunity Grant Program, the University matched \$65,117 and \$164,138, respectively, in funds awarded to students for the year ended September 30, 2009 in addition to the Federal share of expenditures included in the accompanying schedule of expenditures of federal awards.





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

The Board of Trustees  
University of South Alabama:

We have audited the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2009, and have issued our report thereon dated November 13, 2009. We did not audit the 2009 consolidated financial statements of the University of South Alabama Foundation, which represents 80%, 101%, and (50)%, respectively, of the assets, net assets and revenues, gains and other support 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the University of South Alabama 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*.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the University in a separate letter dated November 13, 2009.

This report is intended solely for the information and use of the board of trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 13, 2009



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**Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

The Board of Trustees  
University of South Alabama:

**Compliance**

We have audited the compliance of the University of South Alabama (the University) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended September 30, 2009, except the requirements discussed in the second paragraph of this report. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan program in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Affiliated Computer Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the University for the year ended September 30, 2009 was examined by accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants for the servicer's examination of ACS's compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.



In our opinion, the University complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to each of its major federal programs for the year ended September 30, 2009.

### **Internal Control Over Compliance**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan program in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by ACS. Internal control over compliance related to such functions for the year ended September 30, 2009 was reported on by accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of the University's internal control over compliance related to such functions.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 24, 2010

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

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

**I – Summary of Auditor’s Results**

***Financial Statements***

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified that are:  
not considered to be material weaknesses?

\_\_\_\_\_ yes   x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   x   no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified that are:  
not considered to be material weaknesses?

\_\_\_\_\_ yes   x   none reported

Type of auditors’ report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes   x   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program/Cluster</u>
84.063, 84.007, 84.032, 84.033, 84.375, 84.376, 84.379	Student Financial Aid Cluster
Various	Research and Development Cluster
93.247	U.S. Department of Health and Human Services / Advanced Education Nursing Grant Programs
93.887	U.S. Department of Health and Human Services / Health Care and Other Facilities
11.617	U.S. Department of Commerce / Congressionally-Identified Projects
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,269,321
Auditee qualified as low-risk auditee?	<u>  x  </u> yes _____ no

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2009

**Section II – Findings Related to Financial Statements Reported in  
Accordance with *Government Auditing Standards***

There were no findings related to the financial statements reported in accordance with *Government Auditing Standards* for the year ended September 30, 2009.

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2009

**Section III – Federal Award Findings and Questioned Costs relating to Federal Awards**

There were no findings or questioned costs relating to federal awards for the year ended September 30, 2009.



**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETIC DEPARTMENT**

Year ended September 30, 2009

(With Report of Independent Accountants on  
Applying Agreed-Upon Procedures Thereon)



**REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES  
TO THE RECORDS OF THE UNIVERSITY OF SOUTH ALABAMA  
INTERCOLLEGIATE ATHLETIC DEPARTMENT**

Year ended September 30, 2009

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**KPMG LLP**  
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## **Report of Independent Accountants on Applying Agreed-Upon Procedures**

Mr. V. Gordon Moulton, President  
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by management of the University of South Alabama (the University), solely to assist you in evaluating the accompanying Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department for the year ended September 30, 2009, and to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University's management is responsible for the Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

### **Statement of Revenues and Expenditures – Agreed-Upon Substantive Procedures**

- (a) We obtained the Statement of Revenues and Expenditures (Statement) for the University of South Alabama Intercollegiate Athletic Department (Athletic Department) for the year ended September 30, 2009, as prepared by management and shown in the Statement of Revenues and Expenditures (Exhibit A). We tested the mathematical accuracy of the Statement and the reconciliation prepared by the University of the amounts on the Statement to corresponding amounts in the University's general ledger without exception.
- (b) We compared actual Athletic Department expenditures per the University's general ledger with budgeted amounts and inquired of Athletic Department management as to variances greater than \$25,000 and 10% of budgeted amounts. Management provided explanations for all variances which exceeded the identified scope.
- (c) University management provided a summary of the University's internal control unique to the Athletic Department. We read the summary documents which include information regarding the general control environment and internal control procedures unique to intercollegiate athletics which assist in ensuring that recorded revenues are complete and expenditures are properly authorized. Based on our reading of the summary documents, we noted no issues in the design of the internal controls which would represent material weaknesses as defined by American Institute of Certified Public Accountants.



