

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



DECEMBER 6, 2013

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



SCHEDULE

THURSDAY, DECEMBER 5, 2013:

2:00 P.M.	DEVELOPMENT, ENDOWMENT & INVESTMENTS CTE.	ADMINISTRATION BLDG., BOARD ROOM
2:30 P.M.	COMMITTEE OF THE WHOLE (Immed. Following DEI Cte. Mtg.)	" " " "
7:30 P.M.	HOLIDAY CONCERT	MITCHELL CENTER, ARENA

FRIDAY, DECEMBER 6, 2013:

10:30 A.M.	BOARD MEETING FOLLOWED BY LUNCH	ADMINISTRATION BLDG., BOARD ROOM
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SATURDAY, DECEMBER 14, 2013:

12:30 P.M.	COMMENCEMENT LUNCHEON	MITCHELL CTR., JOHN COUNTS ROOM
2:00 P.M.	COMMENCEMENT	MITCHELL CENTER, ARENA

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

STANDING COMMITTEES

EXECUTIVE COMMITTEE (SEPTEMBER 2013-2017):

Dr. Steven P. Furr, **Chair pro tempore**
Hon. Kenneth O. Simon, **Vice Chair**
Mr. James H. Shumock, **Secretary**
Mr. E. Thomas Corcoran
Ms. Arlene Mitchell
Mr. John M. Peek
Mr. James A. Yance, Past Chair

HEALTH AFFAIRS COMMITTEE:

Dr. Steven H. Stokes, **Chair**
Dr. Scott A. Charlton
Ms. Bettye R. Maye
Ms. Arlene Mitchell
Mr. John M. Peek
Hon. Kenneth O. Simon

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

Ms. Christie D. Miree, **Chair**
Dr. Scott A. Charlton
Ms. Bettye R. Maye
Hon. Bryant Mixon
Mr. John M. Peek
Mr. James H. Shumock

LONG-RANGE PLANNING COMMITTEE:

Hon. Samuel L. Jones, **Chair**
Mr. E. Thomas Corcoran
Ms. Arlene Mitchell
Hon. Bryant Mixon
Mr. James H. Shumock

BUDGET AND FINANCE COMMITTEE/AUDIT CTE.:

Mr. E. Thomas Corcoran, **Chair**
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 & INVESTMENTS CTE.:

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

NOTE: With the exception of the Executive Committee, appointments are temporary.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**December 6, 2013
10:30 A.M.**

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

REVISED AGENDA

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6 Approve: USA Hospitals Medical Staff Bylaws, Revisions of October 29, 2013	9
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10 Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>
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16 Report: Title IX	<i>Presentation at Meeting</i>
17 Report: Student Affairs.....	<i>Presentation at Meeting</i>
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20 Report: Annual Review of Research Activity	<i>Presentation at Meeting</i>
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MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

November 26, 2013

TO: USA Board of Trustees

FROM: James H. Shumock 
Secretary, Board of Trustees

Included herein are the unapproved minutes of Board meetings held on September 12 and 13. Others are in production and will be provided as completed. Please review these documents for amendment or approval at the December 6 meeting of the Board of Trustees.

JHS:mgc

Enclosures

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

**September 13, 2013
10:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Friday, September 13, 2013, at 10:05 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Steve Stokes.

Administration and Others: Acting President Dr. John Smith; Drs. Diane Abercrombie, Joe Busta, Joel Erdmann, Julie Estis/Doug Marshall/ Kelly Woodford (Faculty Senate), Ron Franks, David Johnson, Jeanne Maes and Mike Mitchell; Messrs. Terry Albano, Keith Ayers, Owen Bailey, Chris Cannon, Mike McAleer (Marx Foundation), Wayne Davis, Mark Fillers (BBVA Compass Bank), Stan Hammack, Mark Hoffman (NAA), Don Langham, Bob Lowry, Abe Mitchell, Norman Pitman and Steve Simmons; and Mss. Lynne Chronister, Riley Davis (SGA), Linda Marx, Ann Sirmon (NAA), Jean Tucker and Frances Yance.

Press: Messrs. Michael Brannon/Joshua Harlan/Mike Reedy (WALA), Darwin Singleton/Derrick Rose (WPML), Gabriel Tynes (*Lagniappe*) and Noah Logan (*Vanguard*); and Mss. Sally Ericson (*Press-Register/al.com*) and Samantha Andrews (*Vanguard*).

Upon the call to order, Chairman Furr welcomed Trustees and guests. In reference to the September 12 dedication of the new facilities at Children's & Women's Hospital and the September 7 defeat of Tulane, a Division I football team, in the New Orleans Superdome, he said it is good to see the decisions of the Board come to fruition. President Smith agreed that completion of the CWH expansion project generated great excitement. Judge Simon said the expansion is a good example of the positive relationship between the University and the USA Foundation, and he expressed optimism for continued cooperation.

Chairman Furr announced that the Board meeting would recess for lunch at noon and would reconvene at 1:30 to discuss the presidential search, **ITEM 3**. He called for adoption of the revised agenda. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the revised agenda was adopted unanimously. Chairman Furr called for consideration of **ITEM 1**, the minutes of the Board of Trustees meeting on June 7 and the Committee of the Whole meeting on June 6, as well as the revised minutes of Board meetings held on March 12 and September 17, 2010. On motion by Ms. Miree, seconded by Mr. Shumock, the minutes and revised minutes were approved unanimously.

President Smith presented **ITEM 2**, the President's Report. He introduced Dr. Jeanne Maes, who recently was named University Ombudsperson, and Mr. Mark Fillers, Southwest Market President of BBVA Compass Bank, the University's financier of multiple bond issues. He advised the Board of Mr. Ayers' retirement effective September 30. Mr. Ayers said he had enjoyed his tenure at USA, adding that the staff of the Office of Public Relations is a good team. President Smith introduced Mr. Bob Lowry as Interim Director of Public Relations.

President Smith briefly addressed enrollment, noting 15,311 students registered and a record average ACT score of 22.9, for which he credited Dr. Johnson, the staff of the Division of Academic Affairs, and USA faculty and staff. He said Dr. Johnson would give additional enrollment details later in the meeting. He advised that Dr. Jean Botti, Chief Technical Officer for Airbus, who toured the campus in July and met with the Mobile Chamber of Commerce Board at Shelby Hall, had expressed interest in collaboration with the University. He said Ms. Chronister is coordinating an introductory meeting between Airbus scientists and USA faculty to be held in October. He announced that Dr. Botti accepted an invitation to serve as 2014 Spring Commencement Speaker, adding that Mr. Abe Mitchell would deliver the Fall Commencement address in December.

President Smith introduced Mr. Chris Cannon, Director of the Computer Services Center. Mr. Cannon provided information on a USA "app" for mobile devices, developed to meet students' expectations. Management of Office of Web Services has been transferred to the Computer Services Center. Mr. Ayers said improvements to the University's Web site are forthcoming.

President Smith addressed football, specifically, South Alabama's victory over Tulane on September 7. He called upon Dr. Erdmann, who announced USA's advancement to Division I status, as confirmed by NCAA in August. He stated that overwhelming support since inception had made the football program a success, and conveyed pride. He referenced a handout listing future opponents. President Smith echoed Dr. Erdmann's enthusiasm and Ms. Miree remarked on Dr. Erdmann's dedication. The work by compliance staff for oversight was recognized.

Chairman Furr presented **ITEM 4** as follows. On motion by Mr. Corcoran, seconded by Mr. Shumock, the resolution was approved unanimously:

**RESOLUTION
EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES**

WHEREAS, the Bylaws of the University of South Alabama Board of Trustees provide for the appointment by the Chair *pro tempore* of an Executive Committee, subject to the approval of the Board, for terms concurrent with the term of the Chair *pro tempore*, who shall serve as Chair of the Executive Committee,

THEREFORE, BE IT RESOLVED, the Board approves the appointment of the following named Trustees to serve on the Executive Committee for terms concurrent with the term of the current Chair *pro tempore*:

Dr. Steven P. Furr
Hon. Kenneth O. Simon
Mr. James H. Shumock
Mr. E. Thomas Corcoran
Ms. Arlene Mitchell
Mr. John M. Peek
Mr. James A. Yance

Chairman Furr announced that the members of the Executive Committee would serve as an *ad hoc* committee to evaluate the Board's bylaws, **ITEM 5**, adding that the first meeting would take place during the noon recess. He discussed minor changes to the Board's standing committees, noting that appointments are temporary pending action by the Governor for terms expiring on September 30. He said Mr. Corcoran would take his place on the Long-Range Planning Committee, and Dr. Stokes would take his seat as Chair of the Health Affairs Committee.

Chairman Furr called for a report of long-range planning items. Mayor Jones, Committee Chair, moved approval of **ITEM 6** as follows. Mr. Shumock seconded and the resolution was approved unanimously. Dr. Johnson stated that the University Committee on Planning, Assessment and Finance would meet annually.

RESOLUTION
UNIVERSITY OF SOUTH ALABAMA 2014-2017 STRATEGIC PLAN

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

WHEREAS, in 2008 the University of South Alabama adopted long-range institutional goals and objectives for the period 2008-2013, and

WHEREAS, the University of South Alabama is committed to ongoing, integrated, and institution-wide planning and evaluation processes that incorporate a systematic review of institutional mission, goals, and outcomes, resulting in continuing improvement in institutional quality, and that demonstrate that the institution is effectively accomplishing its mission, and

WHEREAS, as evidence of this commitment, the University mission, vision, goals and outcomes have been reviewed by the University Committee on Planning, Assessment, and Finance, and

WHEREAS, after soliciting input from University stakeholders, the University Committee on Planning, Assessment, and Finance has proposed a revision to the University Strategic Plan to address future challenges and opportunities,

NOW, THEREFORE BE IT RESOLVED, the Board of Trustees adopts the attached planning report entitled *University of South Alabama 2014-2017 Strategic Plan*.

Chairman Furr called for a report of health affairs items. On behalf of Dr. Stokes, Chair of the Health Affairs Committee, Chairman. Furr called for consideration of **ITEM 7** as follows. On motion by Dr. Charlton, seconded by Ms. Miree, the resolution was approved unanimously:

**RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR JUNE AND JULY 2013**

WHEREAS, the Medical Staff appointments and reappointments for June and July 2013 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.

Chairman Furr shared a promotional photo for the Medical Association of the State of Alabama (MASA), which pictured Dr. Franks. He called upon Dr. Franks to present **ITEM 8** as follows. On motion by Mr. Yance, seconded by Ms. Maye, the resolution was approved unanimously:

**RESOLUTION
PROMOTION**

WHEREAS, in accordance with University policy, a faculty application for promotion has been reviewed by the respective faculty peers, Departmental Chair, College Dean, and by the Vice President for Health Sciences, and the President,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants promotion to the individual named below to be retroactively effective August 15, 2013.

