

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

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2010-2013

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Hon. Samuel L. Jones
Mr. John M. Peek
Dr. Steven H. Stokes, 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
Hon. Kenneth O. Simon
Dr. Steven H. Stokes

ACADEMIC AND STUDENT AFFAIRS CTE.:

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Dr. Scott A. Charlton
Ms. Bettye R. Maye
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BUDGET AND FINANCE COMMITTEE / AUDIT CTE.:

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Mr. J. Cecil Gardner
Hon. Samuel L. Jones
Ms. Christie D. Miree
Mr. James H. Shumock
Dr. Steven H. Stokes
Mr. James A. Yance

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

Mr. James A. Yance, **Chair**
Mr. E. Thomas Corcoran
Mr. J. Cecil Gardner
President V. Gordon Moulton
Hon. Kenneth O. Simon
Dr. Steven H. Stokes

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

JUNE 8, 2012

10:30 A.M.

**FREDERICK P. WHIDDON ADMINISTRATION BUILDING
AD 130, BOARD ROOM**

AGENDA

ITEM		PAGE
1	Approve: Minutes	1 and 8
2	Report: President's Report	<i>Presentation at Meeting</i>
3	Approve: Board Meeting Schedule, 2012-2013	11

HEALTH AFFAIRS:

4	Approve: USA Hospitals Credentials - March, April and May 2012	1
5	Approve: Professors Emeritus	8
6	Report: Health System and Health Sciences	<i>Presentation at Meeting</i>
7	Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>

ACADEMIC AND STUDENT AFFAIRS:

8	Report: Academic Affairs	<i>Presentation at Meeting</i>
9	Approve: Tenure and Promotion	<i>Presentation at Meeting</i>
10	Report: Student Affairs	<i>Presentation at Meeting</i>
11	Approve: Tuition, Housing and Fee Schedules, 2012-2013	1

BUDGET AND FINANCE:

12	Report: Monthly Fund Financial Reports - January, February and March 2012	1, 18, and 35
	Quarterly GASB Financial Statements, Six Months ended March 2012	52
	Summary Comparison of Fund Financial Reports to GASB Financial Statements, March 31, 2012 and 2011	86
13	Approve: Selection of Architect for Student Housing	90

DEVELOPMENT, ENDOWMENT AND INVESTMENTS:

14	Report: Endowment and Investments	<i>Presentation at Meeting</i>
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OTHER:

15	Report: Evaluation of the University President	<i>Presentation at Meeting</i>
16	Tribute: Trustee Larry D. Striplin, Jr.	1



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

June 7, 2012

TO: USA Board of Trustees

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

Included herein are the unapproved minutes for the Board meetings held March 9 and April 25, 2012. Please review these documents for amendment or approval at the Annual Meeting on June 8.

BRM:mgc

Enclosures

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

**March 9, 2012
11:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Friday, March 9, 2012, at 11:00 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Tom Corcoran, Steve Furr (via phone), Cecil Gardner, Sam Jones, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Steve Stokes and Jim Yance.

Members Absent: Trustees Robert Bentley and Tommy Bice.

Administration and Others: President Gordon Moulton; Drs. Keith Blackwell, Mike Boyd, Joe Busta, Philip Carr (Faculty Senate), Bruce Chabner, Joel Erdmann, Ron Franks, Jim Laier, Russ Lea, Mike Mitchell, John Smith, David Stearns and Sam Strada; Messrs. Owen Bailey, Wayne Davis, Stan Hammack, Abe Mitchell and Steve Simmons; Mss. Lauren Gessner, Penny Hatcher (USA National Alumni), Jean Tucker and Kate Wilson.

Press: Ms. Cassie Fambro (*The Vanguard*).

Chairman Yance convened the meeting and expressed condolences for the passing of USA Trustee Mr. Larry Striplin. He said a formal tribute of Mr. Striplin for his service to the University would take place at a later meeting when Mrs. Striplin could be present.

Chairman Yance called for adoption of the revised agenda. On motion by Judge Simon, seconded by Mayor Jones, the revised agenda was unanimously approved. Chairman Yance called for consideration of **ITEM 1**, the minutes of the December 9, 2011, meeting of the Board of Trustees. On motion by Ms. Miree, seconded by Mr. Peek, the minutes were unanimously adopted.

President Moulton presented **ITEM 2**, the President's Report. He greeted Sheriff Mixon and conveyed well wishes for a swift recovery by Trustee Emeritus Mr. Donald Langham. He talked about the Distinguished Alumni and Service Awards event held March 8 and thanked Ms. Penny Hatcher, President of the USA National Alumni Association, for the role she played. He called for reports from Drs. Smith and Stearns about housing and recruitment. Dr. Smith said the demand for housing is strong, with 176 more applications received by the end of February compared to last year, and 300 more occupants in the dorms this spring compared to last spring. He stated the Administration is pursuing plans to address increasing needs, inclusive of the new residence hall that is soon to be under construction. Dr. Stearns said recruitment is going well and applications have increased from last year. He discussed USA's *Scholar Showcase*, an event held one month prior for prospective students with ACT scores of 30 or higher. He reported 74 students attended with their parents.

President Moulton introduced the University's latest recruitment commercial and called upon Ms. Lauren Gessner to comment on USA's impact in her life. Ms. Gessner thanked the Board of

Trustees for the opportunities made available to students. President Moulton discussed a flyer detailing scholarships available to entering freshmen. He noted that more scholarships are available from the academic departments.

President Moulton provided insight on legislative matters, including participation by USA students, faculty, staff, administrators and supporters at Alabama's Higher Education Day on the steps of the state capitol on March 1. He added the University shares a harmonious relationship with members of the local legislative delegation. He told Trustees the fiscal outlook for the state is not the most favorable. The Governor's budget for 2012-2013 proposes a four percent cut to higher education. President Moulton said negotiations could restore funding for the coming year to 2011-2012 levels by the end of the current legislative session. He reported on the condition of the Alabama general fund, forecasting that state-sponsored programs may be cut.

President Moulton announced that the *Red and Blue Spring Football Game* would take place on Saturday, March 24, at 2:00 p.m. at Ladd-Peebles Stadium, and would be preceded at 11:00 a.m. by the College of Medicine's Fourth Annual Gumbo/Chili Showdown, benefitting the *Regan Robinson Young Scholarship Fund*. He said the University of South Alabama would be host to the *Mobilian of the Year* banquet at the Mitchell Center on Thursday, April 12. USA partners with the Cottage Hill Civitan Club in presenting the *Mobilian of the Year* event. This year's honoree is longtime Mobile City Council member and current council President Mr. Reggie Copeland.

President Moulton said Spring Commencement will take place on Saturday, May 12, and Congressman Jo Bonner will deliver the keynote address. Approximately 1,400 degrees are expected to be awarded, bringing the total number of degrees for the 2011-2012 academic year close to 3,000, and the University's historical total to nearly 73,000. President Moulton reminded Trustees of the Annual Meeting scheduled for June 8. Also on the horizon – the 2012-2013 academic year marks the founding of the University of South Alabama 50 years ago in May 1963. A committee has been formed to coordinate a variety of celebration events, and an official anniversary logo featuring Moulton Tower has been adopted. As a precursor to the year-long schedule of special events, a press conference was held on March 8 to announce a 50th Anniversary Annual Fund Campaign. Next on the schedule will be a dedication of Shelby Hall on Sunday, September 9, to officially launch anniversary activities in conjunction with a Board meeting on Monday, September 10. Festivities will culminate with a gala on May 3, 2013. Also planned is a dedication of ceiling murals at Moulton Tower which depict campus life, which are 95 percent complete, as is a pictorial publication showcasing the University's 50-year history.

President Moulton reported the University of South Alabama had received unexpected publicity on February 13 during the airing of the popular television drama *Hawaii 5-0*. A photo clip of the episode was shown featuring an admission ticket to the *South Alabama vs. Hawaii* football game on December 1, which is confirmed as part of USA's 2012 football season.

President Moulton announced that Dr. Russ Lea, Vice President for Research, would join the National Ecological Observatory Network (NEON) as Chief Executive Officer effective March 20. NEON is a project of the National Science Foundation charged with studying and forecasting the impacts of climate change, land-use change and invasive species on the nation's ecology and

providing information to a wide range of federal constituencies. President Moulton said Dr. Lea had been instrumental in moving USA's research program forward and increasing the University's visibility in many areas since his appointment in 2007, and he offered his congratulations. Dr. Lea said he will miss the support of the Board of Trustees and USA's sound financial management and strong leadership – three characteristics that make South Alabama a unique environment.

Relative to a petition to the Alabama Commission on Higher Education (ACHE) for new programs, President Moulton announced news that ACHE, in a concurrent meeting, granted unanimous approval for USA to offer a Doctor of Science in Engineering Systems (DSES) degree program, as well as two additional Nursing specializations and a new concentration for Professional Health Sciences. He introduced Dr. Jim Laier, Associate Dean of the College of Engineering, for comments. Dr. Laier shared that approval from ACHE was significant in that USA will be the only institution in the state to offer a terminal degree for Engineering Systems, giving USA an edge to work with high profile clients. President Moulton commended Drs. Johnson, Steadman and Exline for their efforts defending USA's arguments for program adoption at the ACHE meetings in Montgomery.

President Moulton updated Board members on the status of construction projects as photos and architectural drawings were shown of Shelby Hall, the campus portals, Children's and Women's Hospital, and the specialized laboratory for infectious disease research. Also detailed was a beautification campaign to bring art to the campus grounds. Photos were shown of previously existing and recently dedicated sculptures, and President Moulton gave information about the artists and donors who have perpetuated this project. He discussed plans for five new sculptures to be installed, including "Southpaw," to be positioned in front of Alumni Hall, and "Einstein," to be placed near Shelby Hall. Both pieces are designed to function as interactive props for souvenir photography. President Moulton directed attention to the three sample sculptures displayed on the meeting table. Drawings were shown of a proposed redesign of the courtyard between Meisler Hall and the Student Center.

Chairman Yance called for a report of health affairs items. On behalf of Dr. Furr, Chair of the Health Affairs Committee, Dr. Charlton presided and moved approval of **ITEM 3** as follows. Dr. Stokes seconded and the resolution was approved unanimously:

RESOLUTION

USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR DECEMBER 2011, JANUARY AND FEBRUARY 2012

WHEREAS, the Medical Staff appointments and reappointments for December 2011, January and February 2012 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

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

Dr. Charlton presented **ITEM 4** as follows. On motion by Mr. Peek, seconded by Ms. Maye, the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS MEDICAL STAFF RULES AND REGULATIONS, REVISIONS OF FEBRUARY 1, 2012

WHEREAS, revisions to USA Hospitals Medical Staff Rules and Regulations, approved at the February 1, 2012, Medical Staff meeting and attached hereto, are recommended for approval by the Medical Staffs and the Executive Committee of the University of South Alabama Hospitals,

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

Dr. Charlton called upon Dr. Franks for presentation of **ITEM 5**, a report on the activities of the USA Health System and the Division of Health Sciences. Dr. Franks introduced Dr. David Lewis, Chair of Obstetric and Gynecology who specializes in high risk pregnancy. Dr. Lewis elaborated on a variety of activities taking shape at Children's and Women's Hospital, including services reorganization made possible in conjunction with the facilities expansion, implementation of a new marketing campaign, and faculty collaboration on studies with pharmaceutical companies.

Dr. Charlton called for discussion of **ITEM 6**, a report on the Mitchell Cancer Institute (MCI). On behalf of Dr. Boyd, President Moulton presented a brief history of the MCI and shared statistics on its remarkable growth since inception in 2002, including completion of a state-of-the-art facility in 2008. Today, the MCI encompasses 11 major research programs and 300 faculty and staff who received 56,000 visits from patients in 2011. President Moulton projected, by year's end, the building will be filled to capacity and the Administration will need to consider ways to expand. He noted the impressive success rate of principal investigators in securing extramural grant funds for their research and in producing valuable intellectual property. He gave an update on recruitment in 2012 and discussed the financial viability of the MCI. To date, capital investments total in excess of \$150 million, and the MCI has an annual operating budget of \$80 million and is expected to sustain a positive operating balance beginning in fiscal year 2012.

President Moulton talked about the MCI's external advisory structure made up of four panels – the Board of Trustees, the MCI Development Council, and the recently formed Patient Advocacy Council and Executive Advisory Council. He elaborated specifically on the charge, composition and proposed meeting frequency of the Executive Advisory Council. Serving as chair of the Executive Advisory Council will be internationally renowned physician and scientist Dr. Bruce Chabner, Professor of Medicine at the Harvard Medical School. President Moulton shared highlights of Dr. Chabner's distinguished career and introduced him to make comments. Dr. Chabner discussed his background, why he accepted the opportunity to be involved with the MCI, and his vision for the program, and he offered to answer questions. Board and guests thanked Dr. Chabner with a round of applause.

President Moulton called attention to a new volume of *Looking South*, a publication of the USA National Alumni Association, and to an interview with Chairman Yance featured within. Mr. Yance thanked Ms. Jennifer Ekman, Associate Director of Publications, for assistance during the interview process.

Chairman Yance called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, called for consideration of **ITEM 7.A** as follows and welcomed remarks from Mr. Peek. Mr. Peek made note of a longstanding friendship between USA and Congressman Bonner, and referenced the many occasions Congressman Bonner had visited campus and shared uplifting words about the University. On motion by Mr. Peek, seconded by Ms. Miree, the resolution was approved unanimously:

**RESOLUTION
HONORARY DOCTORATE DEGREE FOR UNITED STATES CONGRESSMAN JO BONNER**

WHEREAS, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional careers, and

WHEREAS, Congressman Jo Bonner has served with distinction as U.S. Congressman for the First District of the State of Alabama since 2002, and

WHEREAS, Congressman Bonner serves as Chairman of the House Ethics Committee and as a member of the House Appropriation Subcommittees for Commerce, Justice and Science, Defense, and Financial Services, and

WHEREAS, Congressman Bonner, as Chairman of the House Ethics Committee, has gained national recognition for his oversight in matters relating to the Code of Official Conduct of the House, and

WHEREAS, Congressman Bonner has earned the reputation as a tireless and effective advocate for his constituents in southwest Alabama, and

WHEREAS, Congressman Bonner has worked aggressively with the Governor's office and other leaders in recruiting several significant economic projects to the state that will continue to fuel the economic engine of Alabama for generations to come, and

WHEREAS, Congressman Bonner has furthered his public service as a member of the board of directors for the Mobile Area Chamber of Commerce, Rotary Club, Leadership Mobile and the Mobile Chapter of the University of Alabama Alumni Association, and

WHEREAS, Congressman Bonner is a long-time supporter of the activities and interests of the students, faculty, staff, and alumni of the University of South Alabama, and

WHEREAS, Congressman Bonner has been instrumental in directing federal funding to the University of South Alabama to support numerous educational programs and research efforts,

THEREFORE, BE IT RESOLVED, for his commitment to serving the citizens of the State of Alabama and of the United States of America, and for his dedication to a strong and prosperous nation, and for his constant efforts in the interest of those he represents, the University of South Alabama is pleased to bestow upon Congressman Jo Bonner, this day, the degree of Doctor of Humane Letters (L.H.D.), *honoris causa*.

Relative to **ITEM 7**, a report on academic affairs activities and on behalf of Dr. Johnson, Dr. Smith called upon Dr. Keith Blackwell, Associate Professor in the Department of Earth Sciences, for a presentation about winter weather trends. With the aid of graphic slides, he explained the *El Nino* and *La Nina* weather models and introduced Miss Kate Wilson, a Meteorology major, who described how these weather systems can influence the weather in the Gulf Coast region.

Dr. Smith addressed **ITEM 8**, a report on the activities of the Division of Student Affairs. He reminded Trustees of discussion at the December 9 Board meeting about plans to resolve parking

constraints near residence halls. A drawing of the proposed plan was distributed. Dr. Smith said the proposal can accommodate up to 800 additional parking spaces.

Chairman Yance called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, acknowledged receipt of **ITEM 9** reports titled *Monthly Fund Financial Reports for October, November and December 2011*; *Quarterly GASB Financial Statement for the Three Months Ended December 2011*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, December 31, 2011 and 2010*. There was no discussion.

Mr. Corcoran presented **ITEM 10**, a report on the amended budget for 2011-2012. He referenced supporting documents in the revised agenda package and stated the budget modification was a result of the one-time salary supplement for regular, full-time employees of the general University side of the Institution approved by the Board of Trustees at the December 9 meeting. The supplement was equal to two percent of an employee's base salary, or a minimum of \$1,000. There was no discussion.

Mr. Corcoran introduced **ITEM 11**, the KPMG report on USA Intercollegiate Athletics for the year ended September 30, 2011. He said the full report was provided in the revised materials and invited remarks from Mr. Steve Simmons, Sr. Associate Vice President for Financial Affairs. Mr. Simmons briefly described the process by which the University files an annual report of procedures with the NCAA, which, in turn, submits the report to the auditors for a formal review. There were no questions.