- (d) We performed the following procedures on operating revenues as presented in Exhibit A:
- (i.) Ticket sales — We agreed revenue for Men’s Football, Men’s Baseball, Men’s Basketball and Women’s Basketball per the general ledger to the Ticket Sales registers, noting that the general ledger and Ticket Sales registers agreed to within an insignificant difference of \$3,955. Additionally, we reviewed management’s comparison of current year ticket sales to prior year ticket sales and reviewed management’s explanations for current year changes. Ticket sales for the sports teams tested constitute 99% of total University ticket sales.
  - (ii.) Student fees — We gained an understanding of the process of allocating student fees to the University’s athletic program and to individual sports. In accordance with the allocation approved by University management, we noted that approximately 82% of student activity/athletic fees are allocated to the Athletic Department. Additionally, we recalculated the University’s allocation of student fees to individual sports based on management’s methodology.
  - (iii.) Guarantees — We obtained a detail of revenue guarantees paid to the University noting that revenue guarantees related principally to Men’s Basketball, Men’s Baseball, and Women’s Basketball. We obtained copies of signed agreements with Global Sports Management, Mississippi State University, George Washington University, Stetson University, and Baylor University. The signed agreements supported 100% of the total current year guarantees.
  - (iv.) Contributions — We obtained a listing of contributions received by the University and agreed the listing to the general ledger without exception. We noted that the University did not receive any individual contributions in excess of 10% of total contributions.
  - (v.) Direct institutional support — We obtained and reviewed the supporting schedules for the direct institutional support entry. Additionally, we recalculated the allocation of institutional support to individual sports based on management’s methodology.
  - (vi.) NCAA and conference distributions — We obtained the detail of NCAA and conference distributions from the general ledger and selected 100% of the remittances from the NCAA and Sunbelt Conference for testing. We examined check copies and deposit slips for each of the remittances.
  - (vii.) Program sales, concessions, novelty sales and parking — We obtained a detail of program sales revenues and agreed to the general ledger.
  - (viii.) Royalties, advertisements and sponsorships — We obtained a detail of royalties, advertisements and sponsorships. We selected two contracts (Bebo’s Car Wash and Berney Office Solutions) and verified that revenue related to these contractual agreements was recognized appropriately in fiscal year 2009 in accordance with the agreements.
  - (ix.) Sports camp revenues — We obtained a detail of sports camp revenues from the general ledger. We selected three sports camp deposits (deposit number 0831105-1 totaling \$18,358, deposit number 0901309-1 totaling \$1,915, and deposit number 0914901-1 totaling \$6,000). For each of the deposits, we agreed deposited amounts to the detailed Departmental Deposit Form which included each participant’s check number, check amount and check writer’s name.