COLLEGE OF MEDICINE:

Promotion to Senior Librarian:
Clista L. Clanton

Chairman Furr introduced **ITEM 9** as follows. On motion by Mr. Yance, seconded by Ms. Maye, the resolution was approved unanimously:

**RESOLUTION
PROFESSOR EMERITUS**

WHEREAS, Arnold Luterman, Ripps-Meisler Professor of Surgery, has retired from the University of South Alabama, and

WHEREAS, the Dean of the College of Medicine, and the Vice President for Health Sciences recommend him for the rank of Emeritus Professor,

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

BE IT FURTHER RESOLVED, the Board of Trustees of the University of South Alabama in recognition of his noteworthy accomplishments and dedicated service to the University of South Alabama wishes to convey its deep appreciation to this individual.

Dr. Franks addressed **ITEM 10**, a report on the activities of the USA Health System and the Division of Health Sciences, advising that USA's Physician Assistant Studies program, led by Dr. Diane Abercrombie, Chair, earned the *2013 Excellence Through Diversity Award* from the national Physician Assistant Education Association. Last year, 700 students applied for 40 positions in the program. Dr. Franks introduced Dr. Abercrombie.

Mr. Hammack introduced a video featuring USA Children's & Women's Hospital (CWH) patient Starla Chapman's bond with University of Alabama Quarterback A. J. McCarron, former CWH patient, which aired consecutively on ESPN, giving the CWH national exposure. Photos of the CWH ribbon-cutting ceremony held on September 12 were viewed. President Smith thanked Mr. Hammack and the CWH staff for their dedication to the community.

Concerning **ITEM 11** as follows, on motion by Ms. Mitchell, seconded by Ms. Miree, the resolution was approved unanimously:

RESOLUTION
AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF ALABAMA AT BIRMINGHAM (UAB)

WHEREAS, with the approval of the USA Board of Trustees, the University of South Alabama Mitchell Cancer Institute entered into a Declaration of Intent with the University of Alabama at Birmingham Comprehensive Cancer Center (UAB) to investigate the feasibility of developing a Cancer Research Consortium Partnership as defined by the United States National Cancer Institute (NCI), and

WHEREAS, since that time, USA and UAB have moved forward with said investigation and wish to continue in exploring the option of entering into such consortium partnership, which would have tangible and intangible benefits of high value for both universities, and for the citizens of the State of Alabama and beyond, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to grant authority to the University President to continue in the discussions with UAB, with the ultimate goal that USA and UAB execute an agreement for a Cancer Consortium as soon as practicable,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby authorizes the University President and/or his delegate(s) to continue discussions with UAB toward the end that an agreement for a Cancer Research Consortium Partnership (as defined by NCI) between the University of Alabama at Birmingham and the University of South Alabama be drafted and, with further consent of the USA Board of Trustees, executed and delivered as promptly as practicable.

Mr. Wayne Davis presented **ITEM 11.A** as follows, noting that the proposed reorganization of the Health Services Foundation (HSF) would involve replacing the current HSF Board of Directors with the USA Board of Trustees in order for the HSF financial statements to be reported as a part of the University's financial statements. He explained the request of the Board at this time is authorization for the Administration to conduct due diligence for assurance that the HSF's 501(c)(3) corporation status is not affected. On motion by Dr. Charlton, seconded by Ms. Maye, the resolution was approved unanimously:

**RESOLUTION
AUTHORITY TO ENGAGE IN DUE DILIGENCE REGARDING FUTURE OPTION
FOR THE USA HEALTH SERVICES FOUNDATION**

WHEREAS, the University of South Alabama Health Services Foundation ("HSF") was established in 1976 for the purpose of developing "a pool of skilled professional, medical and scientific talent and resources in order to provide superior patient care within a group medical practice setting; and to further medical education and medical research, within the patient care facilities employed for educational and research programs of the University of South Alabama," and

WHEREAS, the HSF has operated successfully in carrying out its mission as an important part of the University of South Alabama ("University") Health System and academic medical center, along with the other components of the University Health System, i.e., the USA Medical Center, the USA Children's and Women's Hospital, the USA HealthCare Management, LLC, and the Mitchell Cancer Institute, and

WHEREAS, due to recent changes and the uncertainty of the future in the financing of healthcare, the Board of Directors of the HSF has authorized the commencement of extensive due diligence to consider changing its bylaws and articles of incorporation so that its board would be replaced by the Board of Trustees of the University, and

WHEREAS, the goal is for the University and the HSF to jointly conduct this due diligence and, if determined to be feasible, accommodate this change with the least amount of disruption to the business of the HSF and the University's Health System units,

NOW, THEREFORE, BE IT RESOLVED, the Board of Trustees of the University hereby authorizes the President of the University to initiate the due diligence process together with the HSF to determine the feasibility of the Board of Trustees of the University of South Alabama becoming the Board of Directors of the HSF, resulting in the financial statements of the HSF being presented similarly to other components of the University Health System.

President Smith recognized Ms. Ann Sirmon, NAA President for 2013-2014.

Chairman Furr called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, called upon Dr. Johnson to present **ITEM 12**, a report on the activities of the Division of Academic Affairs. Despite declines in enrollment nationally, Dr. Johnson discussed record enrollment, including a total enrollment of 15,311 students, an increase of 428 students compared to fall 2012 figures; a graduate student enrollment totaling 3,466; new student enrollment totaling 4,283; and African-American student enrollment totaling 3,019. As Board members viewed a visual presentation showing statistics, Dr. Johnson reported that the increases are a result of the significant contributions of the faculty and staff. He said that the quality of the student body improves every year, as evidenced by the ACT scores of USA freshmen, which exceed the national and state averages. A list of the top feeder high schools was shown, as was a breakdown of enrollment by college and school. Dr. Johnson stated USA's College of Nursing is one of the largest programs in the nation.

Dr. Johnson presented **ITEM 13** as follows, observing that new legislation allows for a less restrictive policy for military credit. On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously. Mr. Peek asked if there would be ramifications as to

institutional accreditation. Dr. Johnson stated that similar action is taking place around the country and no implications are anticipated:

**RESOLUTION
AMENDMENT TO THE USA BULLETIN
ACADEMIC CREDIT FOR MILITARY EDUCATION, TRAINING, OR SERVICE**

WHEREAS, the legislature of the State of Alabama, in HB 338, mandated the following regarding academic credits based on military education, training, or service:

Each board of a state public educational institution, community college, or technical school shall adopt, by December 31, 2013, a policy requiring each institution under the board's supervision and management to award educational credits to a student, who is also a veteran, enrolled in the institution for courses that are part of the student's military training or service and that meet the standards of the American Council on Education or equivalent standards for awarding academic credit if the award of education credit is based upon the institution's admission standards and its role, scope, and mission. Each board shall adopt necessary rules, regulations, and procedures to implement the provisions of this section, effective beginning with the 2014-2015 academic year and continuing thereafter,

and

WHEREAS, the University proposes amending the USA Bulletin – Admissions and Enrollment Services section by replacing the title "Transfer Credit From Military Service Schools" and the first paragraph thereunder with the following:

ACADEMIC CREDIT BASED ON MILITARY EDUCATION, TRAINING, OR SERVICE

Education credits will be awarded to students who are veterans for courses that were part of the student's military training or service and meet the standards of the American Council of Education or equivalent standards for awarding academic credit. Students should present official credentials to the Office of Admissions for new students or to the Office of the Registrar for returning or currently enrolled students. The indicated education credits may be substituted for general elective courses. The indicated education credits may be substituted for specific courses if the credits meet the admission standards that describe the specific courses,

and

WHEREAS, the proposed amendment to the Bulletin is consistent with the law by which it is mandated, and it further mandated that this Board of Trustees adopt said amendments,

THEREFORE, BE IT RESOLVED, that the Board of Trustees approves and adopts the amendments to the USA Bulletin as described herein.

Dr. Johnson presented **ITEM 14** as follows, noting a requirement that the Board minutes reflect compliance with new policy standards by Spring Semester 2014. He added that the legislation was an opportunity for the Administration to review and tighten procedures, and advised that new students who enrolled at the University this year would be subject to the updated policy. On motion by Ms. Maye, seconded by Mr. Peek, the resolution was approved unanimously:

**RESOLUTION
RESIDENCY FOR TUITION PURPOSES POLICY**

WHEREAS, the Alabama Legislature has enacted legislation through ACT 2013-423 and ACT 2013-331 that changes Title 16, Chapter 64, sections 2 and 4 of the Code of Alabama, 1975, and

WHEREAS, these changes require modifications to the Residency for Tuition Purposes Policy at the University of South Alabama,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves and adopts the amended Residency for Tuition Purposes Policy and Bulletin statement as set forth in the documents attached hereto.

Regarding **ITEM 15** as follows, Dr. Johnson described significant contributions by Marx family members over many years in support of the University of South Alabama, and announced the latest gift of \$3 million from the Julien E. Marx Foundation Trust to benefit the University Library. One million dollars will fund renovations on the third floor of the Library to accommodate the contents of the McCall Rare Book and Manuscript Library, and \$2 million will be reserved as an unrestricted endowment for support of the Library. Dr. Busta recognized Ms. Linda Marx, wife of the late Mr. Julien Marx, and, representing the Marx Trust Foundation, Mr. Mike McAleer. Chairman Furr and President Smith joined Ms. Marx for presentation of a resolution proclaiming the University Library's new name as the *Marx Library*. On motion by Mayor Jones, seconded by Ms. Miree, the resolution was approved unanimously. Ms. Marx shared brief remarks on the inspiration for the gift, and President Smith conveyed appreciation on behalf of the University:

**RESOLUTION
NAMING OF THE UNIVERSITY LIBRARY**

WHEREAS, the Marx Family of Julius and Jean Marx and Julien and Linda Marx have demonstrated servant leadership through their steadfast dedication to the University of South Alabama over the past three decades, and

WHEREAS, the Marx Family has contributed to the personal and professional growth of the students and faculty of the University through their generosity in establishing the *Jean F. and Julius E. Marx Endowed Fund in Philosophy*, the *Marx Endowed Scholarship in Philosophy-Pinebrook Scholars*, the *Julius E. Marx Photographic Collection Endowment*, and the *Robert Snell Endowed Scholarship in Art*, and

WHEREAS, the Marx Family has chosen the University to be the recipient of numerous gifts of significant archival materials including the extensive *Julius E. Marx Photographic Collection*, and

WHEREAS, the Julien E. Marx Foundation Trust further chooses to continue the Marx family legacy of support of the University of South Alabama through a \$3 million gift to the University Library. Of this gift, \$1 million will be used for the renovation of the 3rd floor Library space to house the *Doy Leale McCall Rare Book and Manuscript Library*. The remaining \$2 million of this gift will be used to establish the *Marx Family Library Endowment Fund*, and

WHEREAS, in naming the University Library in honor of the Marx Family, the spirit of academic and personal enrichment, which the Marx Family exudes, will forever benefit University students, faculty, and

staff, as well as local, state, national, and international scholars and visitors, through research and educational support,

THEREFORE, BE IT RESOLVED, the University of South Alabama's Board of Trustees gratefully acknowledges the unwavering loyalty, service, and support the Marx Family has provided to the University and declares the University Library will now be known as the **Marx Library**, and

BE IT FURTHER RESOLVED that the Board of Trustees, administration, faculty, staff, alumni and students of the University of South Alabama express sincere gratitude to the Marx Family for their enduring devotion to the University.