As Chair of the Development, Endowment and Investments Committee, Chairman Yance called upon Messrs. Terry Albano and Norman Pitman to address **ITEM 12**, a report of endowment and investment performance. As Board members viewed the data distributed, Mr. Albano reported the return for fiscal year 2012 outperformed the relative index by .24 percent. From October 1, 2011, through January 31, 2012, the return was 8.07 percent vs. a relative index of 7.83 percent. Mr. Pitman discussed the performance by individual managers and gave reasons why some investments underperformed. Judge Simon asked which allocations yielded the majority of outperforming investments, to which Mr. Pitman replied allocations with international exposure. Mr. Albano reviewed the asset allocation for the 2012 fiscal year and stated the allocations fell within the University's investment guidelines. He discussed performance since inception, noting a 3.80 percent return vs. a relative index of 3.01 percent – an outperformance of .79 percent.

Relative to **ITEM 19**, Evaluation of the University President, Chairman Yance said it is time to initiate this procedure, which is a requirement of the SACS reaffirmation process. He asked Mr. Corcoran to take charge and give a report at the June 8 Annual Meeting.

In other discussion, Judge Simon stated he had an opportunity to visit with Dr. Phil Carr, Faculty Senate Chair-Elect and Associate Professor of Anthropology, at USA's Alfred and Lucile Delchamps Archaeology Museum, and was impressed with the scope of the University's involvement in archaeological digs in the region. He commended Dr. Carr for the work being accomplished. Dr. Carr summarized the activities taking place, including a grand opening event

USA Board of Trustees
March 9, 2012
Page 7

for the museum in the fall and the preparation of exhibits. Judge Simon said the museum will provide a tremendous experience for new students.

There being no further business, the meeting was adjourned at 12:30 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair Pro Tempore

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

Executive Committee Meeting

**April 25, 2012
3:00 p.m.**

The Executive Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Wednesday, April 25, 2012, at 3:03 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Steve Furr (via phone), Cecil Gardner, Sam Jones, Bettye Maye (via phone), John Peek and Jim Yance.

Member Absent: Trustee Steve Stokes.

Administration President Gordon Moulton; Dr. John Smith; Mr. Wayne Davis; and Ms. Jean Tucker.

Press: Mss. Renee Busby (*Press-Register*) and Cassie Fambro (*Vanguard*).

Upon the call to order, President Moulton introduced **ITEM 1** as follows. He thanked Executive Committee members for being available and said time is short to complete construction of a new residence hall by the 2013 fall semester. He referenced an outline of bids received from contractors, and stated the companies were reputable and the quotes were competitive. He noted the low bid was from Yates Construction. Dr. Smith said the new facility will accommodate 350 beds, compared to 332 in Stokes Hall. The rooms are designed for double occupancy and will include a shared bathroom with two sinks. Mr. Gardner asked if the proposed residence facility will cover the students on the housing wait list. Dr. Smith said the demand for the 2012 fall semester is significant and filling the rooms will not be difficult. Mr. Peek asked what factors account for the difference in bids. President Moulton stated that this sort of information is not known without additional inquiry:

**RESOLUTION
GENERAL CONTRACTOR FOR STUDENT RESIDENTIAL FACILITY**

WHEREAS, the University of South Alabama has a growing enrollment, and

WHEREAS, the quality of student life is strongly enhanced by excellent residential facilities, and

WHEREAS, the recruitment of students is strongly enhanced by high quality residential facilities, and

WHEREAS, the number of students seeking residence on campus is growing significantly every year, and

WHEREAS, providing additional/high quality residential space is most beneficial at the beginning of a fall semester, and

WHEREAS, due to the increasing demand for on campus living-learning facilities, the fall of 2013 is the target date for this new student residential facility, and

WHEREAS, request for bids for the General Contractor for this residential building project was first advertised March 28, 2012, with bids opened on April 19, 2012, and

WHEREAS, the lowest responsible and responsive bid for general contracting services was W.G. Yates and Sons, Inc., with a base construction bid of \$14,190,000.00.

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby authorizes the President of the University to approve and contract with W.G. Yates and Sons, Inc., the lowest responsible and responsive general contractor pursuant to the bid process as prescribed by Alabama law, to build the new student residential facility, and to pay all professional fees and other related costs of the project.

President Moulton presented **ITEM 2** as follows, noting the Board of Trustees had discussed the project at previous meetings. He reminded Committee members that construction is fully funded through a federal grant award from the National Institutes of Health. The Committee viewed a list of contractors' bids. President Moulton indicated the proposals were favorable and competitive, and stated Flintco, LLC, the successful bidder, is a large, well-known firm. He recommended approval, adding it has long been the Administration's practice to involve the Board of Trustees in decisions which require only the President's authorization.

**RESOLUTION
GENERAL CONTRACTOR 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 modern research 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, the President was authorized by the Board of Trustees of the University to engage an architectural firm for this project as well as to file documents necessary and required by federal regulations to affirm the federal interests in the Specialized Laboratory Building, and

WHEREAS, bids for the General Contractor for this Specialized Laboratory Building were opened October 20, 2011, and

WHEREAS, the lowest responsible and responsive bid for general contracting services was Flintco, LLC, with a construction base bid plus alternate totaling \$11,741,000.00,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby ratifies the contract executed by the University for the general contracting services of Flintco, LLC, the lowest responsible and responsive general contractor pursuant to the bid process prescribed by Alabama law, for the construction of the Specialized Laboratory Building, and further authorizes the President of the University to approve and to pay all professional fees and other related costs of the project.

Following brief comments about Stokes Hall, President Moulton provided perspective on the 2012-2013 budget. He said tuition would be addressed at the Board's Annual Meeting on June 8.

Executive Committee

Page 3

April 25, 2012

Consideration of the resolutions resumed and, on motion by Mr. Gardner, seconded by Mr. Peek, **ITEM 1** was approved unanimously. On motion by Mayor Jones, seconded by Mr. Peek, **ITEM 2** was approved unanimously.

There being no further business, the meeting was adjourned at 3:43 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair *Pro Tempore*

RESOLUTION

**BOARD MEETING SCHEDULE
2012-2013**

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

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

Monday, September 10, 2012

Thursday, December 6, 2012

Friday, March 8, 2013

Friday, June 7, 2013

FURTHER, BE IT RESOLVED that the date of June 7, 2013, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2012-2013.

RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR MARCH, APRIL AND MAY 2012**

WHEREAS, the Medical Staff appointments and reappointments for March, April and May 2012 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, 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
MAY 16 2012
UNIVERSITY OF SOUTH ALABAMA
TELEPHONE: (251) 471-7118
2451 FILLINGIM STREET, SUITE 3040
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7751

MEMORANDUM

TO: V. Gordon Moulton
President

FROM: Stan Hammack SKH

DATE: May 16, 2012

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

Resolution – University of South Alabama Hospitals Medical Staff Appointments and Reappointments for March, April and May 2012

Credentials Report

- Credentials Report – March, April and May 2012

SKH:eb

Attachments

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March, April and May 2012**

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

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Bassam, Bassam A., M.D.	Re Appt.	Active	Neurology	Re Appt.	Active	Neurology	Re Appt.	Active	Neurology
Beville, Lindsey C., P.A.	New Appt.	Affiliate	Surgery	New Appt.	Affiliate	Surgery	N/A	N/A	N/A
Boreicky, David J., D.P.M.	Re Appt.	Affiliate	Orthopaedics	Re Appt.	Affiliate	Orthopaedics	N/A	N/A	N/A
Boudreaux, Carole W., M.D.	Re Appt.	Active	Pathology	Re Appt.	Active	Pathology	Re Appt.	Active	Pathology
Brewer, Justin F., P.A.	New Appt.	Affiliate	Orthopaedics	New Appt.	Affiliate	Orthopaedics	N/A	N/A	N/A
Catranis, Theodore N., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Clark, Michael E., M.D.	New Appt.	Active	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Clark, Ronald W., M.D.	Re Appt.	Active	OBGYN	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A
Clark, Shawn B., M.D.	New Appt.	Active	Neurosurgery	New Appt.	Active	Neurosurgery	N/A	N/A	N/A
Comstock, Shirley, Scrub Tech	New Appt.	Affiliate	Surgery	New Appt.	Affiliate	Surgery	N/A	N/A	N/A
Courtney, James V., M.D.	Re Appt.	Active	Radiology	Re Appt.	Active	Radiology	Re Appt.	Active	Radiology
Craig, Thomas E., III, M.D.	N/A	N/A	N/A	New Appt.	Contract	Internal Med.	N/A	N/A	N/A
Crotwell, William A., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Cunningham, Jennifer, M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Cunningham, Thelma D., RN	Re Appt.	Affiliate	Internal Med.	Re Appt.	Affiliate	Internal Med.	N/A	N/A	N/A
Damrich, Michael E., M.D.	Re Appt.	Active	Surgery	Re Appt.	Active	Surgery	N/A	N/A	N/A
Daugherty, Manuel P. Jr., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Davis Jason M., CRNA	New Appt.	Affiliate	Anesthesiology	New Appt.	Affiliate	Anesthesiology	New Appt.	Affiliate	Anesthesiology
de Melo, Silvio W. Jr., M.D.	Re Appt.	Active	Internal Med.	Re Appt.	Active	Internal Med.	Re Appt.	Active	Internal Medicine
Dempsey, Thomas R., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Orthopaedics	N/A	N/A	N/A
DeSanctis, Carlos, A., M.D.	Re Appt.	Active	Anesthesiology	Re Appt.	Active	Anesthesiology	Re Appt.	Active	Anesthesiology
Dismukes, Ashley, R.N.	New Appt.	Affiliate	Pediatrics	N/A	N/A	N/A	New Appt.	Affiliate	Pediatrics
Duffy, Robert Lamar, M.D.	Re Appt.	Active	Family Med.	Re Appt.	Active	Family Medicine	Re Appt.	Active	Family Medicine
Dyess, Cornelia, R.N.	New Appt.	Affiliate	Internal Med.	New Appt.	Affiliate	Internal Med.	N/A	N/A	N/A
Ellingwood, Kenneth E., M.D.	Re Appt.	Courtesy	Radiology	Re Appt.	Courtesy	Radiology	N/A	N/A	N/A
Elliott, Kimberly, M.D.	Re Appt.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Engeriser, Jason L., M.D.	New Appt.	Courtesy	Psychiatry	New Appt.	Courtesy	Psychiatry	N/A	N/A	N/A
Falkos, Sheryl A., M.D.	Re Appt.	Active	Pediatrics	Re Appt.	Active	Pediatrics	Re Appt.	Active	Pediatrics

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March, April and May 2012**

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

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Frego, Jennifer, CRNP	New Appt.	Affiliate	Pediatrics	N/A	N/A	N/A	New Appt.	Affiliate	Pediatrics
Gaffin, Daniel S., D.P.M.	Re Appt.	Affiliate	Orthopaedics	Re Appt.	Affiliate	Orthopaedics	N/A	N/A	N/A
Gallaspy, Glenn T., Jr., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Gremse, David A., M.D.	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
Hassell, David R., M.D.	N/A	N/A	N/A	Re Appt.	Courtesy	Radiology	N/A	N/A	N/A
Hoffman, Michael C., M.D.	Re Appt.	Active	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Hudgens, Russell A., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Hundley, Olivette T., M.D.	Re Appt.	Active	Internal Med.	Re Appt.	Active	Internal Med.	Re Appt.	Active	Internal Medicine
Hundley, Olivette T., M.D.	Re Appt.	Active	Pediatrics	Re Appt.	Active	Pediatrics	Re Appt.	Active	Pediatrics
Jardine, James Q., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Kidd, Antoine M., CCHT	New Appt.	Affiliate	Internal Med.	New Appt.	Affiliate	Internal Med.	N/A	N/A	N/A
Koulianos, George T., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Laughlin, Brittney B., D.O.	New Appt.	Active	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Leonhardt, Eric W., M.D.	New Appt.	Courtesy	Psychiatry	New Appt.	Courtesy	Psychiatry	N/A	N/A	N/A
Madonia, Phillip, M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
McDell, Angela R., R.N.	Re Appt.	Affiliate	Internal Med.	Re Appt.	Affiliate	Internal Med.	N/A	N/A	N/A
Miller, Maegan A., CRNP	New Appt.	Affiliate	Pediatrics	N/A	N/A	N/A	New Appt.	Affiliate	Pediatrics
Mull, David H., M.D.	Re Appt.	Courtesy	Surgery	Re Appt.	Active	Surgery	N/A	N/A	N/A
Naman, Michelle K., M.D.	Re Appt.	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Ochoa, Juan C., M.D.	Re Appt.	Active	Neurology	Re Appt.	Active	Neurology	Re Appt.	Active	Neurology
Panayiotou, Hercules, M.D.	N/A	N/A	N/A	Re Appt.	Active	Internal Med.	N/A	N/A	N/A
Pitt, Roger M., M.D.	New Appt.	Contract	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Plessala, Kirby J., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Raza, Shakeel, M.D.	Re Appt.	Courtesy	Psychiatry	Re Appt.	Courtesy	Psychiatry	N/A	N/A	N/A
Revels, Tim S., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Richerson, Jason M., M.D.	Re Appt.	Active	EC/Pediatrics	N/A	N/A	N/A	Re Appt.	Active	EC/Pediatrics
Ringhoffer, Carolyn R., M.D.	Re Appt.	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Rodriguez-Feo, John A., M.D.	Re Appt.	Courtesy	Orthopaedics	Re Appt.	Courtesy	Re Appt.	N/A	N/A	N/A

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March, April and May 2012**

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

NAME		USACWH			USAMC			AMBULATORY CARE		
Change in Status	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	
Brandon, Jeffrey C., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Clark, Melanie H., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Clements, Lloyd S, M.D.	Added Privs	Active	CEC	N/A	N/A	N/A	Added Privs	Active	CEC	
Cole, Kimberly, D.O.	Added Privs	Active	CEC	Added Privs	Active	Pediatrics	Added Privs	Active	CEC	
Connelly, Rosina, M.D.	Added Privs	Active	CEC	N/A	N/A	N/A	Added Privs	Active	CEC	
Coumanis, Lewis G., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Dempsey, Thomas, R., M.D.	Deleted Privs	Courtesy	Orthopaedics	Deleted Privs	Courtesy	Orthopaedics	N/A	N/A	N/A	
Eckstein, Christopher, M.D.	Added Privs	Active	Neurology	Added Privs	Active	Neurology	Added Privs	Active	Neurology	
Figarola, Maria S., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Greiner, Francis G., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Jubran, Ihab, M.D.	Added Privs	Active	CEC/Peds	N/A	N/A	N/A	Added Privs	Active	CEC/Peds	
Kirk, Jessica, M.D.	Added Privs	Active	CEC	N/A	N/A	N/A	Added Privs	Active	CEC	
Khullar, Shikha, M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Lemley, Henry, M.D.	Added Privs	Contract	CEC	N/A	N/A	N/A	N/A	N/A	N/A	
Malcolm, Ian G., M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
McBride, Douglas, M.D.	Added Privs	Contract	CEC	N/A	N/A	N/A	N/A	N/A	N/A	
McQuiston, Samuel, M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Myers, Lori A., M.D.	N/A	N/A	N/A	Added Privs	Active	Emergency Med.	Added Privs	Active	Emergency Medicine	
Myrick, Gregory R., M.D.	N/A	N/A	N/A	Added Privs	Active	Emergency Med.	Added Privs	Active	Emergency Medicine	
Parsell, Karen, M.D.	Added Privs	Active	CEC	N/A	N/A	N/A	Added Privs	Active	CEC	
Qureshi, Yasmeen, M.D.	Added Privs	Active	Radiology	Added Privs	Active	Radiology	Added Privs	Active	Radiology	
Roberson-Trammell, Katrina, M.D.	Added Privs	Active	CEC	N/A	N/A	N/A	Added Privs	Active	CEC	
Rodman, Ellen B., M.D.	Added Privs	Contract	CEC	N/A	N/A	N/A	N/A	N/A	N/A	
Retired Resigned	Reason	Date	Dept.	Reason	Date	Dept.				
Burke, Christina, PA	Resigned	2/3/2012	Internal Med.	Resigned	2/3/2012	Internal Med.				
Clark, Michael E., M.D.	Temps. exp.	1/27/2012	OBGYN	N/A	N/A	N/A				
Farish, Christine N., Scrub Tech.	Temps. exp.	2/2/2012	Surgery	N/A	N/A	N/A				
Hollands, Celeste M., M.D.	Resigned	1/30/2012	Ped. Surgery	Resigned	1/30/2012	Ped. Surgery				
McLain, Jennifer B., RDH	Resigned	2/2/2012	Surgery	N/A	N/A	N/A				
Rimmer, Elizabeth, CRNP	Resigned	3/6/2012	Pediatrics	N/A	N/A	N/A				
Spires, James Jr., M.D.	Temps. exp.	1/13/2012	Surgery	N/A	N/A	N/A				
Thomas, Christian, RDH	Resigned	2/2/2012	Surgery	N/A	N/A	N/A				


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


March, April & May 2012


LEGEND:

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

RECOMMENDED BY:


 Ehab A. Molokhia, M.D., Chair of Medical Executive Committee or Chair Elect
 USA Children's & Women's Hospital


 William O. Richards, M.D., Chair of Medical Executive Committee or Chair Elect
 USA Medical Center


 Stanley K. Hammack
 Vice President, USA Health Systems

RESOLUTION

PROFESSORS EMERITUS

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

James Downey, Ph.D., Professor, Physiology
Michael Harpen, M.D., Professor, Radiology
James Parker, Ph.D., Professor, Physiology

and,

WHEREAS, the Dean of the College of Medicine and the Vice President for Health Sciences duly recommend them,

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

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

UNIVERSITY OF SOUTH ALABAMA



OFFICE OF THE VICE PRESIDENT
FOR HEALTH SCIENCES

REC'D
OFFICE OF THE PRESIDENT

MAY 23 2012

UNIVERSITY OF SOUTH ALABAMA

TELEPHONE: (251) 460-7189
5795 USA DRIVE, N., CSAB ROOM 170
MOBILE, ALABAMA 36688-0002
FAX: (251) 460-6369

MEMORANDUM

TO: V. Gordon Moulton
President

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

SUBJECT: *Professors Emeriti* Recommendation

DATE: May 22, 2012

In accordance with the recommendation of the faculty, Chairs of the respective disciplines, and Dean Strada, I recommend that each faculty listed below be granted *professor emeritus* status upon your approval and that of the Board of Trustees.