- (x.) Endowment income – We obtained a detail of endowment income received by the University and agreed to the general ledger without exception. The two largest cash receipts were \$11,645 received on January 1, 2009 and \$11,645 received on June 23, 2009. We agreed the cash receipts to supporting documentation. The amounts tested constitute 98% of the revenue for this line item.
- (e) We performed the following procedures on operating expenditures, as presented in Exhibit A:
  - (i.) Athletics student aid — We obtained a detail of student athletes. From that detail, we selected fifteen individual students (student numbers J00152451, J00167853, J00175208, J00176797, J00324724, J00158575, J00198006, J00217923, J00242473, J00271397, J00147633, J00241396, J00284511, J00299865, and J00306282) and compared those individual student’s financial aid awards to their student accounts to ensure that the student account appropriately reflected the student aid.
  - (ii.) Guarantees — We obtained a detail of guarantee expenditures and examined individual contracts with the University of Maine, Houston Baptist University, Alcorn State University, University of California-Davis, United States Military Academy Corporation and Hargrave Military Academy totaling \$217,000, or 78% of the expenditures categorized as guarantees.
  - (iii.) Coaching / support staff / administrative salaries, benefits, and bonuses — We selected four coaches - Assistant Coach Baseball (employee ID J00169064), Head Coach Volleyball (employee ID J00213380), Assistant Coach Softball (employee ID J00134790), and Assistant Coach Football (employee ID J00232110) and three athletic administrators – Business Manager, Athletics (employee ID J00109230), Associate Athletic Director, Facilities & Event Management (employee ID J00013354), and Athletic Trainer I (employee ID J00248327). For each of the employees, we examined the employee’s wages per their W-2 and compared the amount to approved wages and salaries per the employee’s personnel file. Additionally, for each of the coaches, we reviewed the employee’s employment contract to ensure consistency with their W-2 and approved salary per their personnel file.
  - (iv.) All other expenditures — We selected twenty-five individual vouchers from the 2009 fiscal year that fall under the following expenditure categories: recruiting; team travel; equipment, uniforms and supplies; fundraising, marketing and promotion; direct facilities, maintenance and rentals; medical expenses and medical insurance and other. We examined supporting documentation for the expenditures on the following vouchers, which comprise approximately 6% of the expenditures not included in the categories listed in (e)(i.), (e)(ii.), and (e)(iii.).



<u>Number</u>	<u>Voucher no.</u>	<u>Number</u>	<u>Voucher no.</u>
1	I0352961	14	I0382106
2	J0046105	15	I0373637
3	I0413520	16	I0405210
4	I0416179	17	I0330720
5	I0405676	18	I0333668
6	I0375511	19	I0370460
7	I0408757	20	I0323652
8	I0364569	21	I0367106
9	I0380870	22	I0408286
10	I0375120	23	I0324489
11	I0369695	24	I0367539
12	I0359884	25	I0330838
13	I0330750		

\* \* \* \* \*

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department for the year ended September 30, 2009 (Exhibit A). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