Ms. Miree called upon Dr. Mitchell for a report on the activities of the Division of Student Affairs, **ITEM 16**. Dr. Mitchell discussed "Move-In Day" events held on August 17. Photos were shown of students moving into the residence halls, assisted by administrators, faculty, staff and students. An aerial map of the residence hall complex was viewed, as well as photos of the new residence hall. Dr. Mitchell discussed office and living space provided to *Faculty In Residence* volunteers who reside among student residents as a component of USA's Living-Learning-Community environment. Mr. Peek inquired about occupancy rates and parking at the residence halls. Dr. Mitchell said the residence halls are 92 percent filled and he discussed plans to expand parking near residence facilities.

Mr. Yance called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, addressed **ITEM 17** reports titled *Monthly Fund Financial Reports for April, May and June 2013*; *Quarterly GASB Financial Statements, Nine Months ended June 2013*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, June 30, 2013 and 2012*, noting that University assets are valued in excess of \$1 billion.

Mr. Corcoran called upon Ms. Chronister to discuss **ITEM 18** resolutions as follows. Ms. Chronister presented the slate of nominees to serve on the Foundation for Research and Commercialization (FRAC) Board of Directors. On motion by Mr. Corcoran, seconded by Ms. Mitchell, the resolution was approved unanimously:

RESOLUTION
ELECTION OF DIRECTORS FOR THE UNIVERSITY OF SOUTH ALABAMA
FOUNDATION FOR RESEARCH AND COMMERCIALIZATION

WHEREAS, pursuant to the Bylaws of the South Alabama Foundation for Research and Commercialization ("FRAC") approved by the USA Board of Trustees of the University of South Alabama ("Board") on June 7, 2013, the Board shall elect directors of the Foundation who are not officers, employees, or trustees of the University, and

WHEREAS, the Board is authorized to elect a founding Board of Directors for the FRAC consistent with the aforesaid and the FRAC Bylaws, and

WHEREAS, certain individuals are being placed for nomination as members of the Board of Directors of FRAC, and these individuals, who have agreed to serve in this capacity are: Mr. Billy Cox for a one (1) year renewable term beginning September 2013; Speaker Pro Tempore Victor Gaston and Mr. David Trent for two (2) year renewable terms beginning September 2013; and Mr. Mark Hoffman and Mr. William Sisson for three (3) year renewable terms beginning September 2013,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama does hereby elect as Directors of the South Alabama Foundation for Research and Commercialization Mr. Billy Cox, Speaker Pro Tempore Victor Gaston, Mr. David Trent, Mr. Mark Hoffman, and Mr. William Sisson for the terms outlined above.

Ms. Chronister presented the second resolution of **ITEM 18** as follows, noting minor revision of the FRAC Articles of Incorporation. On motion by Mr. Corcoran, seconded by Ms. Maye, the resolution was approved unanimously:

**RESOLUTION
RATIFICATION OF THE BYLAWS AND ARTICLES OF INCORPORATION (501(c)(3))
FOR THE UNIVERSITY OF SOUTH ALABAMA FOUNDATION
FOR RESEARCH AND COMMERCIALIZATION**

WHEREAS, the University of South Alabama is a comprehensive research university that promotes research, industry collaboration and technology commercialization, for the benefit of the region and the nation, and

WHEREAS, a corporation organized exclusively for charitable, educational, and scientific purposes within the meaning of 501(c)(3) of the Internal Revenue code of 1986 and the regulations promulgated thereunder has been determined by the University to be the best vehicle for centralizing the development, support, and operation of certain research and commercialization efforts of the entire University, and

WHEREAS, the University believes it is important to centralize certain research and commercialization efforts of the entire institution into one 501(c)(3) not for profit corporation created as a supporting organization of the University of South Alabama to further its educational, research, and service missions, to promote the University and its colleges and departments, to promote collaboration of the University with Industry, and to seek and accept gifts, create endowments, and invest same in furtherance of research, technology, and commercialization consistent with the mission of the University and the Articles of Incorporation and Bylaws of said 501(c)(3) corporation, a draft of each attached hereto, and

WHEREAS, on June 7, 2013 the Board of Trustees of the University of South Alabama approved creation of a 501(c)(3) corporation as a supporting organization named the University of South Alabama Foundation for Research and Commercialization to which these Articles and Bylaws apply,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby ratifies the Articles of Incorporation and the Bylaws of the above-referenced 501(c)(3) corporation to be known as the University of South Alabama Foundation for Research and Commercialization.

Mr. Corcoran presented **ITEM 19** as follows, noting that a thorough discussion had taken place during the Committee of the Whole meeting. He moved approval. President Smith clarified that only University General Division faculty and staff are eligible to receive the increase. Ms. Miree seconded and the resolution was approved unanimously:

**RESOLUTION
SALARY INCREASE
UNIVERSITY GENERAL DIVISION**

WHEREAS, the University has continued to sustain positive momentum in achieving its mission through careful management and the united efforts of its employees, and

WHEREAS, other than the 2½ percent continuing salary increase in October 2011 which was offset by a 2½ percent increase in the Retirement Systems of Alabama deductions, the University has not given a continuing increase in salaries for University General Division personnel since October 2007, and

WHEREAS, the proposed 2013-14 fiscal year budget is a balanced budget that includes a proposed 4 percent continuing salary increase that is possible because of continuing diligent management of finances, enrollment growth, a small increase in state appropriations, and a modest tuition increase, and

WHEREAS, this 4 percent increase would be based on merit for faculty and administrators, and 1 percent merit and 3 percent across-the-board for staff, and would be subject to the standard University personnel guidelines and procedures, and eligibility for the merit increase would require having been hired prior to June 1, 2013,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves a 4 percent increase, as described herein, for the University General Division for all current salaried or hourly regular faculty, staff and administrative employees of that Division, as defined by USA personnel policies.

As to **ITEM 20** as follows, Mr. Corcoran stated a detailed discussion occurred at the Committee of the Whole meeting. On motion by Mr. Corcoran, seconded by Sheriff Mixon, the resolution was approved unanimously:

**RESOLUTION
UNIVERSITY TOTAL BUDGET FOR 2013-2014**

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2013-2014 University of South Alabama Total Budget, which includes both the University General Budget and the Hospitals and Clinics Budget, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees approves the 2013-2014 Total Budget as a continuation budget for 2014-2015 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2014-2015 fiscal year.

Regarding **ITEM 21**, a report by KPMG auditors, it was noted that discussion took place at the Committee of the Whole meeting.

Chairman Furr called for a report from Mr. Yance, Chair of the Development, Endowment and Investments Committee. Mr. Yance asked Messrs. Albano and Pitman to deliver a report on endowment and investment performance, **ITEM 22**. Mr. Albano advised that the investment return from October 1, 2012, through July 31, 2013, was 12.42 percent versus a relative index of 11.96 percent, an outperformance of .46 percent. Mr. Pitman explained the factors affecting portfolio outperformance. Mr. Albano discussed asset allocation for the 2013 fiscal year, noting that the allocations were in compliance with the University's investment policy. He talked about performance since inception, reporting a 4.79 percent return versus the relative index of 4.11 percent, an outperformance of .68 percent.

Dr. Busta introduced Mr. Mark Hoffman, past president of the USA National Alumni Association (NAA), to report on the NAA Strategic Plan for 2013-2018, **ITEM 23**. As Board

members viewed visual information, Mr. Hoffman explained specific goals for targeting objectives adopted by the NAA Board, as conveyed by the mission and vision statements. Board members were shown the new design for car license plates, the sales of which yield excellent proceeds for the NAA.

Mr. Abe Mitchell was asked to join Chairman Furr, President Smith and Mr. Yance, who read **ITEM 24** as follows. On motion by Mr. Yance, seconded by Ms. Mitchell, the resolution was approved unanimously. Mr. Mitchell talked about the philanthropic endeavors of the Mitchell family, and said that, through private endowments and fundraising, the University can excel to the next level. He added that the Mitchell-Moulton Scholarship Initiative was designed to help students whose test scores do not reflect their high GPAs:

**RESOLUTION
HONORING MR. ABRAHAM A. "ABE" MITCHELL**

WHEREAS, Mobile native and businessman Abraham A. Mitchell built a highly successful real estate company with his brother, Mayer, and

WHEREAS, Mr. Mitchell has given generously of his resources earned over a lifetime to meet a wide range of needs of people of his beloved Mobile and beyond, and

WHEREAS, Mr. Mitchell has focused his philanthropy on the University of South Alabama and enhancing the institution's ability to serve its many constituencies, and

WHEREAS, giving by the Mitchell family – Abe Mitchell, the late Mayer Mitchell, and Arlene Mitchell – supports every mission of the University, including teaching, research, service and health care, and

WHEREAS, Mr. Mitchell recently has expanded this support by making the largest single gift in the history of Alabama public higher education, and

WHEREAS, this \$50 million commitment was appropriately announced at the 50th Anniversary of the University, adding immensely to the institution's commemorative celebration, and

WHEREAS, Mr. Mitchell's gift also honors the contributions of President Emeritus Gordon Moulton for his contributions over a 47-year career at USA, and

WHEREAS, Mr. Mitchell's latest gift will enhance the Mitchell College of Business and forever provide a transformational expansion of educational opportunities for USA students in all disciplines through endowment of the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, through Mr. Mitchell's vision, the scholarship initiative will have an even greater impact because it is a challenge gift that encourages others to give, and

WHEREAS, Mr. Mitchell's \$50 million gift, combined with the \$43 million given previously by the Mitchell family, brings the family's total giving to USA to \$93 million, securing distinction as the state's leading family in philanthropic support of a public university in Alabama, and

WHEREAS, Mr. Mitchell has given not only of his resources, but has provided vast quantities of his time and talent to the University as a wise counselor, tireless advocate, and energetic fundraiser, and

WHEREAS, Mr. Mitchell has graciously agreed to enhance USA's 2013 Fall Commencement with words of wisdom and inspiration to USA's graduates, families, faculty, staff, students, alumni and friends,

THEREFORE, BE IT RESOLVED, on behalf of every life touched by the University of South Alabama, the Board of Trustees conveys its deepest gratitude for the many kind and generous works of Abraham A. Mitchell, and

BE IT FURTHER RESOLVED that the entire University family expresses its heartfelt respect and belief that Mr. Mitchell has lived a life true to his favorite words in the book of his faith, the Talmud, as he truly has disregarded what the world owes him, and instead has concentrated on what he owes the world.