Michael Harpen, Ph.D., Professor, Radiology
James M. Downey, Ph.D., Professor of Physiology
James C. Parker, Ph.D., Professor of Physiology

RDF/cwc

Approved for
BOT Agenda

RESOLUTION

TUITION, HOUSING AND FEE SCHEDULES, 2012-2013

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

WHEREAS, in the face of the global economic recession that has continued to diminish state revenues, the Alabama Legislature has approved a 2012-2013 education budget that reduces USA's state funding by \$4.1 million, or 4 percent, from last year and \$41.4 million, or 30 percent, from the 2007-2008 fiscal year, and

WHEREAS, USA has faced accumulated reductions in state appropriations of \$194.8 million since the 2007-2008 fiscal year, and

WHEREAS, USA will receive the lowest combined state and federal appropriations, including 2010 and 2011 federal stimulus funding, since the recession began, and

WHEREAS, the University has responded to the recession by implementing numerous cost-cutting measures including aggressive reductions in hiring, even as enrollment has grown substantially, as well as new initiatives to maximize efficiency of the delivery of services, and

WHEREAS, increases in tuition and housing rates are necessary to maintain the standard of quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition and housing rates for 2012-2013, as set forth in the attached schedules, such costs at the University would continue to be among the lowest in effect at peer public doctoral-level research institutions in the state of Alabama,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves the tuition, housing and required student fees for the 2012-2013, as set forth in the attached schedules.

University of South Alabama

Tuition & Fees, 2012-2013

Student Classification	Current*	Proposed	Change
	2011-2012	2012-2013	
Undergraduate In-State	\$246	\$265	\$19
Graduate In-State	\$332	\$358	\$26

Non-resident rate is twice the resident rate.

*This current tuition and fees charge reflects the required student fees combined with the current hourly tuition charge.

Student Classification	Current full academic year tuition plus fees	Proposed full academic year tuition & fees	Change in full academic year tuition
	2011-2012	2012-2013	
Undergraduate In-State	\$7,380	\$7,950	\$570
Graduate In-State	\$7,968	\$8,592	\$624

Note: Based on 30 undergraduate and 24 graduate hours over two semesters per academic year.

Non-resident rate is twice the resident rate.

Web Course per Hour Tuition**

Undergraduate	\$324	\$349	\$25
Graduate	\$395	\$425	\$30

**The current charge for web tuition reflects the required student fees combined with the current hourly tuition charge for an undergraduate and graduate student.

College of Medicine	\$23,650	\$25,471	\$1,821
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2012 - 2013 Proposed Semester Room Rates						
			2011-2012		2012-2013	
			Current		Proposed	
	Residence Hall		Rate		Rate	Difference
BETA						
	Two Bedroom Apartment for Four (4)		\$1,610		\$1,760	\$150
	Two Bedroom Apartment for Two (2)		\$2,400		\$2,520	\$120
	Efficiency Apartment for Two (2)		\$1,800		\$1,950	\$150
	Private Apartment		\$2,400		\$2,520	\$120
GAMMA						
	Large Private Suite		\$2,250		\$2,375	\$125
	Private Suite		\$2,250		\$2,375	\$125
	Two Bedroom Apartment for Two (2)		\$2,400		\$2,520	\$120
	Efficiency Apartment for Two (2)		\$1,800		\$1,950	\$150
	Private Apartment		\$2,400		\$2,520	\$120
DELTA						
	Two (2) Person Suite (D2-5)		\$1,610		\$1,760	\$150
	Single Suite (D2-5)		\$1,800		\$2,100	\$300
	Two (2) Person Efficiency Suite (D6)		\$1,800		\$1,950	\$150
	Private Efficiency Suite (D6)		\$2,250		\$2,375	\$125
	Four (4) Person Suite (D2)		\$1,610		\$1,760	\$150
EPSILON						
	Two (2) Person Suite		\$1,610		\$1,760	\$150
NEW RESHAL						
	Two (2) Person Suite					
STOKES						
	Private Suite		\$2,400		\$2,520	\$120

UNIVERSITY OF SOUTH ALABAMA

VICE PRESIDENT FOR STUDENT AFFAIRS
AND SPECIAL ASSISTANT TO THE PRESIDENT



TELEPHONE: (251) 460-6171
307 UNIVERSITY BLVD, N., RM 130
MOBILE, ALABAMA 36688-0002

TO: Gordon Moulton, President

FROM: John Smith, ^{CA}Vice President for Student Affairs and
Special Assistant to the President

DATE: May 3, 2012

RE: PROPOSED HOUSING RATES 2012-2013

Dr. Chris Vinet has proposed an average increase of 7.3% for student housing room rates for 2012-2013. This increase is needed to fund the debt service for the new residence hall that will be constructed beginning this summer, as well increased operating costs. Even with this increase, our rates still are well below other universities in the state. (see attached chart) Dr. Vinet has recommended that room rates not be increased for summer sessions.

I have discussed this proposal with Dr. Vinet and recommend it to you for approval. Please let me know if I can provide you with additional information.

*Approved for
B&T consideration
VJH
5/10/12*

Housing Comparison Semester Rates

USA (2011-2012)

Double occupancy suite	\$1,610
Private suite	\$1,800-\$2,400
Double occupancy suite with kitchenette	\$1,800
Private suite with kitchenette	\$2,250
Double occupancy apartment	\$2,400
Private apartment	\$2,400

USA (2012-2013 *Proposed increase – 7.5%*)

Double occupancy suite	\$1,760
Private suite	\$1,950 - \$2,520
Double occupancy suite with kitchenette	\$1,950
Private suite with kitchenette	\$2,375
Double occupancy apartment	\$2,520
Private apartment	\$2,520

University of Alabama (2012-2013 Proposed)

Double occupancy room (community bath)	\$2,800
Private room (community bath)	\$3,250
Private apt	\$4,225
Private suite	\$4,875

Auburn University (2012-2013)

Double occupancy (community bath)	\$2,250
Private room (community bath)	\$2,900
Private bedroom suite (2bed/1 bath)	\$3,550

Troy University (2011-2012)

Double occupancy suite	\$1,670
Double Occupancy suite with kitchen	\$1,690
Private suite	\$1,795
Double occupancy apartment	\$2,530

University of Alabama at Birmingham (2012-2013)

Double occupancy suite	\$2,700
Private apartment	\$2,840 - \$3,595

INDEX **JANUARY 31, 2012**

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Financial Report Highlights January 31, 2012

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 four months ended, January 31, 2012 and 2011 are as follows (in thousands):

	At and for the four months ended	
	1-31-12	1-31-11
<i>Total assets</i>		
Current	\$ 184,966	\$ 200,675
Loan	5,024	4,879
Endowment	131,549	128,841
Plant	687,430	655,599
<i>Fund Balances</i>		
Current	\$ 827	\$ 4,670
Loan	493	430
Endowment	102,815	108,152
Plant	318,017	310,750
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 281,887	\$ 293,218
Receivables, primarily patient care	112,104	98,183
Bonds payable	355,222	327,723

	For the four months ended	
	1-31-12	1-31-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 45,825	\$ 42,274
State appropriations	35,130	33,322
Hospital revenues	118,371	105,448
Gifts, grants and contracts	40,973	44,475
Instruction and academic support	45,383	45,893
Research and public service	30,264	28,239
Hospital expenses	122,180	108,878
Net current fund decrease	(4,876)	(6,199)

Financial Analysis

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

Economic Outlook

While enrollment and tuition have increased in recent years, the University has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
JANUARY 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	133,963.84	133,797.02	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	46,666,450.91	56,207,797.29
INVESTMENTS		43,422,081.48	71,360,186.98	DEFERRED REVENUES		65,058,197.75	48,940,731.19
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$54,605,768.94 FOR 2012 AND \$47,811,876.16 FOR 2011)				DUE TO OTHER FUNDS		69,349,718.86	88,395,000.45
DEPOSITS		112,103,502.32	98,183,344.98	OTHER DEPOSITS		515,460.29	137,696.79
INVENTORIES AT COST		35,000.00	35,000.00	FUND BALANCES:		1,083,790.59	545,148.41
PREPAID EXPENSES		3,592,024.38	4,852,983.74	ALLOCATED FOR:			
		21,238,657.64	21,493,727.69	HOSPITALS		(42,891,217.22)	(36,264,896.65)
				AUXILIARY ENTERPRISES		2,485,248.82	1,933,906.92
				ENCUMBRANCES		4,994,227.85	4,098,664.00
				SELF-SUPPORTING ACTIVITIES		45,586,555.47	42,718,872.50
				UNALLOCATED		(12,323,203.66)	(10,653,880.49)
				TOTAL FUND BALANCES		(2,148,388.74)	1,832,666.28
TOTAL UNRESTRICTED		180,525,229.66	196,059,040.41	TOTAL UNRESTRICTED		180,525,229.66	196,059,040.41
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
INVESTMENTS		3,999.33	8,731.27	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		327,169.41	173,332.03
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		4,436,675.40	4,607,297.94	DEFERRED REVENUES		799,154.13	1,051,470.30
				DUE TO OTHER FUNDS		338,873.96	553,904.51
				FUND BALANCES		2,975,477.23	2,837,322.37
TOTAL RESTRICTED		4,440,674.73	4,616,029.21	TOTAL RESTRICTED		4,440,674.73	4,616,029.21
TOTAL CURRENT FUNDS		184,965,904.39	200,675,069.62	TOTAL CURRENT FUNDS		184,965,904.39	200,675,069.62
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,047,386.15	1,515,177.65	REFUNDABLE GOVERNMENT ADVANCES		4,530,636.86	4,449,746.67
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$446,174.34 FOR 2012 AND \$476,477.39 FOR 2011)				FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		493,097.06	429,644.31
TOTAL LOAN FUNDS		3,976,347.77	3,364,213.33	TOTAL FUND BALANCES		493,097.06	429,644.31
		5,023,733.92	4,879,390.98	TOTAL LOAN FUNDS		5,023,733.92	4,879,390.98
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		41,259,700.85	38,350,290.14	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		21,860,600.00	14,175,886.00
INVESTMENTS		79,006,183.12	79,510,933.93	DEFERRED REVENUES		0.00	1,514.00
ACCOUNTS RECEIVABLE		4,554,832.11	6,118,405.70	BONDS PAYABLE		6,874,198.00	6,510,788.00
REAL ESTATE HELD FOR RESALE		3,162,768.00	1,338,429.00	FUND BALANCES:			
PREPAID-LIFE ESTATE		3,565,916.00	3,522,443.00	RESTRICTED NONEXPENDABLE		31,254,927.31	29,788,244.93
				UNRESTRICTED EXPENDABLE		71,559,674.77	78,364,068.84
				TOTAL FUND BALANCES		102,814,602.08	108,152,313.77
TOTAL ENDOWMENT FUNDS		131,549,400.08	128,840,501.77	TOTAL ENDOWMENT FUNDS		131,549,400.08	128,840,501.77
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		63,128,918.90	29,248,175.07	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,754,758.74	809,635.65
INVESTMENTS		50,721,538.65	71,752,619.38	DEFERRED REVENUES		7,410,604.68	16,291,128.52
ACCOUNTS RECEIVABLE		2,804,853.24	2,366,811.65	OTHER DEPOSITS		25,791.63	25,791.63
NOTES RECEIVABLE		0.00	14,519,581.00	BONDS PAYABLE		355,221,926.43	327,723,223.58
DUE FROM OTHER FUNDS		69,688,592.82	88,948,904.96				
PREPAID EXPENSES		4,567,121.92	4,753,809.22				
CAPITAL LEASE RECEIVABLE		638,335.25	1,152,631.53				
INVESTMENT IN PLANT:							
LAND		22,056,047.66	21,996,268.29				
LAND IMPROVEMENTS		11,202,470.54	12,442,739.25				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		301,244,950.80	252,776,666.03				
OTHER EQUIPMENT, BOOKS AND FILMS		57,211,742.43	57,520,852.78				
CONSTRUCTION IN PROGRESS		104,165,863.59	98,120,273.24				
TOTAL PLANT FUNDS		687,430,435.80	655,599,332.40				
TOTAL ASSETS	\$	1,008,969,474.19	989,994,294.77	TOTAL LIABILITIES AND FUND BALANCES	\$	1,008,969,474.19	989,994,294.77

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012

	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	106,568,433.11						
HOSPITALS REVENUES	121,308,931.82						
AUXILIARY ENTERPRISES REVENUES	6,661,645.78						
GRANTS AND CONTRACTS:							
FEDERAL		20,159,173.82					
STATE AND LOCAL		1,400,962.08					
PRIVATE		1,905,630.37					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			1,701.04	2,195,064.61	148,468.69	30,894.28	
INVESTMENT INCOME, GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			46,672.38	1,375,098.55	135,100.01	4,063.24	
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$5,428,610.51 CURRENT FUNDS EXPENDITURES)							17,606,106.06
RETIREMENT OF INDEBTEDNESS							4,250,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							(161,767.76)
OTHER SOURCES		1,734,759.15		3,700.00	668,364.26		
TOTAL REVENUES AND OTHER ADDITIONS	234,539,010.71	25,200,525.42	48,373.42	3,573,863.16	951,932.96	34,957.52	21,694,338.30
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES							
HOSPITALS EXPENDITURES	99,457,318.47	22,856,932.86					
AUXILIARY ENTERPRISES EXPENDITURES	120,126,588.11						
INDIRECT COSTS RECOVERED	4,920,399.14						
REFUNDED TO GRANTORS	1,440,171.77						
RETIREMENT OF INDEBTEDNESS	241,263.80						
ADMINISTRATIVE AND COLLECTION COSTS			2,137.52				
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$1,765,286.27 FOR NON-CAPITALIZED EXPENDITURES)					13,942,781.82		
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							10,756,165.02
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(101,750.00)	98,398.72		80,491.33	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	224,504,305.72	24,538,368.43	(99,612.48)	98,398.72	13,942,781.82	7,046,652.64	10,756,165.02
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(7,607,450.60)						
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(3,835,173.76)						
MOBILE RACING COMMISSION	(9,471.62)				3,835,173.76		
PLANT ADDITIONS AND REPLACEMENTS	(4,057,000.00)				9,471.62		
ENDOWMENT FUND	(703,302.36)				4,057,000.00		
OTHER TRANSFERS	415,380.14	311,534.00		401,239.98	(9,471.62)		
TOTAL TRANSFERS	(15,797,018.20)	(87,082.40)		(280,686.74)	454,278.00	(75,007.98)	(426,881.02)
NET INCREASE (DECREASE) FOR THE PERIOD	(5,762,313.21)	886,608.59	0.00	120,553.24	8,379,615.76	7,553,847.33	(481,449.73)
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	2,088,868.64	147,985.90	3,596,017.68	(4,611,233.10)	542,152.21	10,456,723.55
FUND BALANCES AT JANUARY 31, 2012	(2,148,388.74)	2,975,477.23	345,111.16	95,219,584.40	64,246,266.12	4,634,676.48	242,748,769.06
	\$	\$	\$	\$	\$	\$	\$
	(2,148,388.74)	2,975,477.23	493,097.06	102,814,602.08	59,635,033.02	5,176,828.69	253,205,492.61