**KPMG LLP**

January 15, 2010

## UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETIC DEPARTMENT

## Statement of Revenues and Expenditures

Year ended September 30, 2009

NCAA description	Not related to team*	Baseball – Men	Basketball – Men	Golf – Men	Tennis – Men	Track – Men	Basketball – Women	Golf – Women	Soccer – Women	Tennis – Women	Track – Women	Volleyball – Women	Softball – Women's	Total
Operating revenues:														
Ticket sales	\$ 618,952	83,653	185,251	1,900	—	—	6,773	—	132	—	—	—	8,359	905,020
Student fees	4,197,217	116,458	248,962	33,916	40,471	53,018	170,347	35,040	79,341	40,978	75,186	66,883	87,006	5,245,423
Guarantees	—	10,500	110,000	—	—	—	4,000	—	—	—	—	—	—	124,500
Contributions	452,489	28,210	139,145	18,325	1,750	1,425	11,525	900	3,810	1,550	925	300	15	660,369
Direct institutional support	910,460	532,318	1,168,952	182,555	217,838	282,800	896,138	179,305	424,330	220,568	402,103	360,006	463,193	6,240,566
NCAA conference distributions including all tournament revenues	337,620	—	154,515	—	—	—	—	—	—	—	—	—	—	492,135
Broadcast, television, radio, and internet rights	83,291	26,937	12,900	—	—	—	—	—	—	—	—	—	—	123,128
Program sales, concessions, novelty sales, and parking	1,632	150	—	—	—	100	—	—	1,500	—	100	—	—	3,482
Royalties, licensing, advertisements and sponsorships	80,575	17,248	16,322	—	—	—	1,500	—	—	—	—	—	—	115,645
Sports camp revenues	68,993	70,527	27,504	—	—	—	24,403	—	110,166	—	5,622	7,474	32,428	347,117
Endowment and investment income	23,605	—	—	1,500	—	—	—	—	—	—	—	—	—	25,105
Other	20,857	410	—	32,150	—	2,758	95	9,300	1,569	—	2,753	—	3,122	73,014
Total operating revenues	6,795,691	886,411	2,063,551	270,346	260,059	340,101	1,114,781	224,545	620,848	263,096	486,689	434,663	594,723	14,355,504
Operating expenses:														
Athletics student aid	1,132,476	223,122	259,849	97,807	102,511	219,527	318,117	110,221	277,757	108,550	247,246	234,478	215,571	3,547,232
Guarantees	101,738	16,136	147,216	—	—	—	5,000	—	—	—	—	3,013	1,633	274,736
Coaching salaries, benefits, and bonuses paid by the University and related entities	—	276,164	514,606	50,527	54,551	76,167	296,288	48,007	144,149	50,920	88,016	81,941	124,162	1,805,498
Coaching other compensation and benefits paid by a third party	2,000	6,323	7,747	—	—	—	—	—	—	—	—	—	—	16,070
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	3,583,698	100,630	203,253	18,167	22,184	7,415	160,595	17,414	62,321	20,524	39,083	28,060	67,662	4,331,006
Recruiting	177,271	14,259	80,432	2,152	1,278	3,336	3,394	235	5,946	1,594	3,394	2,349	22,821	361,554
Team travel	19,386	60,424	136,361	16,818	43,615	29,068	136,311	8,549	42,222	50,026	24,476	54,280	80,131	701,667
Equipment, uniforms and supplies	466,758	59,975	18,198	22,422	22,386	31,912	16,319	20,045	19,995	18,312	32,146	5,467	35,330	773,265
Game expenses	124,438	62,030	177,048	39,490	8,341	7,955	61,277	9,327	14,782	9,404	7,161	19,001	26,399	566,653
Fund raising, marketing and promotion	140,273	17,778	18,231	—	218	—	8,988	—	2,104	—	—	249	—	187,841
Sports camp expenses	—	13,879	12,405	—	—	—	6,264	—	36,929	—	1,505	1,725	11,438	84,145
Direct facilities, maintenance, and rentals	—	4,019	81,483	238	264	354	44,896	195	966	—	354	—	—	181,623
Spirit groups	93,922	—	—	—	—	—	—	—	—	—	—	—	—	93,922
Medical expenses and medical insurance	352,671	422	158	255	213	—	139	—	—	—	—	—	822	354,680
Memberships and dues	101,377	230	1,350	2,944	400	450	—	3,910	—	375	450	335	—	111,821
Other operating expenses	275,550	8,131	64,408	3,478	2,564	1,251	17,804	5,742	3,046	1,841	934	1,640	—	386,389
Total operating expenses	6,614,490	863,522	1,722,745	254,298	258,525	377,435	1,118,485	223,645	610,217	261,546	444,765	432,538	595,891	13,778,102
Net	\$ 181,201	22,889	340,806	16,048	1,534	(37,334)	(3,704)	900	10,631	1,550	41,924	2,125	(1,168)	577,402

\*Note that revenues and expenses related to the University's football team are included in the "Not related to team" column since the University's team is not yet considered an NCAA sanctioned sport.

See accompanying report of independent accountants on applying agreed-upon procedures.

**RESOLUTION**

**EXPLORATION OF SALE OF USA BROOKLEY CENTER CAMPUS**

**WHEREAS**, the University of South Alabama ("University") owns land and buildings known as the USA Brookley Center Campus (approximately 327.11 acres), and

**WHEREAS**, the subject property currently houses a golf course, conference facilities, office facilities and housing, all of which are being utilized by the University in furtherance of its mission, and

**WHEREAS**, given the current fiscal constraints imposed on the University by the economy of the state and the country, the Board of Trustees of the University believes it to be in the best interest of the University for the University to explore the possibility of a sale of this property, with a lease of the property back to the University at a nominal fee for its continued use, and other such conditions as would benefit the University,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the University of South Alabama approves and authorizes the President of the University to proceed with exploring the possibility of sale of the land and buildings which make up the area known as USA Brookley Center Campus pursuant to the laws of the State of Alabama and report to the Board for approval as provided in the "Policy and Procedure by which the University of South Alabama Would Sell or Lease Real Property or Interest Owned by the University of South Alabama."