Chairman Furr asked Mr. and Mrs. Yance to join him and President Smith for the reading of **ITEM 25** as follows. On motion by Mayor Jones, seconded by Ms. Mitchell, the resolution was approved unanimously. Mr. Yance commented on the successes and challenges experienced during his tenure as Chair *pro tempore*, particularly within the past year. He thanked administrators, staff and others for their support, time and labor. He and Mrs. Yance unveiled a portrait of Mr. Yance commemorating his service as Board Chair. They introduced family members in attendance. President Smith thanked Mr. Yance for his support and dedication during President Moulton's illness. Mr. Yance thanked the Trustees for being active and engaged:

RESOLUTION
COMMENDATION OF JAMES A. YANCE AS CHAIR PRO TEMPORE EMERITUS

WHEREAS, James A. Yance has served faithfully as a member of the Board of Trustees of the University of South Alabama since his appointment in 2006, and

WHEREAS, Mr. Yance served as Chair Pro Tempore of the Board of Trustees from 2010 to 2013 and made history as the first undergraduate alumnus to hold the position, and

WHEREAS, Mr. Yance previously served the Board as Vice Chair from 2007 to 2010, and

WHEREAS, Mr. Yance and his wife, Frances, are loyal supporters of the University and, over the years, have contributed generously to the mission of the University of South Alabama, and

WHEREAS, the Yances' substantial gifts have included an endowment for the support of the University's football program, along with contributions to the Jaguar Athletic Fund, Moulton Tower and Alumni Plaza, and the James A. Yance Endowed Scholarship for Pre-Law Students, and

WHEREAS, the support for the USA football program resulted in the naming of the James A. and Frances H. Yance Football Practice Facility, and

WHEREAS, Mr. Yance served as chairman of Campaign USA, the University's first comprehensive fundraising campaign, which exceeded expectations and raised \$93.5 million, and

WHEREAS, Mr. Yance attended the University as a student-athlete, graduated in 1970 with a degree in political science and went on to a successful law career in Mobile, and

WHEREAS, Mr. Yance has been an active alumnus and, in 2009, was awarded the University's Distinguished Alumni Award, which is the highest honor given by the University to an alumnus, and

WHEREAS, Mr. Yance brought steady leadership to the Board of Trustees throughout his tenure, notably during a period of transition at the retirement of President V. Gordon Moulton, and

WHEREAS, Mr. Yance, through his long-standing stewardship, wisdom, guidance and philanthropy, has played a prominent role in advancing the interests of all University of South Alabama constituencies,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama expresses its sincere appreciation to James A. Yance for his many contributions and invaluable service to the Board, to the entire University community, and to the people of the state of Alabama, all of whom have benefitted from his wisdom, dedication, service and generosity, by conferring upon him the honorary title of Chair Pro Tempore Emeritus of the University of South Alabama Board of Trustees.

At 11:43 a.m., Chairman Furr called for a recess of the meeting until 1:30 p.m.

Chairman Furr reconvened the meeting of the Board of Trustees at 1:38 p.m., and called for a motion to convene an executive session for a duration of up to one and one-half hours for the purpose of discussing good name and character. On motion by Dr. Charlton, seconded by Ms. Miree, the Board voted unanimously to convene an executive session at 1:39 p.m.

Chairman Furr reconvened the meeting at 3:01 p.m. With regard to **ITEM 3**, a report by the Presidential Search Committee, Chairman Furr stated a transparent and meaningful search process was conducted for the benefit of the University. He introduced the committee members, thanking them for their service, and called upon Judge Simon, Committee Chair, for remarks. On behalf of the Committee, Judge Simon recommended three finalists for the Board's consideration: Dr. Jerome A. Gilbert, Provost and Executive Vice President - Mississippi State University; Dr. Sheri Noren Everts, Provost and Vice President for Academic Affairs - Illinois State University; and Dr. Arthur J. Ross III, Dean of the School of Medicine at West Virginia University. Judge Simon summarized the credentials of each candidate. On motion by Mr. Yance, seconded by Ms. Miree, the Board voted unanimously to adopt the slate of candidates as submitted. Discussion took place on scheduling of campus interviews.

There being no further business, the meeting was adjourned at 3:10 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

COMMITTEE OF THE WHOLE

September 12, 2013

2:30 p.m.

A meeting of the Committee of the Whole of the USA Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, September 12, 2013, at 2:30 p.m. in the Administrative Board Room at USA Children's and Women's Hospital.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Steve Stokes.

Administration and Others: Acting President Dr. John Smith; Drs. Joe Busta, Phil Carr/Julie Estis/Doug Marshall/Kelly Woodford (Faculty Senate), Ron Franks, David Johnson, and Mike Mitchell; Messrs. Owen Bailey, Wayne Davis, Stan Hammack, Mark Peach (KPMG) and Steve Simmons; and Mss. Lynne Chronister, Riley Davis (SGA), Kelly Peters, Polly Stokley and Jean Tucker.

Press: Ms. Sally Ericson (*Press-Register/al.com*).

Upon the call to order, Chairman Furr welcomed Trustees and guests to Children's & Women's Hospital (CWH), and he recognized Ms. Maye for her return following surgery. He reminded the group that a dedication of the new CWH facilities would take place at 4:30 p.m. He introduced Mr. Owen Bailey, CWH Administrator. Mr. Bailey expressed enthusiasm for the positive momentum taking place at the Hospital, to which he credited the Board of Trustees. He talked about a variety of events marking the opening of the expanded facilities.

Chairman Furr talked briefly about meeting with Governor Bentley to update him on the search for a University President and to discuss proposed changes to Trustee term duration and districts, which would require approval by the Alabama legislature. He said the Governor expressed a willingness to delay on addressing Board appointments/reappointments while the legislation is pending. He indicated that, with the exception of the Executive Committee, appointments to standing committees of the Board would be made on a temporary basis until the Governor acts on term expirations.

President Smith called upon Dr. Johnson, Chair of the University Committee on Planning, Assessment and Finance (UCPAF), to present **ITEM 6**, a resolution to adopt the planning report titled *University of South Alabama 2014-2017 Strategic Plan*. He explained the key assumptions charged by President Moulton for the UCPAF to consider when developing an updated plan, and summarized the emergent goals. He said the process included modification of the University's mission and vision statements, and noted the plan would be reviewed annually

and amendments incorporated as necessary going forward. He reported that USA divisions would develop individual strategic plans that would parallel the Institution's strategic plan, and outcomes would be tracked. Metrics for measuring results are being created to monitor progress. Dr. Johnson stated the plan would help the University to accomplish the expectations of the Southern Association of Colleges and Schools (SACS), which are to use data to achieve improvements. He said the draft plan had been circulated widely and feedback received was incorporated. Judge Simon commended the University for a fine job and asked that progress be reported annually to the Board. President Smith remarked on the extensive effort put forth on this project, noting that stakeholder involvement made for a thorough process. He added that the goals derived are achievable. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

President Smith called upon Mr. Wayne Davis to present **ITEM 11.A**, a resolution authorizing the President to initiate the due diligence process, in conjunction with that of the Health Services Foundation (HSF) administration, to determine the feasibility of restructuring the HSF such that HSF's financial statements would be reported in a manner similar to that of other sectors of the USA Health System, provided HSF would maintain its status as a 501(c)(3) corporation. Mr. Davis said the proposal calls for USA's Board of Trustees to also serve as the Board of Directors of the Health Services Foundation, replacing the current Board members, and he explained that HSF functions are not presently subject to the University's financial audits. He said numerous rules would need to be examined before moving ahead, and a ruling if needed from the Internal Revenue Service. He stated the Administration would report findings and both boards would have to give authorization to proceed. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

President Smith presented **ITEM 19**, a resolution authorizing a four percent increase for all current salaried or hourly regular faculty, staff and administrative employees of the University General Division. He said that, as a result of the hard work of faculty and staff to increase enrollment and contain costs, the University would recommend a balanced budget. He cited a slight increase in state appropriation for 2013-2014 and a marked increase in enrollment in excess of 400 students. He said the recommendation is for an average raise of four percent based on merit. He advised that the Faculty Senate Executive Committee had been consulted and are in agreement with the proposal. Mayor Jones inquired how merit is determined. Dr. Johnson responded that merit is based upon performance evaluations. President Smith reminded the Committee that raises were given to employees of the USA Health System in June.

Concerning **ITEM 20**, a resolution authorizing adoption of the University total budget for 2013-2014, President Smith reiterated that the balanced budget proposed follows several years of deficit budgets. Mr. Simmons said the budget process is complex and all University contingents have worked together to achieve a balanced budget. He recognized Mss. Kelly Peters and Polly Stokley, University Controller and Assistant Controller/Budget Director, respectively, for their efforts. He conveyed pride in a transparent and participatory process. Referencing the budget materials, he noted a total budget of \$751 million and pointed out that, in June, for the first time, the University's assets exceeded \$1 billion. He reported that University divisions are

given the responsibility to balance their budgets, and he summarized budget highlights. President Smith and Mr. Yance remarked on the loss of \$240 million in state appropriations spanning the current economic recession. Discussion took place on a variety of University services and programs that have not diminished in quality despite the significant fiscal shortfalls, and questions from Committee members were addressed. With regard to increased University support, Mayor Jones stated the importance of reaching out to students at all local high schools. Judge Simon stated the University is a top product on the market. Dr. Mike Mitchell remarked that improvements to the Web site would attract a wider audience. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Mark Peach, KPMG partner, was introduced to deliver the required communications to the Audit Committee of the Board, **ITEM 21**. As the Committee viewed the material distributed, Mr. Peach provided a summary of the audit process and schedule. He said KPMG examiners were provided full access to the University's financial books, and no disagreements with the University management were reported. He stated interviews are routinely conducted and, upon a thorough analysis, KPMG would issue its statements in November, followed by a full report to the Board at the December meeting. He said he is available to answer questions at any time.

Following appreciation conveyed by Ms. Maye for prayers and concern shared during her recovery from surgery and the loss of her husband, and there being no further business, the meeting was adjourned at 3:32 p.m.

Attest to:

Respectfully Submitted:

Jimmy Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

***AD HOC* BYLAWS COMMITTEE**

**September 13, 2013
12:00 p.m.**

A meeting of the *ad hoc* Bylaws Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Friday, September 13, 2013, at 12:10 p.m. in the President's Conference Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Furr, Arlene Mitchell, John Peek, Jimmy Shumock, Ken Simon and Jim Yance.

Administration
and Others: Acting President Dr. John Smith; Dr. Bob Shearer and Ms. Jean Tucker.

Chairman Furr called the meeting to order and presented a proposal for bylaws amendments. He discussed that a number of bylaws provisions are in accordance with the Code of Alabama and revisions to these would necessitate amendments to the law by the Alabama legislature. He talked about a timetable for legislative passage during the 2014 regular session, and advised of Governor Bentley's support for the bylaws updates. Committee members viewed corresponding materials and exhibits, and, with regard to a discussion term duration, and on motion duly made and seconded, the Committee agreed unanimously to recommend Board approval of six-year terms.

As to term limits, the Committee agreed unanimously to consider a recommendation at a later time.

Chairman Furr stated that Governor Bentley concurred with removal of the *ex officio* position on the Board held by the Alabama State Superintendent of Education. On motion duly made and seconded, the Committee agreed unanimously to recommend Board approval of excluding the superintendent's seat on the Board.

The Committee discussed changes to Board composition and districts. Alumni population in Alabama and throughout the United States was considered as a basis for deciding how to combine Board districts and expand representation on the Board to other states. On motion duly made and seconded, the Committee agreed unanimously to recommend Board approval of bylaws revisions relating to Board composition and district realignments as outlined.

Committee members addressed the manner by which meetings of the Board of Trustees can be scheduled, as set forth by the Code of Alabama. Presently, the power to call meetings rests

solely with the Governor. On motion duly made and seconded, the Committee agreed unanimously to recommend Board approval to extend authority to the Chair *pro tempore* to call Board meetings.

Upon the discussion of other bylaws provisions, such as meeting participation via electronic means, which the Alabama legislature has approved, and, specification that the assumption of Chair *pro tempore* duties would take effect immediately following adjournment of the meetings at which Chairs *pro tempore* are elected, the Committee agreed unanimously to recommend Board approval as outlined.