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$3,835,173.76 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED JANUARY 31, 2012		JANUARY 31, 2011
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 45,824,783.40	\$	\$ 45,824,783.40
STATE APPROPRIATIONS	32,192,297.36		32,192,297.36
MOBILE RACING COMMISSION	9,471.62		9,471.62
FEDERAL GRANTS AND CONTRACTS	1,217,901.81	18,931,666.15	20,149,567.96
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$76,639.53)	123,472.50	980,071.75	1,103,544.25
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$145,630.43)	18,172,558.12	1,547,550.27	19,720,108.39
INVESTMENT INCOME	150,017.16		150,017.16
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	851,134.12		851,134.12
HOSPITALS - SALES AND SERVICES	118,371,003.82		118,371,003.82 *
- STATE APPROPRIATIONS	2,937,928.00		2,937,928.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	6,661,645.78		6,661,645.78
OTHER SOURCES	8,026,797.02	1,397,644.69	9,424,441.71
TOTAL CURRENT REVENUES	234,539,010.71	22,856,932.86	257,395,943.57
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	36,284,168.47	2,531,669.66	38,815,838.13
RESEARCH	2,999,767.76	3,672,750.77	6,672,518.53
PUBLIC SERVICE	22,041,823.96	1,550,086.57	23,591,910.53
ACADEMIC SUPPORT	6,566,485.24	499.00	6,566,984.24
STUDENT SERVICES	9,897,664.37	253,034.02	10,150,698.39
INSTITUTIONAL SUPPORT	9,330,989.89	398,268.45	9,729,258.34
OPERATION AND MAINTENANCE OF PLANT	8,206,287.16	4,345,688.94	12,551,976.10
SCHOLARSHIPS	4,130,131.62	9,510,085.13	13,640,216.75
EDUCATIONAL AND GENERAL	99,457,318.47	22,462,052.54	121,919,371.01
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	4,479,512.68		4,479,512.68
FINANCIAL AID MATCHING	0.00		0.00
TOTAL EDUCATIONAL AND GENERAL	103,936,831.15	22,462,052.54	126,398,883.69
HOSPITALS (INCLUDING DEBT SERVICE OF 1,658,291.40)	121,784,879.51	394,880.32	122,179,759.83
AUXILIARY ENTERPRISES:			
EXPENDITURES	4,920,399.14		4,920,399.14
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	1,469,646.52		1,469,646.52
NON-MANDATORY TRANSFERS FOR:			
RENEWALS AND REPLACEMENTS	120,000.00		120,000.00
TOTAL AUXILIARIES	6,510,045.66	0.00	6,510,045.66
TOTAL EXPENDITURES AND TRANSFERS	232,231,756.32	22,856,932.86	255,088,689.18
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES			
REFUNDED TO GRANTORS		903,420.79	903,420.79
FUNDED DEPRECIATION		(241,263.80)	(241,263.80)
MOBILE RACING COMMISSION	(3,835,173.76)		(3,835,173.76) *
PLANT ADDITIONS AND REPLACEMENTS	(9,471.62)		(9,471.62)
ENDOWMENT FUND	(3,937,000.00)		(3,937,000.00)
OTHER TRANSFERS	(703,302.36)	311,534.00	(391,768.36)
TOTAL TRANSFERS	(8,069,567.60)	886,608.59	(7,182,959.01)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (5,762,313.21)	\$ 886,608.59	\$ (4,875,704.62)
			\$

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$3,835,173.76 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.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

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 FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>01/31/12</u>	<u>01/31/11</u>
BOOKSTORE	\$ 3,175,346.53	\$ 2,924,760.43	\$ (78,844.00)	\$ 171,742.10	\$ 268,141.46
BROOKLEY CENTER	0.00	24,532.00	0.00	(24,532.00)	(455,263.05)
FOOD SERVICES-CAMPUS	341,276.51	83,650.42	(345,342.52)	(87,716.43)	15,473.52
HOUSING	<u>3,145,022.74</u>	<u>1,887,456.29</u>	<u>(1,165,460.00)</u>	<u>92,106.45</u>	<u>125,946.14</u>
TOTAL	<u>\$ 6,661,645.78</u>	<u>\$ 4,920,399.14</u>	<u>\$ (1,589,646.52)</u>	<u>\$ 151,600.12</u>	<u>\$ (45,701.93)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	01/31/12	01/31/11
REVENUES:		
SALES	\$ 3,137,485.67	\$ 3,087,397.39
LESS: DEPARTMENTAL DISCOUNTS	2,048.58	1,758.96
COST OF GOODS SOLD	2,297,443.45	2,245,406.31
GROSS PROFIT	837,993.64	840,232.12
CASH OVER/(SHORT)	(1,265.71)	(33.78)
GRADUATION (NET)	21,370.15	9,958.50
BAD DEBT RECOVERY	0.00	0.00
OTHER	17,756.42	16,881.45
NET REVENUES:	875,854.50	867,038.29
EXPENDITURES:		
SALARIES	271,547.62	264,052.97
EMPLOYEE BENEFITS	87,422.92	88,619.30
SUPPLIES	8,506.01	6,864.39
TRAVEL	2,932.32	446.00
EQUIPMENT	7,712.28	2,129.87
EQUIPMENT MAINTENANCE AND REPAIR	30,929.72	26,559.64
BUILDING & EQUIPMENT RENTAL	11,036.51	12,587.75
ADVERTISING	13,585.02	9,303.56
UTILITIES	25,000.00	25,000.00
TELEPHONE	11,740.64	3,344.01
INSURANCE AND BONDS	1,801.00	0.00
CONTRACT SERVICES	49,402.33	35,868.57
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	0.00
OBSOLETE INVENTORY	0.00	0.00
GENERAL EXPENSES	10,609.03	14,200.85
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	14,958.68	12,084.60
INSTITUTIONAL COST ALLOCATION	78,084.32	97,835.32
TOTAL EXPENDITURES	625,268.40	598,896.83
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(78,844.00)	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	(78,844.00)	0.00
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 171,742.10	\$ 268,141.46

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
EXPENDITURES:					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	24,293.00	0.00	0.00	239.00	239.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	24,293.00	0.00	0.00	239.00	239.00
EXCESS REVENUES OVER EXPENDITURES	(24,293.00)	0.00	0.00	(239.00)	(239.00)
OTHER EXPENDITURES:					
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
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	\$ (24,293.00)	\$ 0.00	\$ 0.00	\$ (239.00)	\$ (239.00)
EXPENDITURES (DEFICIT)					

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 01/31/12	BROOKLEY CENTER TOTAL 01/31/11
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	220.90
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	4,784.73
FEES	0.00	0.00	0.00	0.00	0.00	202,984.63
RENTALS	0.00	0.00	0.00	0.00	0.00	21,229.00
OTHER	0.00	0.00	0.00	0.00	0.00	17,050.67
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	16,668.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	262,717.03
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	209,807.77
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	60,394.61
SUPPLIES	0.00	0.00	0.00	0.00	0.00	8,203.02
TRAVEL	0.00	0.00	0.00	0.00	0.00	342.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	79,616.08
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	4,253.81
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	219,472.05
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	4,907.97
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,033.23
TELEPHONE	0.00	0.00	0.00	0.00	0.00	5,280.17
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	24,532.00	480.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	879.33
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	0.00	15,336.27
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	24,532.00	717,428.83
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	(24,532.00)	(454,711.80)
OTHER EXPENDITURES:						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
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	551.25
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	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	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (24,532.00)	\$ (455,263.05)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	<u>01/31/12</u>	<u>01/31/11</u>
REVENUES:		
COMMISSION INCOME	\$ <u>341,276.51</u>	\$ <u>243,415.45</u>
TOTAL REVENUES	<u>341,276.51</u>	<u>243,415.45</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	84.53	18.48
EQUIPMENT MAINTENANCE AND REPAIR	9,747.29	9,735.43
UTILITIES	41,666.68	33,333.32
TELEPHONE	332.38	(4.96)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	9,767.00	4,804.38
INSURANCE AND BONDS	9,537.00	0.00
EQUIPMENT	0.00	2,795.87
BUILDING MAINTENANCE AND REPAIR	755.00	1,142.00
INDIRECT COST	8,333.32	8,333.32
GENERAL EXPENSE	<u>3,427.22</u>	<u>3,132.09</u>
TOTAL EXPENDITURES	<u>83,650.42</u>	<u>63,289.93</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(225,342.52)	(164,652.00)
NON-MANDATORY:		
OTHER TRANSFERS	<u>(120,000.00)</u>	
TOTAL TRANSFERS	<u>(345,342.52)</u>	<u>(164,652.00)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	\$ <u>(87,716.43)</u>	\$ <u>15,473.52</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING	GAMMA DORMS
REVENUES:								
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 50,675.00	\$ 580.00	\$ 620,204.07	\$ 16,307.10	\$ 150,122.53	\$ 468,531.60
BAD DEBT RECOVERY	650.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	35,775.00	0.00	0.00	0.00	9,558.74	600.00	46,288.50	4,370.00
TOTAL REVENUES	<u>36,425.00</u>	<u>0.00</u>	<u>50,675.00</u>	<u>580.00</u>	<u>629,762.81</u>	<u>16,907.10</u>	<u>196,411.03</u>	<u>472,901.60</u>
EXPENDITURES:								
SALARIES	119,514.86	0.00	0.00	116.00	44,769.66	0.00	33,100.70	46,947.84
EMPLOYEE BENEFITS	35,321.27	0.00	0.00	0.00	1,882.30	0.00	0.00	6,393.86
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	804.01
CONTRACT SERVICES	228.82	0.00	34,527.00	0.00	0.00	0.00	0.00	0.00
TRAVEL	0.00	910.80	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,142.63	498.52	0.00	0.00	283.50	0.00	0.00	0.00
SUPPLIES	9,001.11	2,378.65	0.00	0.00	15,627.92	(157.92)	247.43	0.00
CABLE	68,591.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	409.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	96.50	19.76
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	(118.50)	448.38	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	9,059.00	786.00	6,310.00	9,409.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	415.10	872.01	0.00	0.00	0.00	0.00	0.00	6,961.70
EQUIPMENT MAINTENANCE AND REPAIR	549.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	36,753.44	3,623.79	0.00	0.00	47,919.95	228.14	42,254.80	63,722.35
ADMINISTRATIVE OVERHEAD	144,141.00	0.00	0.00	0.00	81,038.00	0.00	27,233.00	154,770.52
ADMINISTRATIVE EXPENSES	(379,643.16)	(8,283.77)	12,413.66	0.00	59,352.82	0.00	31,422.08	64,007.94
TOTAL EXPENDITURES	<u>36,425.00</u>	<u>0.00</u>	<u>46,940.66</u>	<u>116.00</u>	<u>259,933.15</u>	<u>737.72</u>	<u>141,112.89</u>	<u>353,036.98</u>
TRANSFERS AMONG FUNDS -								
ADDITIONS/(DEDUCTIONS):								
MANDATORY:								
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(616,016.00)	0.00	(153,520.00)	(76,576.00)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(616,016.00)</u>	<u>0.00</u>	<u>(153,520.00)</u>	<u>(76,576.00)</u>
NON-MANDATORY:								
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	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>	<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>(616,016.00)</u>	<u>0.00</u>	<u>(153,520.00)</u>	<u>(76,576.00)</u>
EXCESS REVENUES OVER EXPENDITURES								
AND TRANSFERS (DEFICIT)	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 3,734.34</u>	<u>\$ 464.00</u>	<u>\$ (246,186.34)</u>	<u>\$ 16,169.38</u>	<u>\$ (98,221.86)</u>	<u>\$ 43,288.62</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 01/31/12	TOTAL HOUSING 01/31/11
REVENUES:					
RENTAL INCOME	\$ 252,807.46	\$ 1,089,345.20	\$ 376,982.41	\$ 3,025,555.37	\$ 2,226,860.23
BAD DEBT RECOVERY	0.00	0.00	0.00	650.00	611.96
OTHER	5,064.00	11,934.13	5,227.00	118,817.37	58,047.53
TOTAL REVENUES	257,871.46	1,101,279.33	382,209.41	3,145,022.74	2,285,519.72
EXPENDITURES:					
SALARIES	21,966.33	89,171.64	44,339.46	399,926.49	333,734.72
EMPLOYEE BENEFITS	0.00	9,060.91	1,648.47	54,296.81	61,100.34
CONTRACT LABOR	0.00	2,071.70	4,534.00	7,409.71	3,492.96
CONTRACT SERVICES	0.00	0.00	100.00	34,855.82	39,792.89
TRAVEL	0.00	0.00	0.00	910.80	14.50
RECEPTIONS	0.00	0.00	0.00	1,924.65	1,549.44
SUPPLIES	0.00	583.74	0.00	27,680.93	98,691.64
CABLE	0.00	0.00	0.00	68,591.32	66,713.56
TELEPHONE	92.49	240.82	157.22	1,016.40	88,125.10
UTILITIES	0.00	0.00	0.00	329.88	2,560.71
INSURANCE AND BONDS	4,530.00	16,017.00	5,726.00	51,837.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	0.00	0.00	0.00	7,833.71	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	415.10	407.19
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	549.00	0.00
GROUNDS MAINTENANCE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	36,446.37	154,725.99	66,970.28	452,645.11	199,261.77
ADMINISTRATIVE OVERHEAD	73,066.00	222,675.52	74,309.52	777,233.56	705,073.56
ADMINISTRATIVE EXPENSES	36,077.20	138,489.91	46,163.32	0.00	0.00
TOTAL EXPENDITURES	172,178.39	633,027.23	243,948.27	1,887,456.29	1,600,376.38
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(22,880.00)	(172,172.00)	(124,296.00)	(1,165,460.00)	(559,197.20)
TOTAL MANDATORY TRANSFERS	(22,880.00)	(172,172.00)	(124,296.00)	(1,165,460.00)	(559,197.20)
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	(22,880.00)	(172,172.00)	(124,296.00)	(1,165,460.00)	(559,197.20)
EXCESS REVENUES OVER EXPENDITURES					
AND TRANSFERS (DEFICIT)	\$ 62,813.07	\$ 296,080.10	\$ 13,965.14	\$ 92,106.45	\$ 125,946.14

I N D E X **FEBRUARY 29, 2012**

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Financial Report Highlights February 29, 2012

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 five months ended, February 29, 2012 and February 28, 2011 are as follows (in thousands):

	At and for the five months ended	
	2-29-12	2-28-11
<i>Total assets</i>		
Current	\$ 178,532	\$ 201,002
Loan	5,031	4,921
Endowment	134,897	130,064
Plant	688,702	662,758
<i>Fund Balances</i>		
Current	\$ 2,273	\$ 3,834
Loan	498	471
Endowment	106,162	109,376
Plant	318,989	318,304
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 271,736	\$ 287,534
Net receivable, primarily patient care	108,926	88,536
Bonds payable	361,298	327,638

	For the five months ended	
	2-29-12	2-28-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 54,915	\$ 50,622
State appropriations	44,038	40,395
Hospital revenues	145,319	124,841
Gifts, grants and contracts	49,592	53,794
Instruction and academic support	58,140	58,224
Research and public service	35,077	34,801
Hospital expenses	149,784	128,021
Net current fund decrease	\$ (3,430)	\$ (7,835)

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 has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
FEBRUARY 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	134,293.31	133,964.58	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	45,322,008.84	52,556,128.15
INVESTMENTS		38,279,002.01	81,384,055.62	DEFERRED REVENUES		53,815,103.15	38,238,792.18
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE				DUE TO OTHER FUNDS		73,669,850.01	103,692,181.06
FOR DOUBTFUL ACCOUNTS OF \$54,717,041.15				DEPOSITS HELD IN CUSTODY		630,426.69	471,839.61
FOR 2012 AND \$47,674,222.02 FOR 2011)				OTHER DEPOSITS		796,999.71	586,013.44
DEPOSITS		108,926,361.36	88,536,247.66	FUND BALANCES:			
INVENTORIES AT COST		35,000.00	35,000.00	ALLOCATED FOR:			
PREPAID EXPENSES		5,199,017.36	4,990,179.43	HOSPITALS	(44,020,389.61)		(36,608,814.98)
		21,063,506.60	21,576,577.62	AUXILIARY ENTERPRISES	2,483,803.33		1,830,889.45
				ENCUMBRANCES	4,817,014.51		4,828,358.48
				SELF-SUPPORTING ACTIVITIES	49,262,973.87		42,427,289.58
				UNALLOCATED	(13,140,609.86)		(11,366,652.06)
				TOTAL FUND BALANCES	(597,207.76)		1,111,070.47
				TOTAL UNRESTRICTED	173,637,180.64		196,656,024.91
TOTAL UNRESTRICTED		173,637,180.64	196,656,024.91				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
INVESTMENTS		3,999.33	8,731.27	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		23,577.64	105,909.36
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		4,890,774.85	4,337,215.46	DEFERRED REVENUES		848,647.10	1,072,892.31
				DUE TO OTHER FUNDS		1,152,791.13	443,769.86
				FUND BALANCES		2,869,758.31	2,723,375.20
				TOTAL RESTRICTED	4,894,774.18		4,345,946.73
TOTAL RESTRICTED		4,894,774.18	4,345,946.73	TOTAL CURRENT FUNDS	178,531,954.82		201,001,971.64
TOTAL CURRENT FUNDS		178,531,954.82	201,001,971.64				
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,119,925.15	1,647,719.32	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		1,882.48	0.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR				REFUNDABLE GOVERNMENT ADVANCES		4,530,636.86	4,449,746.67
DOUBTFUL ACCOUNTS OF \$446,174.34 FOR				FUND BALANCES:			
2012 AND \$476,477.39 FOR 2011)				UNIVERSITY FUNDS, UNRESTRICTED	498,255.65		471,445.79
				TOTAL FUND BALANCES	498,255.65		471,445.79
				TOTAL LOAN FUNDS	5,030,774.99		4,921,192.46
TOTAL LOAN FUNDS		5,030,774.99	4,921,192.46				
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		41,615,446.93	39,731,519.38	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		21,860,600.00	14,177,400.00
INVESTMENTS		81,997,619.64	80,353,326.54	BONDS PAYABLE		6,874,198.00	6,510,788.00
ACCOUNTS RECEIVABLE		4,554,832.11	5,118,405.70	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	1,338,429.00	RESTRICTED NONEXPENDABLE	31,254,927.31		29,788,244.93
PREPAID-LIFE ESTATE		3,565,916.00	3,522,443.00	UNRESTRICTED EXPENDABLE	74,906,857.37		79,587,690.69
				TOTAL FUND BALANCES	106,161,784.68		109,375,935.62
				TOTAL ENDOWMENT FUNDS	134,896,582.68		130,064,123.62
TOTAL ENDOWMENT FUNDS		134,896,582.68	130,064,123.62				
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		51,676,366.31	11,148,039.87	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		982,271.60	499,045.44
INVESTMENTS		53,746,530.43	71,786,141.20	DEFERRED REVENUES		7,407,435.73	16,291,033.01
ACCOUNTS RECEIVABLE		2,804,853.24	2,366,811.65	OTHER DEPOSITS		25,791.63	25,791.63
NOTES RECEIVABLE		0.00	14,519,581.00	BONDS PAYABLE	361,298,225.16		327,637,620.49
DUE FROM OTHER FUNDS		74,822,641.14	104,935,950.92				
PREPAID EXPENSES		4,567,121.92	4,700,871.76				
CAPITAL LEASE RECEIVABLE		595,443.86	1,110,006.95				
INVESTMENT IN PLANT:							
LAND		22,056,047.66	21,996,268.29				
LAND IMPROVEMENTS		11,074,932.61	12,337,516.56				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		300,158,147.70	251,872,144.75				
OTHER EQUIPMENT, BOOKS AND FILMS		56,012,409.25	58,661,006.47				
CONSTRUCTION IN PROGRESS		111,187,855.56	107,321,642.00				
TOTAL PLANT FUNDS		688,702,349.68	662,757,982.02				
TOTAL ASSETS	\$	1,007,161,562.17	\$	998,745,269.74			

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012

	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	130,941,763.95						
HOSPITALS REVENUES	148,991,262.22						
AUXILIARY ENTERPRISES REVENUES	7,689,308.06						
GRANTS AND CONTRACTS:							
FEDERAL		24,168,406.47					
STATE AND LOCAL		1,577,711.64					
PRIVATE		2,198,524.45					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			2,049.39	5,207,405.07	170,720.91	38,187.50	
INVESTMENT INCOME,GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			56,597.60	1,447,030.82	138,008.35	5,422.61	
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$7,380,061.25 CURRENT FUNDS EXPENDITURES)							24,850,893.37
RETIREMENT OF INDEBTEDNESS							4,250,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		1,641,318.15		3,700.00	785,017.33		(202,209.70)
TOTAL REVENUES AND OTHER ADDITIONS	287,622,334.23	29,585,960.71	58,646.99	6,658,135.89	1,093,746.59	43,610.11	28,898,683.67
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	121,639,639.80	27,294,533.49					
HOSPITALS EXPENDITURES	147,307,905.87						
AUXILIARY ENTERPRISES EXPENDITURES	5,582,095.28						
INDIRECT COSTS RECOVERED		1,805,767.97					
REFUNDED TO GRANTORS		166,250.18					
RETIREMENT OF INDEBTEDNESS							
ADMINISTRATIVE AND COLLECTION COSTS			7,252.50				
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$1,225,888.94 FOR NON-CAPITALIZED EXPENDITURES)					18,696,721.06		13,392,634.57
INTEREST ON INDEBTEDNESS						2,769,098.77	
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(101,750.00)	98,398.72		27,553.87	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	274,529,640.95	29,266,551.64	(94,497.50)	98,398.72	18,696,721.06	7,046,652.64	13,392,634.57
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(9,617,840.55)				41,455.00	9,630,954.26	(54,568.71)
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(4,793,967.20)						
MOBILE RACING COMMISSION	(20,359.90)				4,793,967.20		
PLANT ADDITIONS AND REPLACEMENTS	(4,067,000.00)				20,359.90		
ENDOWMENT FUND					4,067,000.00		
OTHER TRANSFERS	2,150,666.09	311,534.00		664,149.85	(20,359.90)		
TOTAL TRANSFERS	(17,303,825.51)	149,946.60		(280,686.74)	(1,518,036.95)	(75,007.98)	(425,881.02)
NET INCREASE (DECREASE) FOR THE PERIOD	(4,211,132.23)	461,480.60	0.00	383,463.11	7,384,385.25	9,555,946.28	(481,449.73)
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	780,889.67	153,144.49	6,943,200.28	(10,218,589.22)	2,552,903.75	15,024,599.37
FUND BALANCES AT FEBRUARY 29, 2012	\$ (597,207.76)	\$ 2,088,868.64	\$ 345,111.16	\$ 99,218,584.40	\$ 64,246,266.12	\$ 4,634,676.48	\$ 242,748,769.06
		\$ 2,869,758.31	\$ 498,255.65	\$ 106,161,784.68	\$ 54,027,676.90	\$ 7,187,580.23	\$ 257,773,368.43

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,793,967.20 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED FEBRUARY 29, 2012			FEBRUARY 28, 2011	
	UNRESTRICTED	RESTRICTED	TOTAL	2011	
REVENUES:					
TUITION AND FEES	\$ 54,914,863.59	\$	\$ 54,914,863.59	\$	50,622,063.20
STATE APPROPRIATIONS	40,365,371.70		40,365,371.70		36,922,001.68
MOBILE RACING COMMISSION	20,359.90		20,359.90		20,504.48
FEDERAL GRANTS AND CONTRACTS	1,531,952.65	22,637,032.95	24,168,985.60		27,836,887.00
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$92,473.04)	154,920.43	1,212,981.86	1,367,902.29		2,267,156.74
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$181,342.28)	22,259,126.49	1,796,008.04	24,055,134.53		23,690,280.23
INVESTMENT INCOME	146,498.12		146,498.12		(1,312.03)
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,429,275.17		1,429,275.17		1,298,103.77
HOSPITALS - SALES AND SERVICES	145,318,852.22		145,318,852.22 *		124,840,770.12
- STATE APPROPRIATIONS	3,672,410.00		3,672,410.00		3,473,338.75
AUXILIARY ENTERPRISES - SALES AND SERVICES	7,689,308.06		7,689,308.06		6,710,628.82
OTHER SOURCES	10,119,395.90	1,648,510.64	11,767,906.54		10,385,418.16
TOTAL CURRENT REVENUES	287,622,334.23	27,294,533.49	314,916,867.72		288,065,840.92
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	46,806,739.01	3,188,014.48	49,994,753.49		49,902,167.28
RESEARCH	3,812,063.02	4,526,865.15	8,338,928.17		8,818,747.92
PUBLIC SERVICE	24,978,900.50	1,759,652.29	26,738,552.79		25,982,275.43
ACADEMIC SUPPORT	8,144,454.77	499.00	8,144,953.77		8,322,049.44
STUDENT SERVICES	12,042,200.65	306,051.70	12,348,252.35		11,040,263.92
INSTITUTIONAL SUPPORT	11,394,591.15	799,838.85	12,194,430.00		11,497,026.76
OPERATION AND MAINTENANCE OF PLANT	9,674,815.46	6,475,600.49	16,150,415.95		15,170,654.93
SCHOLARSHIPS	4,785,875.24	9,843,131.21	14,629,006.45		13,925,064.98
EDUCATIONAL AND GENERAL	121,639,639.80	26,899,653.17	148,539,292.97		144,658,250.66
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	5,699,308.02		5,699,308.02		5,880,209.51
FINANCIAL AID MATCHING	0.00		0.00		93,623.33
TOTAL EDUCATIONAL AND GENERAL	127,338,947.82	26,899,653.17	154,238,600.99		150,632,083.50
HOSPITALS (INCLUDING DEBT SERVICE OF 2,081,474.38)	149,389,380.25	394,880.32	149,784,260.57		128,020,798.15
AUXILIARY ENTERPRISES:					
EXPENDITURES					
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	5,582,095.28		5,582,095.28		5,881,113.53
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	1,837,058.15		1,837,058.15		978,234.69
TOTAL AUXILIARIES	120,000.00	0.00	120,000.00		0.00
TOTAL EXPENDITURES AND TRANSFERS	7,539,153.43	27,294,533.49	311,562,014.99		6,859,348.22
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES					
REFUNDED TO GRANTORS		485,659.25	485,659.25		490,322.45
FUNDED DEPRECIATION		(166,250.18)	(166,250.18)		(2,994.93)
MOBILE RACING COMMISSION		(4,793,967.20)	(4,793,967.20) *		(6,363,008.19)
PLANT ADDITIONS AND REPLACEMENTS		(20,359.90)	(20,359.90)		(20,504.48)
ENDOWMENT FUND		(3,947,000.00)	(3,947,000.00)		(3,950,000.00)
OTHER TRANSFERS		311,534.00	311,534.00		(684,190.96)
TOTAL TRANSFERS		2,150,666.09	2,300,612.69		141,779.09
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (4,211,132.23)	\$ 780,889.67	\$ (3,430,242.56)	\$	(7,834,985.97)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,793,967.20 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.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

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 FOUR MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>02/29/12</u>	<u>02/28/11</u>
BOOKSTORE	\$ 3,367,241.78	\$ 3,252,263.07	\$ (98,555.00)	\$ 16,423.71	\$ 167,652.10
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(513,591.65)
FOOD SERVICES-CAMPUS	408,090.57	114,961.61	(401,678.15)	(108,549.19)	(40,118.71)
HOUSING	3,913,975.71	2,214,870.60	(1,456,825.00)	242,280.11	237,338.86
TOTAL	<u>\$ 7,689,308.06</u>	<u>\$ 5,582,095.28</u>	<u>\$ (1,957,058.15)</u>	<u>\$ 150,154.63</u>	<u>\$ (148,719.40)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	02/29/12	02/28/11
REVENUES:		
SALES	\$ 3,328,586.09	\$ 3,251,677.01
LESS: DEPARTMENTAL DISCOUNTS	2,171.01	2,191.67
COST OF GOODS SOLD	2,474,601.23	2,375,459.03
GROSS PROFIT	851,813.85	874,026.31
CASH OVER/(SHORT)	(1,409.61)	(44.57)
GRADUATION (NET)	21,370.15	12,148.50
BAD DEBT RECOVERY	0.00	0.00
OTHER	18,695.15	18,193.32
NET REVENUES:	<u>890,469.54</u>	<u>904,323.56</u>
EXPENDITURES:		
SALARIES	331,694.55	317,632.56
EMPLOYEE BENEFITS	105,901.70	108,336.42
SUPPLIES	9,172.05	6,441.45
TRAVEL	5,931.94	633.90
EQUIPMENT	8,491.24	3,236.72
EQUIPMENT MAINTENANCE AND REPAIR	31,197.89	27,914.64
BUILDING & EQUIPMENT RENTAL	12,680.52	13,184.69
ADVERTISING	14,608.93	18,563.67
UTILITIES	31,250.00	31,250.00
TELEPHONE	12,336.28	5,419.49
INSURANCE AND BONDS	3,997.00	0.00
CONTRACT SERVICES	79,302.29	55,793.41
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	0.00
OBSOLETE INVENTORY	271.28	0.00
GENERAL EXPENSES	15,116.78	13,684.02
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	15,932.98	12,286.34
INSTITUTIONAL COST ALLOCATION	97,605.40	122,294.15
TOTAL EXPENDITURES	<u>775,490.83</u>	<u>736,671.46</u>
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		0.00
PRINCIPAL AND INTEREST	(98,555.00)	
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(98,555.00)</u>	<u>0.00</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 16,423.71</u>	<u>\$ 167,652.10</u>

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
EXPENDITURES:					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	(239.00)	0.00	0.00	239.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	(239.00)	0.00	0.00	239.00	0.00
EXCESS REVENUES OVER EXPENDITURES	239.00	0.00	0.00	(239.00)	(239.00)
OTHER EXPENDITURES:					
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
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	\$ 239.00	\$ 0.00	\$ 0.00	\$ (239.00)	\$ (239.00)
EXPENDITURES (DEFICIT)					

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 02/29/12	BROOKLEY CENTER TOTAL 02/28/11
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	2,100.43
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	2,905.20
FEES	0.00	0.00	0.00	0.00	0.00	192,672.58
RENTALS	0.00	0.00	0.00	0.00	0.00	23,562.00
OTHER	0.00	0.00	0.00	0.00	0.00	16,982.27
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	20,835.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	256,967.05
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	212,603.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	60,079.87
SUPPLIES	0.00	0.00	0.00	0.00	0.00	1,328.56
TRAVEL	0.00	0.00	0.00	0.00	0.00	418.25
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	83,658.58
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	6,401.81
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	260,630.53
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	4,907.97
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,033.23
TELEPHONE	0.00	0.00	0.00	0.00	0.00	6,154.68
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	480.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	879.33
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	0.00	24,008.67
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	0.00	770,007.45
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	(513,040.40)
OTHER EXPENDITURES:						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
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	551.25
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	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	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (513,591.65)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	<u>02/29/12</u>	<u>02/28/11</u>
REVENUES:		
COMMISSION INCOME	\$ 408,090.57	\$ 317,338.44
TOTAL REVENUES	<u>408,090.57</u>	<u>317,338.44</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	78.24	84.31
EQUIPMENT MAINTENANCE AND REPAIR	20,839.60	11,102.35
UTILITIES	52,083.35	41,666.65
TELEPHONE	336.32	(8.80)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	12,778.25	4,949.38
INSURANCE AND BONDS	9,537.00	0.00
EQUIPMENT	1,159.98	2,795.87
BUILDING MAINTENANCE AND REPAIR	2,905.00	1,499.50
INDIRECT COST	10,416.65	10,416.65
GENERAL EXPENSE	<u>4,827.22</u>	<u>3,271.61</u>
TOTAL EXPENDITURES	<u>114,961.61</u>	<u>75,777.52</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(281,678.15)	(281,679.63)
NON-MANDATORY:		
OTHER TRANSFERS	<u>(120,000.00)</u>	
TOTAL TRANSFERS	<u>(401,678.15)</u>	<u>(281,679.63)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ (108,549.19)</u>	<u>\$ (40,118.71)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 126,275.00	\$ 580.00	\$ 760,873.72	\$ 20,212.10	\$ 195,010.37
BAD DEBT RECOVERY	2,090.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	37,875.00	0.00	0.00	0.00	8,343.74	750.00	58,167.50
TOTAL REVENUES	<u>39,965.00</u>	<u>0.00</u>	<u>126,275.00</u>	<u>580.00</u>	<u>769,217.46</u>	<u>20,962.10</u>	<u>253,177.87</u>
EXPENDITURES:							
SALARIES	147,472.78	0.00	0.00	116.00	50,909.20	0.00	33,160.51
EMPLOYEE BENEFITS	43,173.71	0.00	0.00	0.00	2,518.12	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	379.57	0.00	34,527.00	0.00	0.00	0.00	0.00
TRAVEL	445.10	910.80	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,142.63	680.11	0.00	0.00	283.50	0.00	0.00
SUPPLIES	9,696.07	2,443.65	0.00	0.00	16,027.14	(157.92)	247.43
CABLE	86,618.36	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	450.35	0.00	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	120.88
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	0.00	(118.50)	611.24
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	786.00	6,310.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	872.01	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	574.18	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	634.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	44,075.20	4,098.89	0.00	0.00	48,829.95	264.68	46,163.80
ADMINISTRATIVE OVERHEAD	180,176.25	0.00	0.00	0.00	101,297.50	0.00	34,041.25
ADMINISTRATIVE EXPENSES	(475,605.20)	(9,005.46)	15,507.54	0.00	74,145.43	0.00	39,253.46
TOTAL EXPENDITURES	<u>39,965.00</u>	<u>0.00</u>	<u>50,034.54</u>	<u>116.00</u>	<u>303,069.84</u>	<u>774.26</u>	<u>159,908.57</u>
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(770,020.00)	0.00	(191,900.00)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(770,020.00)</u>	<u>0.00</u>	<u>(191,900.00)</u>
NON-MANDATORY:							
OTHER NON-MANDATORY TRANSFERS	0.00	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>	<u>0.00</u>
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(770,020.00)</u>	<u>0.00</u>	<u>(191,900.00)</u>
EXCESS REVENUES OVER EXPENDITURES							
AND TRANSFERS (DEFICIT)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 76,240.46</u>	<u>\$ 464.00</u>	<u>\$ (303,872.38)</u>	<u>\$ 20,187.84</u>	<u>\$ (98,630.70)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2012
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 02/29/12	TOTAL HOUSING 02/28/11
REVENUES:						
RENTAL INCOME	\$ 573,710.77	\$ 314,681.94	\$ 1,324,923.34	\$ 463,183.10	\$ 3,779,450.34	\$ 2,773,614.28
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	2,090.00	1,606.96
OTHER	3,774.00	5,279.00	12,792.13	5,454.00	132,435.37	77,027.40
TOTAL REVENUES	<u>577,484.77</u>	<u>319,960.94</u>	<u>1,337,715.47</u>	<u>468,637.10</u>	<u>3,913,975.71</u>	<u>2,852,248.64</u>
EXPENDITURES:						
SALARIES	51,830.41	21,966.33	100,767.94	47,374.31	453,597.48	373,287.74
EMPLOYEE BENEFITS	7,906.79	0.00	11,238.33	1,888.50	66,725.45	73,336.61
CONTRACT LABOR	804.01	0.00	2,071.70	4,534.00	7,409.71	3,492.96
CONTRACT SERVICES	0.00	0.00	0.00	100.00	35,006.57	39,947.89
TRAVEL	0.00	0.00	0.00	0.00	1,355.90	14.50
RECEPTIONS	0.00	0.00	0.00	0.00	2,106.24	4,960.94
SUPPLIES	0.00	0.00	655.74	150.70	29,062.81	103,068.54
CABLE	0.00	0.00	0.00	0.00	86,618.36	79,840.93
TELEPHONE	30.56	115.86	306.42	196.19	1,220.26	102,661.73
UTILITIES	0.00	0.00	0.00	0.00	492.74	3,518.50
INSURANCE AND BONDS	9,409.00	4,530.00	16,017.00	5,726.00	52,569.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	6,961.70	0.00	0.00	0.00	7,833.71	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	574.18	482.19
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	634.00	0.00
GENERAL EXPENSES	71,533.35	41,106.57	169,048.99	73,000.81	498,122.24	252,542.24
ADMINISTRATIVE OVERHEAD	193,463.15	91,332.50	278,344.40	92,886.90	971,541.95	881,341.95
ADMINISTRATIVE EXPENSES	79,960.76	45,068.79	173,006.00	57,668.68	0.00	0.00
TOTAL EXPENDITURES	<u>421,899.73</u>	<u>204,120.05</u>	<u>751,456.52</u>	<u>283,526.09</u>	<u>2,214,870.60</u>	<u>1,918,354.72</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(95,720.00)	(28,600.00)	(215,215.00)	(155,370.00)	(1,456,825.00)	(696,555.06)
TOTAL MANDATORY TRANSFERS	<u>(95,720.00)</u>	<u>(28,600.00)</u>	<u>(215,215.00)</u>	<u>(155,370.00)</u>	<u>(1,456,825.00)</u>	<u>(696,555.06)</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>(95,720.00)</u>	<u>(28,600.00)</u>	<u>(215,215.00)</u>	<u>(155,370.00)</u>	<u>(1,456,825.00)</u>	<u>(696,555.06)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 59,865.04	\$ 87,240.89	\$ 371,043.95	\$ 29,741.01	\$ 242,280.11	\$ 237,338.86
AND TRANSFERS (DEFICIT)						