There being no further business, the meeting was adjourned at 1:23 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *Pro Tempore*

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

**September 19, 2013
2:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, September 19, 2013, at 2:14 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton (phone), Tom Corcoran, Steve Furr, Christie Miree, Arlene Mitchell, John Peek, Jimmy Shumock, Ken Simon and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Cecil Gardner, Sam Jones, Bettye Maye, Bryant Mixon and Steve Stokes.

Administration
and Others: Drs. Jerome A. Gilbert (Mississippi State University) and Bob Shearer, and Ms. Jean Tucker.

Chairman Furr convened the meeting and thanked Trustees for participating in the interview of presidential candidate Dr. Jerome A Gilbert, Provost and Executive Vice President at Mississippi State University. He said a public forum would be held at 4:00 p.m. He called for a motion to convene an executive session for the purpose of discussing good name and character for a duration of up to one hour and 15 minutes. On motion by Mr. Corcoran, seconded by Mr. Yance, the Board voted unanimously to convene an executive session at 2:15 p.m.

Following the executive session and, on motion by Mr. Peek, seconded by Mr. Simon, the Board voted unanimously to adjourn the meeting at 3:26 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

**September 26, 2013
2:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, September 26, 2013, at 2:08 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice, Sam Jones and Steve Stokes.

Administration
and Others: Drs. Sheri Noren Everts (Illinois State University) and Bob Shearer, and Ms. Jean Tucker.

Chairman Furr convened the meeting and recognized presidential candidate Dr. Sheri Noren Everts, Provost and Vice President of Academic Affairs at Illinois State University. He called for a motion to convene an executive session for the purpose of discussing good name and character for a duration of up to one hour and 15 minutes. On motion by Mr. Corcoran, seconded by Ms. Maye, the Board voted unanimously to convene an executive session at 2:09 p.m.

Following the executive session and, on motion by Ms. Miree, seconded by Ms. Maye, the Board voted unanimously to adjourn the meeting at 3:31 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

**October 3, 2013
2:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, October 3, 2013, at 1:59 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran (phone), Steve Furr (phone), Cecil Gardner, Christie Miree (phone), Arlene Mitchell, John Peek (phone), Jimmy Shumock, Ken Simon (phone) and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Scott Charlton, Sam Jones, Bettye Maye, Bryant Mixon and Steve Stokes.

Administration and Others: Acting President Dr. John Smith; Dr. Bob Shearer; Mr. Steve Simmons; and Ms. Kristin Daniels.

Chairman Furr convened the meeting and the roll was called. Chairman Furr called for a motion to revise the agenda to include a discussion on a membership with the Association of Governing Boards of Universities and Colleges (AGB) and reimbursement of travel expenses. On motion by Ms. Mitchell, seconded by Mr. Peek, the revised agenda was adopted unanimously.

President Smith presented the following resolution. Mr. Yance acknowledged that costs are the responsibility of the family. The arrangements for a vessel and security were discussed. Ms. Daniels, Associate University Attorney, stated an opinion received from the Alabama Attorney General confirmed that, as long as state funds are not expended, the arrangements as detailed are in order. President Smith recommended approval, noting that verbiage for the plaque will be submitted by Mrs. Moulton and communicated to Chairman Furr. When asked about publicity, President Smith said Mrs. Moulton's wishes are for a private service. On motion by Mr. Yance, seconded by Ms. Mitchell, the resolution was approved unanimously.

**RESOLUTION
COMMITTAL OF ASHES**

WHEREAS, V. Gordon Moulton gave more than 46 years of unwavering service to the University of South Alabama, joining USA as one of the institution's early faculty members in business and computing, and

WHEREAS, in addition to his career as an educator that began at USA in 1966, Gordon Moulton has served in numerous leadership roles at the University, including director of the computer center, founding dean of the School of Computing, vice president for services and planning, and, for the past 15 years, as USA's second president, and

WHEREAS, President Emeritus Moulton was a vital force in the growth and progress of the University as a senior member of USA's central leadership team prior to his becoming president, and

WHEREAS, President Emeritus Moulton continued to provide exceptional leadership to the University, as president, in the advancement of its diverse missions of teaching, research, service, and health care, touching the lives of all those served by the institution, and

WHEREAS, President Emeritus Moulton was one of Alabama's leading champions of higher education, whose advocacy for advanced learning improved the lives of all citizens, and

WHEREAS, President Emeritus Moulton retired from the Presidency of the University of South Alabama and was named President Emeritus by the Board of Trustees, effective July 1, 2013, and

WHEREAS, President Emeritus Moulton died on September 28, 2013, after a valiant battle with cancer, and

WHEREAS, President Emeritus Moulton desired to have his ashes committed within the Moulton Tower,

NOW, THEREFORE, BE IT RESOLVED that it is with respect and appreciation that the Board of Trustees of the University of South Alabama does hereby authorize the committal of the ashes of V. Gordon Moulton, President Emeritus of the University of South Alabama, within the Moulton Tower.

Chairman Furr advised of a discussion with President Smith on reinstating a membership with the Association of Governing Boards of Universities and Colleges (AGB), a national organization dedicated to the needs of boards on issues related to higher education and governance. President Smith stated that dues, based upon enrollment, would cost close to \$6,000. Mr. Yance expressed concern about costs for Trustees to participate in AGB conferences. Chairman Furr outlined several ways to cut back on other costs to help offset AGB-related expenses. Attention turned to local hotel options and President Smith explained changes to the University's credit card program. Feedback was called for on Trustee reimbursement of travel expenses as an alternative to the University's long-standing practice of direct payment to vendors. Mr. Shumock recommended that a budget for AGB expenses be established. Chairman Furr suggested that the Board continue this discussion at a later time prior to execution of policy changes that could start as early as January 2014. President Smith acknowledged that the Executive Committee could authorize changes between regular meetings of the Board.

Chairman Furr called upon Dr. Shearer for an update on the presidential search. Dr. Shearer discussed the need to reschedule the campus interview for Dr. Arthur J. Ross, Dean of the School of Medicine at West Virginia University. Subsequent to a discussion on dates and Trustee availability, as well as that of the candidate, it was agreed that interviews with Dr. Ross would take place on October 28 and 29, and that October 30 could be reserved for a Board meeting to discuss the candidates.

There being no further business, the meeting was adjourned at 3:03 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

**October 28, 2013
2:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, September 26, 2013, at 2:06 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Furr, Cecil Gardner, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, Jimmy Shumock, Ken Simon and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Scott Charlton, Sam Jones, John Peek and Steve Stokes.

Administration
and Others: Drs. Arthur J. Ross (West Virginia University) and Bob Shearer, and Ms. Jean Tucker.

Chairman Furr convened the meeting and recognized presidential candidate Dr. Arthur J. Ross, Dean of the School of Medicine at West Virginia State University. He called for a motion to convene an executive session for the purpose of discussing good name and character for a duration of up to one hour and 15 minutes. On motion by Mr. Corcoran, seconded by Ms. Mitchell, the Board voted unanimously to convene an executive session at 2:07 p.m.

Following the executive session and, on motion by Mr. Gardner, seconded by Mr. Corcoran, the Board voted unanimously to adjourn the meeting at 3:15 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

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

November 6, 2013

2:30 p.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, November 6, 2013, at 2:34 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Steve Stokes.

Administration
and Others: Acting President Dr. John Smith, Dr. Bob Shearer, Mr. Happy Fulford and Ms. Jean Tucker.

Chairman Furr convened the meeting and thanked Trustees for their dedication and service during the search process. He called for a motion to convene an executive session for the purpose of discussing good name and character for a duration of up to two hours. On motion by Mr. Peek, seconded by Mr. Corcoran, the Board voted unanimously to convene an executive session at 2:36 p.m.

On motion by Ms. Mitchell, seconded by Mr. Corcoran, the Board voted unanimously to continue the meeting in general session at 5:11 p.m., with President Smith joining. Chairman Furr called upon Judge Simon, Chair of the Presidential Search Committee (PSC), who offered a motion that the Board continue the search for a president in order to consider additional candidates. Ms. Mitchell seconded and the motion passed with a unanimous vote of the Board. Citing USA's Presidential Search Guidelines, Chairman Furr called for PSC members and the search firm of R. William Funk and Associates to continue their service. He suggested that the PSC plan to meet on November 21 at 2:00 p.m., and he expressed confidence in the PSC and conveyed appreciation for their hard work.

Chairman Furr referenced draft bylaws revisions, copies of which were distributed, and he acknowledged the requirement of a 30-day notice of the proposed changes prior to authorization. He stated the Governor is receptive to the revisions and reminded that the members of the Executive Committee were asked to serve as an *ad hoc* Bylaws Committee, whose recommendations had been incorporated into drafts distributed. He outlined the primary points of the proposed revisions, including a reduction of term duration from twelve to six years, meeting the suggestion of the Association of Governing Boards of Universities and Colleges, as well as the national average for public institutions, and district realignment. Maps showing alumni demographics in Alabama and in the United States were shown, and Chairman Furr

explained that the redistricting proposal would make it possible to expand membership on the Board to non-Alabama residents, while securing Board representation for areas in Alabama with a high concentration of alumni residents, without implication to the Trustees who currently serve. Chairman Furr stated these revisions require legislative approval and he expressed hope for passage during the upcoming session. He said the Governor indicated he would delay on making appointments and reappointments pending approval by lawmakers. Ms. Tucker gave additional details and referenced copies showing the statutory revisions. She and Chairman Furr addressed questions and concerns from Board members.

There being no further business, the meeting was adjourned at 5:25 p.m.

Attest to:

Respectfully Submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

RESOLUTION

**AMENDMENTS TO BYLAWS OF THE BOARD OF TRUSTEES
AND TO CHAPTER 55 OF THE CODE OF ALABAMA**

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

WHEREAS, a copy of the proposed amended bylaws (a copy of which is attached hereto as Exhibit A and incorporated by reference herein) was mailed or hand delivered to each member of the Board on November 6, 2013, and

WHEREAS, the proposed amended bylaws having been presented for consideration with the above-referenced mailing, and presented for deliberation and a vote of the Board at its meeting on this day, December 6, 2013, a vote of eight members being necessary to adopt such amendments, and

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

WHEREAS, because the proposed amendments to the Bylaws outlined in Exhibit A concern previous statutory provisions regarding the University, the Board will seek legislative revision to certain sections of Chapter 55 of the Code of Alabama to be consistent with these proposed amendments, as illustrated on Exhibit B (attached hereto and incorporated by reference herein), and

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

THEREFORE, BE IT RESOLVED that the Board of Trustees approves the amendments to the Bylaws as set forth on Exhibits A and B that are attached, which are subject to the corresponding amendments being made to Chapter 55 of the Code of Alabama.

ARTICLE I

THE BOARD OF TRUSTEES

The entire management and control over the University of South Alabama (hereinafter referred to as the "University") shall be vested in the Board of Trustees of the University of South Alabama (hereinafter referred to as the "Board"); however, upon general or specific authorization or delegation made or provided for in these Bylaws, the Board may exercise such management and control through the officers, officials, committees and agents as it may deem fit and appropriate, all in accordance with state law. The Board acts as a body politic and no individual member of the Board shall have the authority to act for the Board or for the University.