I N D E X **MARCH 31, 2012**

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Financial Report Highlights March 31, 2012

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 six months ended, March 31, 2012 and 2011 are as follows (in thousands):

	At and for the six months ended	
	3-31-12	3-31-11
<i>Total assets</i>		
Current	\$ 169,548	\$ 201,389
Loan	5,044	5,031
Endowment	137,914	131,545
Plant	691,690	656,504
<i>Fund Balances</i>		
Current	\$ 2,121	\$ 4,683
Loan	513	582
Endowment	107,884	109,917
Plant	318,784	309,328
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 264,566	\$ 267,645
Receivables, primarily patient care	107,416	91,401
Bonds payable	355,054	327,341

	For the six months ended	
	3-31-12	3-31-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 64,146	\$ 59,073
State appropriations	52,845	48,474
Hospital revenues	171,806	147,760
Gifts, grants and contracts	56,219	63,695
Instruction and academic support	70,281	70,132
Research and public service	40,624	41,366
Hospital expenses	177,352	153,670
Net current fund decrease	(3,581)	(6,186)

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 has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
MARCH 2012 AND 2011

ASSETS		LIABILITIES AND FUND BALANCES	
CURRENT FUNDS:		CURRENT FUNDS:	
UNRESTRICTED:		UNRESTRICTED:	
CASH AND CASH EQUIVALENTS	\$	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$
INVESTMENTS		DEFERRED REVENUES	
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE		DUE TO OTHER FUNDS	
FOR DOUBTFUL ACCOUNTS OF \$54,166,864.97		DEPOSITS HELD IN CUSTODY	
FOR 2012 AND \$48,497,219.99 FOR 2011)		OTHER DEPOSITS	
DEPOSITS		FUND BALANCES:	
INVENTORIES AT COST		ALLOCATED FOR:	
PREPAID EXPENSES		HOSPITALS	
		AUXILIARY ENTERPRISES	
		ENCUMBRANCES	
		SELF-SUPPORTING ACTIVITIES	
		UNALLOCATED	
		TOTAL FUND BALANCES	
		TOTAL UNRESTRICTED	
RESTRICTED FUNDS:		RESTRICTED FUNDS:	
INVESTMENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		DEFERRED REVENUES	
		DUE TO OTHER FUNDS	
		FUND BALANCES	
		TOTAL RESTRICTED	
		TOTAL CURRENT FUNDS	
LOAN FUNDS:		LOAN FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
NOTES RECEIVABLE (LESS ALLOWANCE FOR		REFUNDABLE GOVERNMENT ADVANCES	
DOUBTFUL ACCOUNTS OF \$446,174.34 FOR		FUND BALANCES:	
2012 AND \$476,477.39 FOR 2011)		UNIVERSITY FUNDS, UNRESTRICTED	
		TOTAL FUND BALANCES	
		TOTAL LOAN FUNDS	
ENDOWMENT FUNDS:		ENDOWMENT FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
INVESTMENTS		DEFERRED REVENUES	
ACCOUNTS RECEIVABLE		BONDS PAYABLE	
REAL ESTATE HELD FOR RESALE		FUND BALANCES:	
PREPAID-LIFE ESTATE		RESTRICTED NONEXPENDABLE	
		UNRESTRICTED EXPENDABLE	
		TOTAL FUND BALANCES	
		TOTAL ENDOWMENT FUNDS	
PLANT FUNDS:		PLANT FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
INVESTMENTS		DEFERRED REVENUES	
ACCOUNTS RECEIVABLE		OTHER DEPOSITS	
NOTES RECEIVABLE		BONDS PAYABLE	
DUE FROM OTHER FUNDS			
PREPAID EXPENSES			
CAPITAL LEASE RECEIVABLE			
INVESTMENT IN PLANT:			
LAND			
LAND IMPROVEMENTS			
BUILDINGS - ACCUM DEPREC AND IMPROVEMENTS			
OTHER EQUIPMENT, BOOKS AND FILMS			
CONSTRUCTION IN PROGRESS			
TOTAL PLANT FUNDS			
TOTAL ASSETS	\$	TOTAL LIABILITIES AND FUND BALANCES	\$

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE SIX MONTHS ENDED MARCH 31, 2012

	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	155,280,322.17						
HOSPITALS REVENUES	176,213,120.06						
AUXILIARY ENTERPRISES REVENUES	8,838,058.07						
GRANTS AND CONTRACTS:							
FEDERAL		26,011,720.62					
STATE AND LOCAL		2,070,051.81					
PRIVATE		2,704,974.42					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			2,433.76	6,612,650.75	196,385.56	45,986.93	
INVESTMENT INCOME, GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			72,308.76	1,801,763.18	140,633.56	6,920.26	
EXPENDED FOR PLANT FACILITIES (INCLUDING CURRENT FUNDS EXPENDITURES)							
\$7,914,088.55							30,264,299.08
RETIREMENT OF INDEBTEDNESS							4,785,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		1,549,225.65		3,700.00	5,684,170.97		(242,851.64)
TOTAL REVENUES AND OTHER ADDITIONS	340,331,500.30	32,335,972.50	74,742.52	8,418,113.93	6,021,190.09	52,907.19	34,806,647.44
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	144,420,321.86	29,914,178.72					
HOSPITALS EXPENDITURES	174,236,517.12						
AUXILIARY ENTERPRISES EXPENDITURES	6,228,844.26						
INDIRECT COSTS RECOVERED		2,200,627.68					
REFUNDED TO GRANTORS		244,279.99					
RETIREMENT OF INDEBTEDNESS			8,452.50			4,785,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING NON-CAPITALIZED EXPENDITURES)					24,767,202.14	6,539,350.28	16,064,566.09
\$2,416,991.61							
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(101,750.00)	193,006.72		134,055.29	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	324,885,683.24	32,359,086.39	(93,297.50)	193,006.72	24,767,202.14	11,458,405.57	16,064,566.09
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(11,588,124.50)				49,746.00	11,648,142.42	(109,763.92)
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(5,752,760.64)				5,752,760.64		
MOBILE RACING COMMISSION	(29,193.21)				29,193.21		
PLANT ADDITIONS AND REPLACEMENTS	(4,077,000.00)				3,999,900.00	77,100.00	
ENDOWMENT FUND	(1,007,345.54)				(29,193.21)		
OTHER TRANSFERS	3,076,189.29	312,757.00		723,781.75	(1,769,070.80)	(231,315.96)	(853,762.04)
TOTAL TRANSFERS	(19,378,234.60)	61,233.40	0.00	(283,273.89)	8,033,335.84	11,493,926.46	(963,525.96)
NET INCREASE (DECREASE) FOR THE PERIOD	(3,932,417.54)	350,876.51	168,040.02	8,665,615.07	(10,712,676.21)	88,428.08	17,778,555.39
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	2,089,868.64	345,111.16	99,218,584.40	64,246,266.12	4,634,676.48	242,748,769.06
FUND BALANCES AT MARCH 31, 2012	(318,493.07)	2,439,745.15	513,151.18	107,884,199.47	53,533,589.91	4,723,104.56	260,527,324.45

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$5,752,760.64 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED MARCH 31, 2012			MARCH 31, 2011	
	UNRESTRICTED	RESTRICTED	TOTAL		
REVENUES:					
TUITION AND FEES	\$ 64,145,777.47	\$	\$ 64,145,777.47	\$	59,073,369.81
STATE APPROPRIATIONS	48,438,446.04		48,438,446.04		44,306,402.02
MOBILE RACING COMMISSION	29,193.21		29,193.21		43,399.99
FEDERAL GRANTS AND CONTRACTS	1,864,130.03	24,148,169.72	26,012,299.75		33,172,892.36
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$114,476.06)	192,534.96	1,613,979.20	1,806,414.16		2,728,983.87
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$222,021.59)	26,138,725.51	2,261,778.70	28,400,504.21		27,793,353.80
INVESTMENT INCOME	104,327.41		104,327.41		17,308.96
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,884,793.95		1,884,793.95		1,776,697.39
HOSPITALS - SALES AND SERVICES	171,806,228.06		171,806,228.06		147,760,479.69
- STATE APPROPRIATIONS	4,406,892.00		4,406,892.00		4,168,006.50
AUXILIARY ENTERPRISES - SALES AND SERVICES	8,838,058.07		8,838,058.07		7,527,425.97
OTHER SOURCES	12,482,393.69	1,890,351.10	14,372,744.79		22,532,454.19
TOTAL CURRENT REVENUES	340,331,500.30	29,914,178.72	370,245,679.02		350,900,774.55
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	56,199,133.21	4,004,510.92	60,203,644.13		59,904,566.87
RESEARCH	4,647,166.83	5,474,445.62	10,121,612.45		10,937,221.05
PUBLIC SERVICE	28,387,742.21	2,114,297.34	30,502,039.55		30,432,053.13
ACADEMIC SUPPORT	10,076,604.09	499.00	10,077,103.09		10,227,074.88
STUDENT SERVICES	14,288,034.15	371,368.68	14,659,402.83		12,932,322.47
INSTITUTIONAL SUPPORT	13,254,878.32	819,171.70	14,074,050.02		13,484,743.00
OPERATION AND MAINTENANCE OF PLANT	11,439,994.20	6,583,013.90	18,023,008.10		19,863,407.92
SCHOLARSHIPS	5,225,733.95	9,936,146.94	15,161,880.79		14,832,621.50
EDUCATIONAL AND GENERAL	143,519,286.86	29,303,454.10	172,822,740.96		172,614,012.82
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	6,878,997.36		6,878,997.36		7,090,473.90
FINANCIAL AID MATCHING	0.00		0.00		93,623.33
TOTAL EDUCATIONAL AND GENERAL	150,398,284.22	29,303,454.10	179,701,738.32		179,798,110.05
HOSPITALS (INCLUDING DEBT SERVICE OF 2,504,657.36)	176,741,174.48	610,724.62	177,351,899.10		153,669,939.00
AUXILIARY ENTERPRISES:					
EXPENDITURES	6,228,844.26		6,228,844.26		6,691,291.27
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	2,204,469.78		2,204,469.78		1,171,928.18
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	120,000.00		120,000.00		0.00
TOTAL AUXILIARIES	8,553,314.04	0.00	8,553,314.04		7,863,219.45
TOTAL EXPENDITURES AND TRANSFERS	335,692,772.74	29,914,178.72	365,606,951.46		341,331,268.50
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		221,166.10	221,166.10		398,902.02
REFUNDED TO GRANTORS		(244,279.99)	(244,279.99)		(6,609.63)
FUNDED DEPRECIATION		(5,752,760.64) *	(5,752,760.64) *		(2,350,000.26)
MOBILE RACING COMMISSION		(29,193.21)	(29,193.21)		(43,399.99)
PLANT ADDITIONS AND REPLACEMENTS		(3,957,000.00)	(3,957,000.00)		(13,832,093.00)
ENDOWMENT FUND		(1,007,345.54)	(1,007,345.54)		(924,212.55)
OTHER TRANSFERS		2,175,154.29	2,236,387.69		1,001,663.24
TOTAL TRANSFERS		(8,571,145.10)	(8,220,288.59)		(15,755,750.17)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (3,932,417.54)	\$ 350,876.51	\$ (3,581,541.03)	\$	(6,186,244.12)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$5,752,760.64 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.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

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 SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>03/31/12</u>	<u>03/31/11</u>
BOOKSTORE	\$ 3,640,027.54	\$ 3,452,280.30	\$ (118,266.00)	\$ 69,481.24	\$ 229,835.05
BROOKLEY CENTER	0.00	3.15	0.00	(3.15)	(769,232.35)
FOOD SERVICES-CAMPUS	524,492.36	139,313.50	(458,013.78)	(72,834.92)	(46,429.71)
HOUSING	<u>4,673,538.17</u>	<u>2,641,594.12</u>	<u>(1,748,190.00)</u>	<u>283,754.05</u>	<u>250,033.53</u>
TOTAL	<u>\$ 8,838,058.07</u>	<u>\$ 6,233,191.07</u>	<u>\$ (2,324,469.78)</u>	<u>\$ 280,397.22</u>	<u>\$ (335,793.48)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	<u>03/31/12</u>	<u>03/31/11</u>
REVENUES:		
SALES	\$ 3,540,823.30	\$ 3,399,930.37
LESS: DEPARTMENTAL DISCOUNTS	2,687.22	2,530.72
COST OF GOODS SOLD	<u>2,566,424.32</u>	<u>2,392,829.12</u>
GROSS PROFIT	971,711.76	1,004,570.53
CASH OVER/(SHORT)	(1,428.18)	(45.01)
GRADUATION (NET)	78,240.15	66,408.50
BAD DEBT RECOVERY	0.00	0.00
OTHER	<u>22,392.27</u>	<u>20,574.16</u>
NET REVENUES:	<u>1,070,916.00</u>	<u>1,091,508.18</u>
EXPENDITURES:		
SALARIES	383,642.34	376,443.22
EMPLOYEE BENEFITS	119,536.72	128,486.54
SUPPLIES	11,084.97	7,233.20
TRAVEL	8,622.39	2,204.63
EQUIPMENT	9,234.24	3,379.51
EQUIPMENT MAINTENANCE AND REPAIR	31,197.89	28,592.14
BUILDING & EQUIPMENT RENTAL	13,285.53	13,723.90
ADVERTISING	16,332.69	19,570.35
UTILITIES	37,500.00	37,500.00
TELEPHONE	12,717.64	5,891.69
INSURANCE AND BONDS	3,997.00	3,800.00
CONTRACT SERVICES	84,195.72	58,179.60
BAD DEBT EXPENSE	0.00	0.00
RENT	777.00	0.00
OBSOLETE INVENTORY	403.90	0.00
GENERAL EXPENSES	16,325.59	16,776.97
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	17,188.66	13,138.40
INSTITUTIONAL COST ALLOCATION	<u>117,126.48</u>	<u>146,752.98</u>
TOTAL EXPENDITURES	<u>883,168.76</u>	<u>861,673.13</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(118,266.00)	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>(118,266.00)</u>	<u>0.00</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ 69,481.24</u>	<u>\$ 229,835.05</u>

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
EXPENDITURES:					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	3.15	0.00	0.00	0.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	3.15	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	(3.15)	0.00	0.00	0.00	0.00
OTHER EXPENDITURES:					
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
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)	\$ (3.15)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

BROOKLEY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 03/31/12	BROOKLEY CENTER TOTAL 03/31/11
REVENUES:						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	2,100.43
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	2,905.20
FEES	0.00	0.00	0.00	0.00	0.00	192,672.58
RENTALS	0.00	0.00	0.00	0.00	0.00	18,896.00
OTHER	0.00	0.00	0.00	0.00	0.00	17,014.31
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	231,488.09
EXPENDITURES:						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	212,603.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	60,079.87
SUPPLIES	0.00	0.00	0.00	0.00	3.15	1,492.54
TRAVEL	0.00	0.00	0.00	0.00	0.00	648.26
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	84,775.58
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	11,226.81
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	290,787.92
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	4,829.49
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,429.67
TELEPHONE	0.00	0.00	0.00	0.00	0.00	7,279.37
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	46,034.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	1,144.78
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	0.00	170,404.93
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	3.15	1,000,169.19
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	(3.15)	(768,681.10)
OTHER EXPENDITURES:						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
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	551.25
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	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	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (3.15)	\$ (769,232.35)

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	03/31/12	03/31/11
REVENUES:		
COMMISSION INCOME	\$ 524,492.36	\$ 390,453.15
TOTAL REVENUES	<u>524,492.36</u>	<u>390,453.15</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	82.99	0.00
EQUIPMENT MAINTENANCE AND REPAIR	24,591.47	12,763.57
UTILITIES	62,500.02	49,999.98
TELEPHONE	331.99	(13.43)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	16,553.25	5,719.38
INSURANCE AND BONDS	9,537.00	8,505.00
EQUIPMENT	1,159.98	2,795.87
BUILDING MAINTENANCE AND REPAIR	2,905.00	1,499.50
INDIRECT COST	12,499.98	12,499.98
GENERAL EXPENSE	9,151.82	5,097.75
TOTAL EXPENDITURES	<u>139,313.50</u>	<u>98,867.60</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(338,013.78)	(338,015.26)
NON-MANDATORY:		
OTHER TRANSFERS	(120,000.00)	
TOTAL TRANSFERS	<u>(458,013.78)</u>	<u>(338,015.26)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	\$ <u>(72,834.92)</u>	\$ <u>(46,429.71)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 126,275.00	\$ 580.00	\$ 918,954.03	\$ 24,117.10	\$ 240,106.84
BAD DEBT RECOVERY	2,090.00	0.00	0.00	0.00	0.00	975.09	0.00
OTHER	38,100.00	0.00	0.00	0.00	8,343.74	900.00	58,217.50
TOTAL REVENUES	40,190.00	0.00	126,275.00	580.00	927,297.77	25,992.19	298,324.34
EXPENDITURES:							
SALARIES	176,409.46	1,232.50	0.00	116.00	54,364.17	0.00	33,227.76
EMPLOYEE BENEFITS	50,126.53	0.00	0.00	0.00	2,951.32	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	379.57	0.00	66,674.00	0.00	383.75	0.00	0.00
TRAVEL	2,053.23	910.80	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,142.63	3,736.51	0.00	0.00	283.50	0.00	0.00
SUPPLIES	16,407.96	3,246.47	0.00	0.00	16,027.14	(157.92)	247.43
CABLE	103,704.64	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	491.47	0.00	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	145.74
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	0.00	(118.50)	768.72
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	9,059.00	786.00	6,310.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	1,119.04	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	649.18	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	814.45	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	50,183.34	4,458.89	0.00	0.00	58,429.95	410.38	53,637.80
ADMINISTRATIVE OVERHEAD	216,211.50	0.00	0.00	0.00	121,557.00	0.00	40,849.50
ADMINISTRATIVE EXPENSES	(579,115.96)	(14,704.21)	19,002.24	0.00	90,854.49	0.00	48,099.43
TOTAL EXPENDITURES	40,190.00	0.00	85,676.24	116.00	353,910.32	919.96	183,286.38
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(924,024.00)	0.00	(230,280.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(924,024.00)	0.00	(230,280.00)
NON-MANDATORY:							
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(924,024.00)	0.00	(230,280.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 40,598.76	\$ 464.00	\$ (350,636.55)	\$ 25,072.23	\$ (115,242.04)
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 03/31/12	TOTAL HOUSING 03/31/11
REVENUES:						
RENTAL INCOME	\$ 689,955.60	\$ 381,714.28	\$ 1,596,027.16	\$ 559,600.70	\$ 4,537,330.71	\$ 3,331,365.57
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	3,065.09	1,606.96
OTHER	3,774.00	5,279.00	12,399.13	6,129.00	133,142.37	83,543.75
TOTAL REVENUES	<u>693,729.60</u>	<u>386,993.28</u>	<u>1,608,426.29</u>	<u>565,729.70</u>	<u>4,673,538.17</u>	<u>3,416,516.28</u>
EXPENDITURES:						
SALARIES	57,381.05	21,966.33	113,664.97	50,524.54	508,886.78	414,517.04
EMPLOYEE BENEFITS	9,104.50	0.00	13,396.29	2,122.89	77,701.53	84,402.57
CONTRACT LABOR	804.01	0.00	2,071.70	4,534.00	7,409.71	3,492.96
CONTRACT SERVICES	0.00	0.00	59.25	988.00	68,484.57	67,598.89
TRAVEL	0.00	0.00	0.00	0.00	2,964.03	1,130.90
RECEPTIONS	0.00	0.00	0.00	0.00	5,162.64	5,092.94
SUPPLIES	0.00	0.00	813.74	150.70	36,735.52	103,497.00
CABLE	0.00	0.00	0.00	0.00	103,704.64	92,392.22
TELEPHONE	34.64	138.83	369.10	224.04	1,403.82	131,929.60
UTILITIES	0.00	0.00	0.00	0.00	650.22	4,852.15
INSURANCE AND BONDS	9,409.00	4,530.00	16,017.00	5,726.00	52,569.00	38,850.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	6,961.70	0.00	0.00	0.00	8,080.74	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	649.18	557.19
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	814.45	270.00
GENERAL EXPENSES	83,184.35	50,407.77	211,709.99	88,104.48	600,526.95	326,518.03
ADMINISTRATIVE OVERHEAD	232,155.78	109,599.00	334,013.28	111,464.28	1,165,850.34	1,057,610.34
ADMINISTRATIVE EXPENSES	97,980.33	55,225.27	211,993.80	70,664.61	0.00	0.00
TOTAL EXPENDITURES	<u>497,015.36</u>	<u>241,867.20</u>	<u>904,109.12</u>	<u>334,503.54</u>	<u>2,641,594.12</u>	<u>2,332,569.83</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(114,864.00)	(34,320.00)	(258,258.00)	(186,444.00)	(1,748,190.00)	(833,912.92)
TOTAL MANDATORY TRANSFERS	<u>(114,864.00)</u>	<u>(34,320.00)</u>	<u>(258,258.00)</u>	<u>(186,444.00)</u>	<u>(1,748,190.00)</u>	<u>(833,912.92)</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>(114,864.00)</u>	<u>(34,320.00)</u>	<u>(258,258.00)</u>	<u>(186,444.00)</u>	<u>(1,748,190.00)</u>	<u>(833,912.92)</u>
EXCESS REVENUES OVER EXPENDITURES AND TRANSFERS (DEFICIT)	<u>\$ 81,850.24</u>	<u>\$ 110,806.08</u>	<u>\$ 446,059.17</u>	<u>\$ 44,782.16</u>	<u>\$ 283,754.05</u>	<u>\$ 250,033.53</u>

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Six Months Ended March 31, 2012 and 2011

Unaudited

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Six Months Ended March 31, 2012 and 2011

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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 March 31, 2012, the University had total assets of \$924,793,000, total liabilities of \$495,471,000 and net assets of \$429,322,000. University net assets increased \$12,426,000 for the six months ended March 31, 2012 compared to an increase of \$5,270,000 for the six months ended March 31, 2011. 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 six months ended March 31, 2012 and 2011 follow (in thousands):

Condensed Statements of Net Assets

	2012	2011
<i>Assets</i>		
Current	\$ 305,373	\$ 292,529
Capital and other noncurrent assets	619,420	587,487
	<u>924,793</u>	<u>880,016</u>
<i>Liabilities</i>		
Current	93,769	86,846
Noncurrent	401,702	368,629
	<u>495,471</u>	<u>455,475</u>
<i>Net Assets</i>		
Invested in capital assets, net of related debt	213,879	194,634
Restricted, nonexpendable	32,580	30,622
Restricted, expendable	46,103	44,878
Unrestricted	136,760	154,407
	<u>\$ 429,322</u>	<u>\$ 424,541</u>

University of South Alabama

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2012	2011
<i>Operating revenues</i>		
Tuition and fees	\$ 50,563	\$ 45,513
Hospital revenues, net	116,034	109,666
Other	<u>73,827</u>	<u>66,442</u>
	240,424	221,621
<i>Operating expenses</i>		
Salaries and benefits	203,357	200,671
Supplies and other services	72,633	67,889
Other	<u>25,971</u>	<u>24,634</u>
	301,961	293,194
Operating loss	(61,537)	(71,573)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	52,845	48,474
State appropriated ARRA funds	-	5,654
Other, net	<u>11,219</u>	<u>11,769</u>
Net nonoperating revenues, net	64,064	65,897
Other revenues, expenses, gains or losses	<u>9,899</u>	<u>10,946</u>
Increase in net assets	12,426	5,270
Beginning net assets	416,896	419,271
Ending net assets	<u>\$ 429,322</u>	<u>\$ 424,541</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

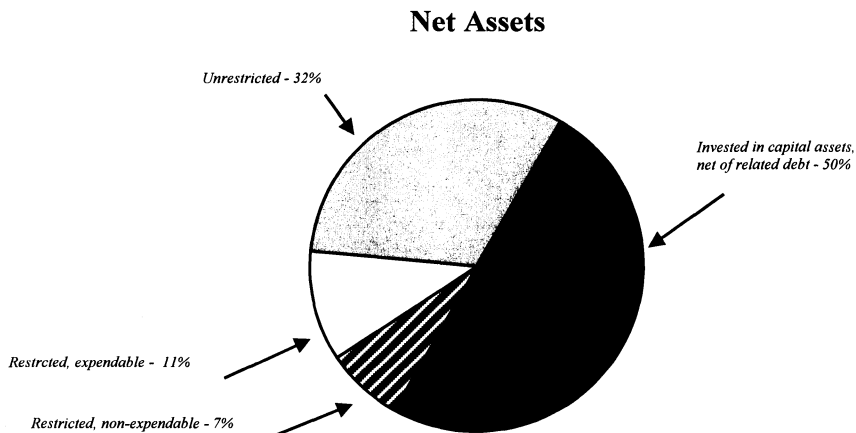
University of South Alabama

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.

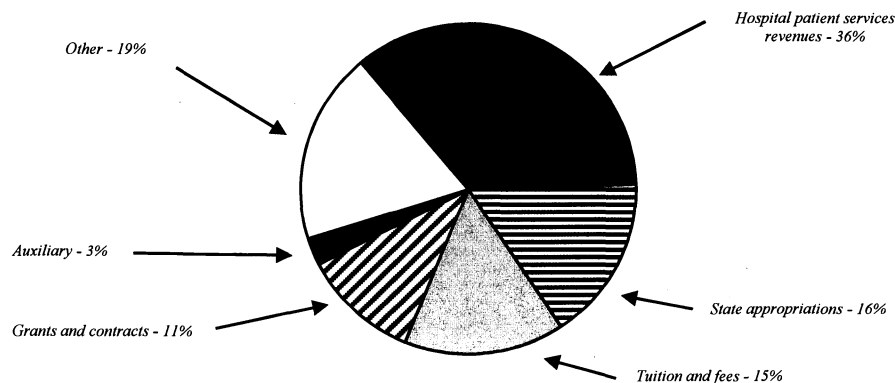
Statements of Revenues, Expenses and Changes in Net Assets

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:

Sources of Revenues

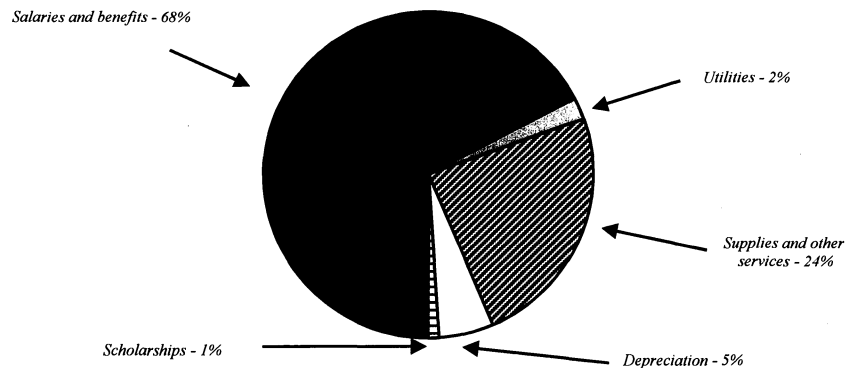


University of South Alabama

Management's Discussion and Analysis (continued)

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

Operating Expenses by Natural Classification



Capital Assets and Debt Administration

During the current period, construction continued on Shelby Hall and the expansion of Children's and Women's Hospital and planning began on the new Delta student housing facility. Additionally, several other construction and renovation projects at the University and Hospitals remain ongoing during the current period. In fiscal 2010, the Football Field House and a major addition to the University's central utility plant system were placed into service. In fiscal 2011, the Student Recreation Center, Moulton Tower, the Glass Blowing Studio and the Student Dining Facility were placed into service. In fiscal 2012, Stokes Hall, the renovation of the University Bookstore and the campus entrance portals have been placed into service.

In June 2010, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2010, with a face value of \$29,750,000. The net proceeds of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

In January 2012, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2012-A, with a face value of \$25,000,000. The net proceeds

University of South Alabama

Management's Discussion and Analysis (continued)

of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

Also in January 2012, the University Facilities Revenue Capital Improvement Bond, Series 2012-B, with a face value of \$7,740,000. The net proceeds of this bond will be used to fund certain capital equipment purchases at the hospital and Mitchell Cancer Institute.

In March 2012, the University's bond credit rating was downgraded by Moody's Investors Services from Aa3 to A1. This represents the first change in the University's bond credit rating since it was upgraded from A1 to Aa3 in 2010. The University also has a rating of A+ from Standard and Poor's Ratings Services, which has not changed in 2012.

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 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. The fair value component of the refunding associated with the swaps is considered an investment derivative and, as such, the change in the fair value component is reflected as a component of investment income.

Economic Outlook

While enrollment and tuition have both increased in recent years, state appropriations prior to 2006 were relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16%, 19% and 17%, respectively. 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 \$108,133,000 was authorized for the year ended September 30, 2010. In September 2009, the Governor announced

University of South Alabama

Management's Discussion and Analysis (continued)

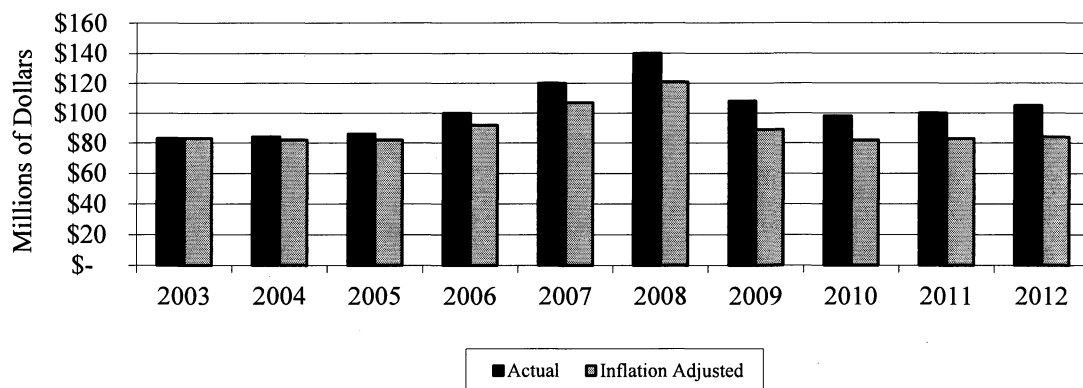
proration of 7.5%, or approximately \$8,264,000; and in September 2010, the Governor announced additional proration of 2%, or approximately \$2,162,000. Therefore, the total decrease from the original authorized 2010 state appropriation was approximately \$10,426,000 to \$97,860,000, or 9.6% lower than the original appropriation and 9.8% lower than the actual 2009 amounts received.

A state appropriation in the amount of \$99,947,000 was authorized for the year ended September 30, 2011. In February 2011, the Governor announced proration of 3%, or approximately \$2,999,000, to approximately \$96,948,000.

A state appropriation in the amount of approximately \$105,391,000 has been authorized and is being paid for the year ending September 30, 2012. This represents an \$8,443,000 increase from the fiscal 2011 appropriation received. While no announcement has been made, the University is aware that reductions in its 2012 appropriation are possible.

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

State Appropriations - Ten-year Trend



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.

University of South Alabama

Management's Discussion and Analysis (continued)

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 2012 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Assets

March 31, 2012 and 2011

(In thousands)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	100,458	87,426
Investments	89,005	96,859
Net patient service receivables	47,810	31,164
Accounts receivable, affiliates	24,185	23,129
Accounts receivable, other	30,478	42,627
Notes receivable, net	4,654	4,184
Prepaid expenses, inventories and other	8,783	7,140
Total current assets	305,373	292,529
Noncurrent assets		
Restricted cash and cash equivalents	67,369	65,528
Investments, at fair value	6,999	16,960
Investments	735	871
Accounts receivable	5,217	6,022
Notes receivable, net	10,417	14,074
Other noncurrent assets	25,452	27,555
Capital assets (net of accumulated depreciation)	503,231	456,477
Total noncurrent assets	619,420	587,487
Total assets	924,793	880,016
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	46,526	46,439
Deferred revenue	36,937	32,460
Deposits	1,915	1,275
Current portion of long-term debt	8,391	6,672
Total current liabilities	93,769	86,846
Noncurrent liabilities		
Long-term debt	353,632	327,269
Other long-term liabilities	48,070	41,360
Total noncurrent liabilities	401,702	368,629
Total liabilities	495,471	455,475
Net Assets		
Invested in capital assets, net of related debt	213,879	194,634
Restricted, nonexpendable		
Scholarships	14,344	13,712
Other	18,236	16,910
Restricted, expendable		
Scholarships	9,465	8,979
Other	36,638	35,899
Unrestricted	136,760	154,407
Total net assets	429,322	424,541

See accompanying notes.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Assets

Six Months Ended March 31, 2012 and 2011

(In thousands)

	<u>2012</u>	<u>2011</u>
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	50,563	45,513
Patient services and other (net of contractual allowances and bad debt expense)	116,034	109,666
Federal grants and contracts	8,109	10,293
State grants and contracts	2,546	2,864
Private grants and contracts	26,308	25,972
Auxiliary enterprises (net of scholarship allowances)	8,687	7,262
Other operating revenues	28,177	20,051
Total operating revenues	<u>240,424</u>	<u>221,621</u>
Expenses		
Operating expenses		
Salaries and benefits	203,357	200,671
Supplies and other services	72,633	67,889
Scholarships and fellowships	3,232	2,930
Utilities	6,568	7,002
Depreciation	16,171	14,702
Total operating revenues	<u>301,961</u>	<u>293,194</u>
Operating loss	<u>(61,537)</u>	<u>(71,573)</u>
Nonoperating revenues (expenses)		
State appropriations	52,845	48,474
State appropriated ARRA funds	-	5,654
Investment income and gains (losses) on investments	7,044	6,022
Interest on indebtedness	(6,729)	(7,324)
Other nonoperating revenues	16,088	15,846
Other nonoperating expenses	(5,184)	(2,775)
Net nonoperating revenues	<u>64,064</u>	<u>65,897</u>
Income (loss) before other revenues, expenses, gains or losses	2,527	(5,676)
Capital appropriations	-	-
Capital gifts and grants	8,097	9,796
Additions to endowment	1,802	1,150
Increase (decrease) in net assets	<u>12,426</u>	<u>5,270</u>
Net assets		
Beginning of period	<u>416,896</u>	<u>419,271</u>
End of period	<u><u>429,322</u></u>	<u><u>424,541</u></u>

See accompanying notes.