Section 1. **Composition of Board.** The Board consists of ~~two~~ **one** *ex officio* members, the Governor ~~and the State Superintendent of Education~~, by virtue of the office; ~~s that they hold;~~ **three** members ~~who are residents of~~ Mobile County; ~~three~~ **five** members ~~at large who are residents of~~ the State ~~at large;~~ **two** members ~~at large who are residents of the United States of America;~~ ~~and~~ **one** member ~~who is a resident~~ from each of the following State senatorial districts, ~~or combinations thereof~~, as defined at the time of legislative enactment in 1963: ~~16th District and 17th District (Monroe and Wilcox Counties and Butler, Conecuh, and Covington Counties, respectively); 19th District and 20th District (Choctaw, Clark, and Washington Counties, and Marengo and Sumter Counties, respectively); 21st District (Baldwin and Escambia Counties); 23rd District, 25th District, and 30th District~~ **25th District, and 30th District (comprised of Dale and Geneva Counties, Coffee, and Crenshaw Counties, and Dallas and Lowndes Counties, respectively); and the 35th District, comprised of Henry and Houston Counties, and 35th District (Henry and Houston Counties).**

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Section 2. **Election and Term of Office.** *Ex officio* Trustees serve their terms of office in correspondence with their respective offices held in the State of Alabama. In accordance with the statute ~~regarding creating~~ the University of South Alabama, the Trustees are appointed by the Governor, by and with the advice and consent of the State Senate, and, ~~for those appointed or reappointed after 2012~~, hold office for a term of ~~twelve~~ **six** years, ~~or and~~ until their successors shall be appointed and qualified. ~~All Trustees appointed to twelve year terms before~~

BYLAWS
OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF SOUTH ALABAMA

PREAMBLE

The Legislature of the State of Alabama has vested full management and control over the University of South Alabama in a Board of Trustees pursuant to Act No. 157, Acts of Alabama, 1963, Secondary Extraordinary Session; the Legislature has stated: "The Governor and the State Superintendent of Education, by virtue of their respective offices, and the [T]rustees appointed from the senatorial districts of the state, enumerated in Section 16-55-2, are constituted a public body corporate under the name of the University of South Alabama to carry into effect the purposes expressed in this article and to establish a state institution of higher learning."(Code of Alabama, 1975, Section 16-55-1). For the purpose of providing a definitive and orderly form of governance, and in order to continue to carry out the purposes required of the Board of Trustees of the University of South Alabama, in the establishment and continuation of a state institution of higher learning, the Board of Trustees hereby does promulgate and adopt these Bylaws.

2013 will continue to serve their current twelve-year term and upon expiration of same, those positions will be appointed to six year terms, continuing until all Trustees are appointed for six-year terms. There are three classes of board members, so that after the transition to all Trustees serving six-year terms one-third of the members of the Board is appointed every ~~four~~ two years. Vacancies occurring in the office of Trustee, from death or resignation, and the vacancies regularly occurring by expiration of the term shall be filled by the Governor, and the appointee holds office until the next meeting of the Legislature. Successors to those Trustees whose terms expire during an interim shall hold office for a full term, unless they are rejected by the Senate. Neither the existence nor continuation of a vacancy in the office of the Trustee shall serve to impair or hinder any provisions of these Bylaws or the validity of the operation and actions by the Board by virtue of that vacancy alone.

Comment [JWT1]: I did the math and it appears that after 2017 the cycle is every two years with the first class of 6 year appointees being reappointed again two years before the last remaining class of 12 year appointees get reappointed (2021 assuming the first class of 6 years is appointed for the 2013-2019 term)

Section 3. **Compensation of Trustees.** No Trustee shall receive any pay or emolument other than his or her actual expenses incurred in the discharge of duties as a Trustee; such expenses shall be paid or reimbursed from University funds, upon the authorization of the President of the University (hereinafter referred to as the "President").

Section 4. **Primary Functions of the Board.** The Board acts as a public body corporate, and no individual member of the Board has the authority to act for the Board or the University. Communications to the Board shall be directed to the Board through the President or Chair *pro tempore*, except as otherwise provided herein. The Board of Trustees, as a public body corporate, has all rights, privileges, and authority necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a state university in Mobile County. In accordance with such powers, the Board of Trustees shall have the power to organize the institution by appointment of instructors and faculty members, and such executive and administrative officers and employees, as may be necessary to operate the University, which the Board hereby delegates to the President; the Board may remove any faculty members or employees in its discretion, and shall have the power and authority to fix salaries or compensation, increase or reduce same at its discretion, all of which duty the Board hereby delegates to the President. The Board may prescribe courses of instruction, rates of tuition and fees, confer such academic and honorary degrees as are usually conferred by

institutions of like character, and may do all else necessary and considered in the best interest of the institution to carry out the purposes of the institution.

Section 5. **Emeritus Status.** The Board, in its sole discretion, may recognize any Trustee who has served with distinction as Trustee Emeritus following said Trustee's term of service. Any Trustee so recognized as Trustee Emeritus shall have no voting rights and will remain Trustee Emeritus at the pleasure of the Board of Trustees. Such designation shall confer no responsibilities, duties, rights, or privileges as such but shall constitute recognition of service and experience and will publicly acknowledge that person as particularly suited for counsel and advice to the Board. The Board encourages the availability of those who have been awarded Trustee Emeritus status for such counsel and advice and may request special services of them.

Section 6. **Removal of a Trustee.** Under the laws of the State of Alabama, the Board of Trustees has no power to remove one of its members. Section 60 of the Constitution of Alabama, which provides that "[no] person convicted of embezzlement of the public money, bribery, perjury, or other infamous crime, shall be eligible to the legislature, or capable of holding any office of trust or profit in this state" sets forth the constitutional grounds and procedure for removing a Trustee.

ARTICLE II MEETINGS OF THE BOARD OF TRUSTEES

Section 1. **Annual and Regular Meetings.** The Board shall hold a regular annual meeting each year at the University on the first Monday in June, unless the Board, in regular session, shall determine to hold its annual meeting at some other time and place. Each year at the annual meeting, the Board shall schedule its regular meetings to be held during the ensuing year, and may designate one such meeting as the annual meeting of the Board. This schedule of meetings then will be recommended to the Governor for approval. The Chair *pro tempore* may cancel or change the date, place or time of a scheduled regular or annual meeting. The President will provide advance notice of such changes or cancellation. In any event, the Board shall meet at least once in each year.

Section 2. **Special Meetings.** In addition, other than the annual and regularly scheduled meetings of the Board, special meetings of the Board may be assembled, as follows: Special meetings may be called by the Chair pro tempore or the Governor by written notice mailed to each Trustee at least ten (10) days in advance of the date of the meeting; a special meeting shall be called by the Chair pro tempore or the Governor upon application in writing of any three or more members of the board. No special meeting shall be held on a date less than ten (10) days subsequent to the Chair pro tempore or Governor's notice of the meeting, except in case of an emergency, which the Chair pro tempore or Governor shall specify in his or her notice to the Board of Trustees.

Section 3. **Adjourned Meetings.** At any meeting, the Board may continue in session as long as it may deem proper for the welfare of the institution. Any session may be adjourned, as provided in *Roberts Rules of Order*, as last revised, and continued at a future time with proper notice to all members.

Section 4. **Quorum.** Seven members of the Board of Trustees shall constitute a quorum, but a smaller number may adjourn from day to day until a quorum is present. A majority of those present shall govern unless a greater number is required hereunder. Members of the Board of Trustees may participate in a meeting of the Board or committee by means of telephone conference, video conference, or similar communications equipment by means of which all persons participating in the meeting may hear each other at the same time. Participation by such means shall constitute presence in person at a meeting for all purposes. However, a majority of a quorum of the members of the Board of Trustees, or, in the event of a meeting of only the executive committee, a majority of a quorum of the executive committee of the Board of Trustees, must be physically present at the location noticed and called for the meeting in order to conduct any business or deliberation. Members of the Board of Trustees and any committees of the board may not utilize electronic communications or otherwise conduct meetings except as in compliance with the Alabama Open Meetings Act. No Trustee for whom a conflict of interest exists shall vote on such matter before the Board.

Section 5. **Agenda.** The President shall mail to each member of the Board notice of the time and place of any meeting, which shall include an agenda for the meeting, at least ten

(10) days prior to the time of meeting. The development and preparation of the agenda for Board meetings shall be vested in the President, who shall place such items on the agenda as are needed for the on-going operation of the institution and/or that require the approval of the Board. Members of the Board desiring to place any item or items on the agenda for meetings shall inform the President in writing not less than fifteen (15) days prior to the meeting concerning such items, and the President shall include the items in the agenda to be mailed out to the members of the Board in accordance with the foregoing. Any item not included on the agenda mailed to members prior to a meeting may be considered upon the approval of a majority of those present and voting; provided, however, that any discussion or action upon the election of officers of the Board and/or the appointment and/or termination, including a contract renewal, of the President of the University, must be specifically identified on the agenda that was mailed at least ten (10) days prior to the time of meeting. The agenda that is approved by the Board at the commencement of the Board meeting shall be considered the official agenda. The omission of an item from the official agenda shall not invalidate otherwise valid actions by the Board.

Section 6. **Minutes.** Minutes of all meetings of the Board and its committees shall be prepared and distributed promptly to all members of the Board under the direction of the Secretary of the Board. Upon approval by the Board or committee, such minutes shall be recorded in substantially bound books retained in the Office of the President under the direction of the Secretary of the Board.

Section 7. **Public Admission to Meetings.** All meetings of the Board of Trustees shall be open to the public, except that the Board may declare an executive session as authorized by law. Formal action by the Board resulting from any executive session discussions shall be taken by the Board in an open meeting and made a part of the official minutes.

Section 8. **Rules of Order.** Rules of order shall be in accordance with *Robert's Rules of Order*, as last revised, which are the normal governing parliamentary procedure rules. The Chair of the meeting will determine all questions concerning such rules.

Section 9. **Meeting Attendance.** Inasmuch as the Board of Trustees has determined that meeting attendance is crucial to the most efficient management of the University and

operation of the Board, the names of all Trustees who do not attend at least half the meetings scheduled each Board year will be reported to the Chair *pro tempore* at the next annual meeting of the Board, and the Chair *pro tempore* will then take the actions he or she deems appropriate.

ARTICLE III OFFICERS

The Board shall have the following officers and any other officers it may elect from time to time. Such officers shall have the powers and shall perform the duties as are set forth herein, together with those which may be authorized and delegated by the Board from time to time. The terms of office for the Chair *pro tempore*, Vice Chair, and Secretary will be three years, with elections held at the annual meeting of the Board corresponding with the expiration of those terms. If a vacancy occurs during the term of any such office, an election to complete the term of that office will be held at the next meeting of the Board.

Section 1. **Chair of the Board.** The Governor of the State of Alabama shall be *ex officio* President of the Board as well as *ex officio* Chair of the Board. The Chair shall preside at all Board meetings which he or she attends and shall call special meetings of the Board upon the conditions set forth herein.