University of South Alabama

Statement of Cash Flows

March 31, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 36,578	\$ 32,207
Receipts from and on behalf of patients and third-party payers	111,615	108,419
Receipts from grants and contracts	36,009	37,540
Receipts related to auxiliary enterprises	7,610	6,355
Payments to suppliers and vendors	(98,983)	(74,610)
Payments to employees and related benefits	(192,687)	(200,587)
Payments for scholarships and fellowships	(3,232)	(2,930)
Other operating receipts	45,415	30,157
Net cash used in operating activities	<u>(57,675)</u>	<u>(63,449)</u>
Cash flows from noncapital financing activities:		
State appropriations	34,947	24,987
State appropriated ARRA Funds	-	5,519
Endowment gifts	1,802	1,150
Agency funds received	426	258
Agency funds disbursed	(296)	(202)
Student loan program receipts	50,824	38,489
Student loan program disbursements	(51,095)	(38,187)
Other nonoperating revenues	10,890	16,277
Other nonoperating expenses	(5,500)	(2,776)
Net cash provided by noncapital financing activities	<u>41,998</u>	<u>45,515</u>
Cash flows from capital and related financing activities:		
Capital gifts and grants	8,098	9,796
Purchases of capital assets	(29,256)	(33,438)
Proceeds from sale of capital assets	3,846	3,942
Proceeds from issuance of capital debt	32,740	-
Principal payments on capital debt	(4,785)	(4,650)
Interest payments on capital debt	(6,717)	(6,850)
Net cash provided by (used in) capital and related financing activities	<u>3,926</u>	<u>(31,200)</u>
Cash flows from investing activities:		
Interest and dividends on investments	4,806	2,210
Purchases of investments	15,143	5,563
Proceeds from sales of investments	(18,133)	(4,158)
Net cash provided by (used in) investing activities	<u>1,816</u>	<u>3,615</u>
Net decrease in cash and cash equivalents	(9,935)	(45,519)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	<u>177,762</u>	<u>198,473</u>
End of year	<u>\$ 167,827</u>	<u>\$ 152,954</u>

See accompanying notes.

University of South Alabama

Statement of Cash Flows

March 31, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (61,537)	\$ (71,573)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	16,171	14,702
Changes in assets and liabilities, net:		
Student receivables	1,653	1,424
Net patient accounts receivable	(14,103)	(310)
Grants and contracts receivables	(623)	(1,085)
Other receivables	(2,177)	2,781
Prepaid expenses, inventories, and other	(1,004)	832
Accounts payable and accrued liabilities	1,222	(6,210)
Deferred revenue	2,723	(4,010)
Net cash used in operating activities	\$ <u>(57,675)</u>	\$ <u>(63,449)</u>

See accompanying notes.

University of South Alabama
Notes to Financial Statements
March 31, 2012

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, at year-end, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units. For quarterly reporting purposes, however, component units are not presented in the University's basic financial statements.

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, discretely presented 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, USAHSF, and USA HealthCare Management, LLC 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

University of South Alabama
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and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units in its annual financial statements. For quarterly reporting purposes these entities are not blended into the University's statements.

USA HealthCare Management, LLC

In June 2010, the University's Board of Trustees approved the formation of the USA HealthCare Management, LLC (the LLC). The University is the sole member of the LLC, which was organized for the purpose of managing and operating on behalf of and as agent for, substantially all of the health care enterprises of the University. The LLC is considered a blended component unit of the University, as defined by GASB Statement No. 14 and, as such, is reported as a blended component unit in its quarterly financial statements.

University of South Alabama Foundation

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

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

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Notes to Financial Statements
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component unit of the University. The Corporation presents its financial statements in accordance with the GASB.

In September 2010, the Corporation caused the formation of NovALtech, LLC (NovALtech). NovALtech is a single-member limited liability company that exists for the purpose of engaging in scientific research and development activities and facilitating the transfer and utilization of technology, patents, processes, copyrights, formulae and other know-how. The activities of NovALtech are included in the financial statements of the Corporation.

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 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.

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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.

Derivatives

In fiscal 2010, the University adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of the derivatives to be recognized in the basic financial statements

The University has two interest rate swaptions which were entered into in January 2008. As a result of entering into the swaptions, the University received up-front payments. Swaptions are considered hybrid instruments which are required to be bifurcated into the fair value of the derivative and a piece that reflects a borrowing for financial statement purposes, which will accrete interest over time. The University determined that as of the current period, the swaptions were not hedging derivative instruments. Therefore, the swaptions are required to be recorded as investment derivatives, with the change in fair value flowing through the statements of revenues, expenses, and changes in net assets.

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.

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.

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain 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.

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

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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.

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.

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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 was awarded approximately \$10,769,000 annually in 2010 and 2011 through the U. S. 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. Beginning October 2, 2012, funds are no longer being awarded pursuant to the provisions of this program.

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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.

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, 2011, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,134,635,000.

4. Investments

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policy," 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

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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.

University of South Alabama
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Terms

A summary of the transactions is as follow:

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

If the 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 \$41,245,000 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 as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaption represents the fair value resulting from the fact that the fixed rate stated in the swaption is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative 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 value of the derivative and borrowings at the date of execution of this transaction are as follows:

	2004 Bonds	2006 Bonds
Embedded derivatives	\$ 918,000	3,343,000
Borrowings	1,070,000	3,997,000
	<u>\$ 1,988,000</u>	<u>7,340,000</u>

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The values of the borrowings are included in long-term debt on the University's statements of net assets. Interest is being accreted, and added to the borrowings through the expiration date of the option.

The fair values of the embedded investment derivatives are reported as investment assets if the derivatives are assets or other noncurrent liabilities, depending of the fair values of the derivatives. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in 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 Aa3 by Moody's investors Services and AA by Standard and Poor's Rating Services.

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

University of South Alabama
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substantial amount of money to terminate the contracts. As of the current date, no events of termination have occurred.

6. Bonds Payable

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

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 Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81%, payable through August 2030.

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 began 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. Series 2010 bonds begin maturing in August 2011 and are redeemable beginning in February 2020.

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 enter into swap arrangements with respect to its Series 2004 and 2006

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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.

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 and settled through 2008. The Medical Center cost report has, however, been reopened related to disproportionate share issues affecting all PPS acute care hospitals nation-wide. The cost report for USA Children's and Women's Hospital has been audited and settled through 2009. Revenue from the Medicare program accounted for approximately 14% and 13% of the Hospitals' net patient service revenue for the year ended September 30, 2011 and 2010, respectively.

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 Hospital's Blue Cross cost reports have been audited through 2010 and settled for all fiscal years through 2009. Revenue

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from the Blue Cross program accounted for approximately 17% and 18% of the Hospitals' net patient service revenue for the years ended September 30, 2011 and 2010, 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 25% and 29% of the Hospital's net patient service revenue for the years ended September 30, 2011 and 2010.

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) have 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

University of South Alabama
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January 2011, the original payment schedule resumed. 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 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.

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%.

University of South Alabama
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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' 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 7.25% 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.

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Employees of LLC may, at their option, participate in a defined contribution plan. Under this plan, eligible employees may make contributions to the plan which are matched, dollar-for-dollar, by HCM up to 5% of compensation.

Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon 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 has been 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.

10. Risk Management

The University, USAHSF and the LLC participate in the professional liability trust fund and the University and the LLC 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, USAHSF and the LLC, 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, USAHSF and the LLC 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 and HCM participate in a self-insured health plan, administered by an unaffiliated entity. Contributions by the University and the LLC and their employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims.

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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 \$77,000 irrevocable standby letter of credit with Wells Fargo 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

University of South Alabama
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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.

FICA Refund

In March 2010, the Internal Revenue Service (the Service) ruled that for all tax periods ending before April 2005, the medical residents and fellows working as the USA hospitals could be treated under the student exception with respect to FICA taxes. Historically, the Service had held that residents were not exempt for FICA taxes. As a result of this ruling, the University has recorded a receivable of \$5,213,000 representing the employer's portion of FICA contributions from March 1996 to April 2005 and any related interest.

13. Significant New Accounting Pronouncements

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. GASB Statement No. 54 revised classification requirements related to fund balance reporting and was effective for the year ended September 30, 2011. The adoption of Statement No. 54 did not have a material impact on the University's basic financial statements.

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multi-employer other post-employment benefits plans and will be effective for the year ending September 30, 2012. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 addresses accounting and reporting issues related to public-public and public-private service concession arrangements and will be effective for the year ending September 30, 2012. In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and will be effective for the year ending September 30, 2013. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62

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incorporates into the GASB's authoritative literature accounting and financial reporting guidance that is included in certain FASB and AICPA authoritative literature, where such guidance does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 63 renames the Statement of Net Assets as the Statement of Position and requires that deferred inflows and outflows of resources be reported as components of the Statement of Net Position and will be effective for the year ending September 30, 2013. In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and will be effective for the year ending September 30, 2012. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and will be effective for the year ending September 30, 2014. In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of GASB Statements No. 54 and 62 and will be effective for the year ending September 30, 2014.

The effect of the implementation of GASB Statements Nos. 57, 60, 61, 62, 63, 64, 65 and 66 on the University has not been determined.

University of South Alabama
Summary Comparison of Fund Financial Reports to
GASB Statement 34 Financial Statements
March 31, 2012 and 2011

	Six Months Ended March 31,		Year Ended September 30,
	2012	2011	2011
Net increase (decrease) from operating (current unrestricted funds - fund format)	\$ (3,932,418)	\$ (6,174,412)	\$ (7,689,241)
Transfer from University reserves to fund 3% proration	-	-	2,998,417
Net operating funds (fund accounting format)	\$ (3,932,418)	\$ (6,174,412)	\$ (4,690,824)
Add:			
Debt service	5,048,775	3,085,484	6,418,725
Equipment*	-	-	23,493,814
Depreciation	(10,311,805)	(12,347,175)	(31,566,358)
Plant Fund revenues	12,436,916	13,987,936	8,650,697
Other, net	9,184,532	6,718,167	(4,681,054)
Net increase (decrease) in net assets - GASB Statement 34/35	<u>\$ 12,426,000</u>	<u>\$ 5,270,000</u>	<u>\$ (2,375,000)</u>

* Netted for quarterly reporting purpose

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

Six Months Ended March 31, 2012

Net increase from operating (current unrestricted) funds		
- fund accounting format		\$ (3,932,418)
Add back:		
Debt service:		
Principal payment on long term debt	4,785,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	-	
	<u>263,775</u>	5,048,775
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(16,064,566)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>5,752,761</u>	<u>(10,311,805)</u>
Add:		
Plant fund income/transfers (net) not previously combined with operating:		12,436,916
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	8,665,615	
Loan fund	168,040	
Restricted fund	350,877	<u>9,184,532</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ 12,426,000</u></u>

* Netted for quarterly reporting purpose

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

Six Months Ended March 31, 2011

Net decrease from operating (current unrestricted) funds - fund accounting format		\$ (6,174,412)
Add back:		
Debt service:		
Principal payment on long term debt	4,650,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>(1,564,516)</u>	3,085,484
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(14,697,175)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>2,350,000</u>	<u>(12,347,175)</u>
		(15,436,103)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		13,987,936
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	6,552,545	
Loan fund	177,454	
Restricted fund	<u>(11,832)</u>	<u>6,718,167</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ 5,270,000</u></u>

* Netted for quarterly reporting purpose

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

Year Ended September 30, 2011

Net decrease from operating (current unrestricted) funds - fund format		\$ (7,689,241)
Transfer from University reserves to fund 3% proration		<u>2,998,417</u>
Net decrease		\$ (4,690,824)
Add back:		
Debt service:		
Principal payment on long term debt	\$ 6,404,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>14,725</u>	6,418,725
Equipment purchases		23,493,814
Depreciation of buildings and equipment:		
Computed depreciation	(31,843,313)	
Non-capitalized plant fund expenditures	(4,423,045)	
Transfers of funded depreciation	<u>4,700,000</u>	<u>(31,566,358)</u>
		(6,344,643)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		8,650,697
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	(4,146,289)	
Loan fund	(58,951)	
Restricted fund	<u>(475,814)</u>	<u>(4,681,054)</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ (2,375,000)</u></u>

RESOLUTION

SELECTION OF ARCHITECT FOR STUDENT HOUSING

WHEREAS, the University of South Alabama has a growing enrollment, and the recruitment of students as well as the quality of student life are strongly enhanced by excellent residential facilities, and

WHEREAS, the number of students seeking residence on campus has grown significantly over the past four years, and providing additional residential buildings is most beneficial at the beginning of a fall semester, and

WHEREAS, the fall of 2014 is the target date for another new residential building, and

WHEREAS, it is important to continue the architectural style initiated by the design of Stokes Hall by the firm Williams Blackstock, and there are efficiencies to be achieved in both time and costs by continuing with the same architectural firm,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama authorizes the President to engage the firm of Williams Blackstock for this project.



REC'D
OFFICE OF THE PRESIDENT


MAY 25 2012

UNIVERSITY OF SOUTH ALABAMA

UNIVERSITY OF SOUTH ALABAMA
Vice President for Financial Affairs
AD 170

MEMORANDUM

TO: President V. Gordon Moulton

FROM: M. Wayne Davis 

SUBJECT: Awarding of Construction Design Contract for Residential Building

DATE: May 24, 2012

Attached is a resolution concerning the awarding of a construction design contract for another new residential building in the Delta area.

We think it is important to continue the architectural style of Stokes Hall, which was designed by the firm Williams Blackstock, and that there are efficiencies to be achieved in both time and costs by continuing with the same style.

The target date of completion for this new building is Fall 2014.

With your approval, we will present this resolution at the Board of Trustees meeting on June 8, 2012.

MWD/cbm

Attachment

A handwritten signature, likely of the Vice President for Financial Affairs, M. Wayne Davis, written in black ink.

RESOLUTION

TRIBUTE TO TRUSTEE LARRY D. STRIPLIN, JR.

WHEREAS, Mr. Larry D. Striplin, Jr., served faithfully as a member of the Board of Trustees of the University of South Alabama from the time of his appointment in 1998 until his death on January 23, 2012, and

WHEREAS, Mr. Striplin was a tireless advocate for improving people's lives through education and provided his time, talent and resources as a supporter and valued trustee of the University, and

WHEREAS, Mr. Striplin was instrumental in the creation of a long-range facilities master plan at the University and, at the time of his death, served on the Board of Trustees Long-Range Planning Committee, having served previously on the Development, Endowment and Investments; Budget and Finance/Audit; and Health Affairs committees, and

WHEREAS, in addition to his service as trustee, Mr. Striplin was a highly successful businessman and community leader who was generous in his philanthropy to USA and supported numerous University projects, including: the *Larry D. Striplin, III, Basketball Practice Facility*, a gymnasium memorializing his late son, a former USA student and Jaguar basketball manager; philanthropic support for the *Joseph and Rebecca Mitchell Learning Resource Center* in the Mitchell College of Business; and the donation of several pieces of sculpture to *Geri Moulton Children's Park* at USA Children's and Women's Hospital, and

WHEREAS, Mr. Striplin was a well-known sports figure across the State of Alabama who was committed to building the character of young people through involvement in athletics and extracurricular activities, and who was particularly supportive in the successful development of USA's intercollegiate football and marching band programs, and

WHEREAS, Mr. Striplin's many good works will forever enhance the quality of life of countless citizens who benefit from USA's teaching, research and health care programs, and

WHEREAS, Mr. Striplin's insight, leadership, good humor and treasured friendship will be greatly missed by his many friends and colleagues at USA,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama acknowledges the legacy of Mr. Larry D. Striplin, Jr., and pays tribute to his memory for his many contributions and invaluable service to the Board, to the University of South Alabama community, and to the people of the State of Alabama, all of whom have benefitted from his wisdom, dedication, service, and generosity, and

BE IT FURTHER RESOLVED, the Board extends heartfelt sympathy to Mrs. Rhonda Striplin and to all members of the Striplin family.