Section 2. **Chair Pro Tempore.** Upon adoption of these Bylaws and thereafter, the Board of Trustees shall elect from its membership a Chair *pro tempore* for a three-year term, commencing ~~with the meeting immediately~~ following the annual meeting at which the election is held. Such officer may not be elected for successive terms. He or she shall preside at all Board meetings in the absence of the Governor and call special meetings of the Board upon the conditions set forth herein. The Chair *pro tempore* shall serve as chair of the Executive Committee, and shall appoint such committees as may be authorized by the Board, or as he or she may deem desirable, fill vacancies which will occur on such committees, and give final approval to the agenda for the Board meeting.

Section 3. **Vice Chair.** Concurrent with the time of election of the Chair *pro tempore* for the term set forth for the Chair *pro tempore* in Section 2, the Board shall elect from

its membership a Vice Chair. In the absence of both the Governor and the Chair *pro tempore*, the Vice Chair shall assume those duties. The Vice Chair shall serve on the Executive Committee.

Section 4. **The Secretary.** Concurrent with the time of election of the Chair *pro tempore* and for the term set forth for the Chair *pro tempore* in Section 2, the Board shall elect a Secretary. Through the Office of the President of the University, the Secretary shall be responsible for the preparation and distribution of notices of Board meetings and agendas. In addition, he or she shall attend Board meetings and make, record, and retain complete records and minutes of all official actions of the Board and its committees. The Secretary shall be the custodian of the corporate seal and affix the seal to documents as executed on behalf of the Board and shall attest to the same and certify any action of the Board. The Secretary shall serve on the Executive Committee.

Section 5. **Removal from Office.** Any officer of the Board may be removed from his or her office for cause by a two-thirds vote of the full Board of Trustees.

ARTICLE IV COMMITTEES

Organization. The Board may create such committees as it deems proper, and may assign to such committees any authority, duty or responsibility desired by the Board; provided, however, that all committees, except the Executive Committee, are advisory to the full Board. The committees of the Board shall consist of the standing committees created herein and other committees created by the Board from time to time. The standing committees shall have the powers, duties and responsibilities set forth herein, or subsequently assigned by the Board through adoption and approval of amendments to these Bylaws. Vacancies in committee memberships shall be filled in the same manner as when appointments originally were made. Committee members and the chair and the vice chair of the committees shall be appointed by the Chair *pro tempore* for terms concurrent with the term of the Chair *pro tempore*.

Method of Operation. The committees and subcommittees shall meet upon the call of the President, the Chair *pro tempore*, or the chair of the committee or subcommittee. Unless otherwise provided, actions taken by such committees are not binding upon the Board, but shall be advisory, except those actions undertaken by the Executive Committee, as authorized in Article IV, Section I, herein. All recommendations and actions of the committees shall be reported to the Board of Trustees.

Section 1. **Executive Committee.** The Chair *pro tempore* shall appoint an Executive Committee consisting of seven (7) members of the Board, subject to the approval of the Board, with terms concurrent with the term of the Chair *pro tempore*, who serves as chair of the Executive Committee. The majority of the Executive Committee –constitutes a quorum. With notice from the President or the Chair *pro tempore*, the Executive Committee may meet at any time. The Executive Committee has the power to transact all business of the Board in the interim between meetings of the Board and may perform all duties and transact all business necessary for the well-being of the University, including, but not limited to, matters related to real estate, personnel issues, investments and athletics. However, action by the full Board is required to amend these Bylaws, remove officers from the University, select or remove the President of the University, issue bonded indebtedness on behalf of the University, or as otherwise determined by the full Board. Minutes of the Executive Committee shall be submitted to all members of the Board.

Section 2. **Budget and Finance Committee.** The Budget and Finance Committee shall be responsible for the review and study of budget requests; recommending comprehensive budgets; review and study of required audits; and submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board, as deemed necessary and appropriate.

Section 3. **Long Range Planning Committee.** The Long Range Planning Committee shall be responsible for long range plan recommendations; review of new and existing academic programs; academic planning and organization; mission statement and statements of role and scope; review of planning for new facilities; and other matters which may be referred to it by the President or the Board.

Section 4. **Health Affairs Committee.** The Health Affairs Committee shall be responsible for providing guidance to and receiving reports from staff and administrative personnel responsible for the University of South Alabama Hospitals and Clinics. It will consider and make recommendations requiring Board action relating to the Hospitals and Clinics and the College of Medicine. In addition to committee members designated as provided in these Bylaws, the committee includes, as non-voting *ex officio* members, the President, the Vice President for Health Sciences, Dean of the College of Medicine, the President of the Medical Staff of the University of South Alabama Medical Center and the Vice President for Health Systems.

Section 5. **Academic and Student Affairs Committee.** The Academic and Student Affairs Committee shall be responsible for receiving and reviewing information relevant to issues involving academic affairs and student affairs at the University.

Section 6. **Development, Endowment and Investments Committee.** The Development, Endowment and Investments Committee shall be responsible for establishing policies and guidelines to oversee University Development and Alumni Relations programs, invest and manage the University's endowment and other investment funds, and for submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board of Trustees, as deemed necessary and appropriate.

Section 7. **Committee Participation.** The President of the University is vested with the responsibility of providing notice of all committee meetings to the members of the committees. The Chair *pro tempore* will serve as an *ex officio* member on each committee. The President and the Chair *pro tempore* may participate in all meetings but shall have no vote, except ~~that the Chair pro tempore shall have a vote when he or she~~ ~~the Chair pro tempore~~ is a member of the committee. All committees assist and support the Board, President, faculty, and staff in carrying out their responsibilities. Committees may request through the Office of the President any information necessary or appropriate to their deliberations. All committee reports and recommendations shall be submitted for consideration and are advisory in nature until they have been approved by the full Board. Any Board member may attend any committee meeting.

ARTICLE V

PRESIDENT AND DUTIES

Appointment of the President of the University as Chief Executive Officer of the Institution. The President shall be selected by the Board of Trustees and serve at the pleasure of the Board but may be removed only by a vote of eight members of the Board. The Board of Trustees is responsible for conducting periodic evaluations of the performance of the President.

The President is the chief educational and administrative officer of the University. Unless excused by the Chair, he or she shall attend and participate in all meetings of the Board and may make recommendations on matters before the Board. The President does not vote on Board matters. The President shall be responsible for the execution of the policies of the Board and the Executive Committee and performing all those matters necessary to carry out the ends and purposes for which the University was established. The President shall have all authority necessary to conduct the programs of the University, including the authority to award degrees, add officers to the University which he or she deems necessary, delegate authority among subordinates and all other authority which shall, from time to time, be delegated by the Board of Trustees to the President. Prior to appointment of vice presidents, the President shall notify the Board of his or her intention to appoint such officers to the University. The President reports to the Board on the current operations of the University and directs, coordinates and implements the planning, development and appraisal of all activities of the University of South Alabama.

ARTICLE VI CONFLICT OF INTEREST

Members of the Board of Trustees ("Trustees") of the University of South Alabama ~~("USA")~~ have an affirmative obligation to act at all times in the best interests of the UniversitySA. This policy serves to define the term "conflict of interest," to assist members of the Board in identifying and disclosing such conflicts, and to minimize the impact of such conflicts on the actions of the UniversitySA whenever possible.

Fiduciary duty. Each Trustee has a fiduciary duty to conduct himself or herself without conflict to the interests of the UniversitySA. When acting within his or her capacity as a

Trustee, he or she must subordinate personal, business, third-party, and other interests to the welfare and best interests of [the UniversitySA](#).

Conflict of interest. A “conflict of interest” is any transaction or relationship which presents, or may present, a conflict between a Trustee’s obligations to [the UniversitySA](#) and his or her personal, business, or other interests. A conflict of interest may arise in any circumstance that may compromise the ability of a Trustee to make unbiased and impartial decisions on behalf of [the UniversitySA](#). Such circumstances may involve family relationships,¹ business transactions, professional activities, or personal affiliations.

Further, Alabama Code §13A-10-62 (1975) provides:

- (a) A public servant commits the crime of failing to disclose a conflict of interest if he exercises any substantial discretionary function in connection with a government contract, purchase, payment or other pecuniary transaction without advance public disclosure of a known potential conflicting interest in the transaction.
- (b) A “potential conflicting interest” exists, but is not limited to, when the public servant is a director, president, general manager or similar executive officer, or owns directly or indirectly a substantial portion of any non-governmental entity participating in the transaction.
- (c) Public disclosure includes public announcement or notification to a superior officer or the attorney general.
- (d) Failing to disclose a conflict of interest is a Class A misdemeanor.

Disclosure. The Board of Trustees recognizes that conflicts of interest are not uncommon, and that not all conflicts of interest are necessarily harmful to [the UniversitySA](#). However, the Board requires full disclosure of all actual and potential conflicts of interest. Each Trustee shall disclose any and all facts that may be construed as a conflict of interest, both through an annual completion of a Statement of Disclosure, and completion of an amended Statement of Disclosure whenever such actual or potential conflict occurs.

Process. Any actual or potential conflicts which are presented in a Statement of Disclosure or amended Statement of Disclosure will be evaluated for action, as needed, by the

¹Family relationships include spouse, child, grandchild, parent, grandparent, sibling, niece, nephew, aunt, uncle, cousin, in-laws and step relations, as well as any person living in the household of a Trustee.

Chair *pro tempore* of the Board of Trustees. The Chair *pro tempore*, or Vice Chair if evaluating a possible conflict of the Chair *pro tempore*, of the Board may either handle the evaluation on his or her own or refer it to the Board for further consideration. Additional information from a Trustee may be sought at any time. A Trustee whose potential conflict is under review may not debate, vote, or otherwise participate in the evaluation of the conflict. If a conflict is being evaluated or has been found to exist, the Trustee shall recuse himself or herself from any discussion or voting regarding transactions involving the area of conflict.

Resolution. If it is determined that an actual or potential conflict of interest does exist, an appropriate remedy shall be determined. Such remedy may include, but is not limited to, the following:

- Waive the conflict of interest as unlikely to affect the Trustee's ability to act in the best interests of the organization.
- Determine that the Trustee should be recused from all deliberation and decision-making related to the particular transaction or relationship that gives rise to the conflict of interest.

Policy regarding Trustees doing business with [the UniversitySA](#). A conflict of interest exists any time a Trustee seeks to enter into a business relationship with [the UniversitySA](#). Similar conflicts may arise through family members or through organizations in which a Trustee serves in a leadership, employment, or ownership capacity.

Such conflicts do not necessarily preclude business relationships with [the UniversitySA](#). The following procedure is designed to resolve conflicts of interest whenever a Trustee or a member of his or her family (see footnote number 1) has an ownership interest in, is a director, officer, or key individual of an entity which intends to enter into a business relationship with [the UniversitySA](#):

- The Trustee must promptly disclose the intent to enter into a business relationship with [the UniversitySA](#) to the Chair *pro tempore* of the [USA](#) Board of Trustees.

- The Trustee must recuse himself or herself from all deliberation, debate and voting related to the contemplated business relationship.
- The Chair *pro tempore* or the Board if the issue is referred by the Chair, must determine without the presence or participation of the Trustee under review that the transaction is fair and in the best interest of [the UniversitySA](#).
- If the business relationship under consideration is approved, the Trustee may not participate in any process by which his or her performance as a vendor or recipient is evaluated, or in any such evaluation of a related party.

Notwithstanding the foregoing, contracts, or proposals for purchases of goods, property, or services will not be awarded to organizations in which a Trustee either:

- 1) holds an interest of ten percent (10%) or greater, or
- 2) serves as a director or senior executive officer,

if a substantial part of the contract or proposal involves the quality of performance (i.e. possibly requiring enforcement of a performance bond or filing suit for non-performance). Also, no Trustee shall advocate or attempt to influence the employment by the University of any member of his or her family.

ARTICLE VII

SEAL

Section 1. **Official Corporate Seal.** The official corporate seal of the University of South –Alabama shall be circular in form, encircled as follows:



ARTICLE VIII

AMENDMENT OR REPEAL OF BYLAWS

After the adoption of these Bylaws, they may be amended or repealed at any meeting of the Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal was given at a previous meeting or notice in writing of the substance of the proposed change was served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change. However, by unanimous consent of the entire Board, the requirements for such notice may be waived. The Chair *pro tempore* may appoint an ad hoc committee which may meet from time to time to consider Bylaw amendments.

| [109th](#) Edition, December [9, 2014](#)~~3~~

§16-55-2. Board of trustees; generally.

The board of trustees shall consist of three members from Mobile County, ~~three-five~~ members from the state at large, ~~two members from the United States of America at large; the State Superintendent of Education~~, the Governor, who shall be ex officio president of the board, and one each from each of the following state senatorial districts, ~~or combinations thereof, as defined at the time of legislative enactment in 1963: sixteenth and seventeenth districts comprising Monroe and Wilcox Counties and Butler, Conecuh and Covington Counties, respectively; nineteenth and twentieth districts comprising Choctaw, Clark and Washington Counties and Marengo and Sumter Counties, respectively; twenty-first district comprising Baldwin and Escambia Counties; twenty-third, twenty-fifth, and thirtieth districts comprising Dale and Geneva Counties, Coffee and Crenshaw Counties, and Dallas and Lowndes Counties, respectively; nineteenth district comprising Choctaw, Clark and Washington Counties, twentieth district comprising Marengo and Sumter Counties, sixteenth district comprising Monroe and Wilcox Counties, thirtieth district comprising Dallas and Lowndes Counties, seventeenth district comprising Butler, Conecuh and Covington Counties, twenty-fifth district comprising Coffee and Crenshaw Counties, twenty-third district comprising Dale and Geneva Counties~~ and the thirty-fifth district comprising Henry and Houston Counties. The trustees shall be appointed by the Governor, by and with the advice and consent of the State Senate, and ~~all trustees appointed after 2012~~ shall hold office for a term of ~~12~~6 years, and until their successors shall be appointed and qualified. ~~All Trustees appointed to twelve-year terms before 2013 will continue to serve their current twelve-year term and upon expiration of same, those positions will be appointed to six-year terms, continuing until all Trustees are appointed for six-year terms.~~ The board shall be divided into three classes, as nearly equal as may be, so that one-third may be chosen ~~quadrennially~~, as provided in Section 16-55-5. Vacancies occurring in the office of trustee from death or resignation, and the vacancies regularly occurring by expiration of the term shall be filled by the Governor, and the appointee shall hold office until the next meeting of the Legislature. Successors to those trustees whose terms expire during an interim shall hold office for the full term unless they are rejected by the Senate. No trustee shall receive any pay or emolument other than his actual expenses incurred in the discharge of his duties as a trustee.

§ 16-55-5. Trustees; classification.

The trustees of the University of South Alabama, other than the ex officio members of the board, shall be grouped into three classes as provided in Section 15-55-2. The members constituting the first class shall first be appointed for terms expiring September 30, 1965; the members of the second class shall be first appointed for terms expiring September 30, 1969; and the members of the third class shall be first appointed for terms expiring September 30, 1973. Their successors ~~having been~~shall be appointed for terms of 12 years each, ~~shall, with the appointments made after 2012, be appointed for terms of 6 years each. Those positions with 12-year appointments (those appointed before 2013) shall continue until such terms of appointment are completed at which time those positions will be appointed for terms of six years, with the last transition to 6-year terms being those positions whose 12-year appointments expire in 2021.~~

§ 16-55-6. Meetings.

Seven members of the board of trustees shall constitute a quorum, but a smaller number may adjourn from day to day until a quorum is present. The board shall hold a regular annual meeting each year at the university on the first Monday in June, unless the board shall, in regular session, determine to hold its meeting at some other time and place. Special meetings of the board may be assembled by either one of the two methods outlined as follows: Special meetings may be called by the Chair *pro tempore* of the board of trustees or the Governor by written notice mailed to each trustee at least 10 days in advance of the date of the meeting; a special meeting shall be called by the Chair *pro tempore* or the Governor upon application in writing of any three or more members of the board. No special meeting shall be held on a date less than 10 days subsequent to the date of the Chair *pro tempore* or Governor's notice of the meeting, except in case of emergency, which the Chair *pro tempore* or the Governor shall specify in his notice to the trustees.

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RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR SEPTEMBER AND OCTOBER 2013**

WHEREAS, the Medical Staff appointments and reappointments for September and October 2013 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.

UNIVERSITY OF SOUTH ALABAMA

NOV 07 2013


STANLEY K. HAMMACK
VICE PRESIDENT
HEALTH SYSTEM



UNIVERSITY OF SOUTH ALABAMA
TELEPHONE: (251) 471-7118
2451 FILLINGIM STREET, SUITE 2110
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7751

MEMORANDUM

TO: Dr. John W. Smith
President

FROM:  Stan Hammack

DATE: November 6, 2013

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 September and October 2013

- Credentials Report – September and October 2013

Resolution – University of South Alabama Hospitals Medical Staff Bylaws Revision

- Revised Board Certification

Resolution – University of South Alabama Hospitals Nomination of Medical Staff Officers

- Calendar Years 2014 – 2015

Resolution – University of South Alabama Hospitals Patient Protection and Affordable Care Act Requirements

- Community Health Needs Assessment
- Implementation Strategies

SKH:eb

Attachments

APPROVED FOR
BOARD ACTION

11/11/13

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
SEPTEMBER AND OCTOBER, 2013**

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and allied 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
Abordo, Bayani, MD	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry
Allen, Amanda L., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine
Almeida, Oscar D., Jr., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
Anderson, Scott A., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Aune, Catharine V., CRNP	N/A	N/A	N/A	New Appt.	Allied	Internal Medicine
Awan, Ghulam M., MD	Reappt.	Consulting	Internal Medicine	Reappt.	Active	Internal Medicine
Beck, Maria C., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine
Bell, Raymond L., MD	N/A	N/A	N/A	Reappt.	Courtesy	Internal Medicine
Bhagwandin, Vimla, MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A
Billett, William J., MD	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry
Bradford, Kimberly, RN	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine
Broughton, William, MD	Reappt.	Consulting	Internal Medicine	Reappt.	Active	Internal Medicine
Brown, Barry, MD	Reappt.	Courtesy	Surgery	N/A	N/A	N/A
Carnahan, Gary E., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Cash, Brooks, MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Chavers, Linda P., CRNP	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine
Chennalt, Leland A., Neuro Tech	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery
Cohen, Michael V., MD	Reappt.	Consulting	Internal Medicine	Reappt.	Active	Internal Medicine
Cole, Kimberly A., DO	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Cole, Kimberly A., DO (*)	Reappt.	Active	Evaluation Center	N/A	N/A	Evaluation Center
Connelly, Rosina, MD	Reappt.	Active	Pediatrics	N/A	N/A	Pediatrics
Crissinger, Karen D., MD (**)	Reappt.	Active	Pediatrics	Reappt.	Consulting	Pediatrics
Daum, Kent, OD	New Appt.	Refer/Follow	Surgery	New Appt.	Refer/Follow	Surgery
Davis, Lorie R., CRNP	Reappt.	Allied	Evaluation Center	N/A	N/A	Evaluation Center
Davis, Shannon Noelle, CRNP	N/A	N/A	N/A	Reappt.	Allied	Surgery
Day, Gwendolyn E., PA	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine
Dobbs, Tonya R., MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics
Donahoe, David K., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics
Donahue, Mark A., MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics
Dyess, Donna L., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Eichold, Bernard H., MD	Reappt.	Courtesy	Internal Medicine	Reappt.	Courtesy	Internal Medicine
Eisenbeis, Elizabeth B., PA	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
SEPTEMBER AND OCTOBER, 2013**

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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Elliott, Kimberly A., MD	New Appt.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Evans, Gregory, MD	New Appt.	Refer/Follow	Internal Medicine	New Appt.	Refer/Follow	Internal Medicine	N/A	N/A	N/A
Ferguson, Lee C., DO	N/A	N/A	N/A	Reappt.	Cont/ER Moon	Emergency Med.	N/A	N/A	N/A
Figarola, Maria S., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Ford-Johnson, Nina, MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Foster, Kendal I., MD	Reappt.	Active	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Fruh, Sharon M., CRNP	N/A	N/A	N/A	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Gamble, Charlotte A., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Gardner, Debra E., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Ghemez, Florin, MD	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry	N/A	N/A	N/A
Green, Allan E., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Greiner, Francis, MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Grindley, Natoya N., MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Harmon, Carroll M., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	N/A	N/A	N/A
Harrell, James B., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Harris, Leticia M., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Harris, Michael J., Neuro Tech	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery	N/A	N/A	N/A
Heins, Alan E., MD	Reappt.	Active	Evaluation Center	N/A	N/A	N/A	Reappt.	Active	Evaluation Center
Herrera, Danilo V., MD	Reappt.	Active	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Hughes, Timothy E., MD	Reappt.	Courtesy	OB/GYN	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A
Imran, Hainayun, MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Inge, George B., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Jacobs, Corey D., MD	Reappt.	Active	OB/GYN	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A
Johnson, Donald, CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	N/A	N/A	N/A
Kleinman, Michael C., DO	N/A	N/A	N/A	Reappt.	Courtesy	Internal Medicine	N/A	N/A	N/A
Linder, Michael, MD	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine
Lockhart, Larry R., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	N/A	N/A	N/A
Luterman, Arnold, MD	Reappt.	Academic	Surgery	Reappt.	Academic	Surgery	N/A	N/A	N/A
Madanagopal, Sudhakar G., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics
Malcolm, Ian, MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Martino, Anthony M., MD	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
SEPTEMBER AND OCTOBER, 2013

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NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Massey, Clara V., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
McCall III, Daniel T., MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A
McCathran, Charles E., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
McCraney, Eric A., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
McPhail, Paula K., MD	Reappt.	Active	Evaluation Center	N/A	N/A	N/A	Reappt.	Active	Evaluation Center
Merritt, Brandy, MD	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
Miller, Pamela L., Neuro Tech	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery	N/A	N/A	N/A
Minto, Laura E., MD	New Appt.	Active	Neurology	New Appt.	Active	Neurology	New Appt.	Active	Neurology
Motley, Carol, MD	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine
Narahari, Praveen, MD	New Appt.	Courtesy	Psychiatry	New Appt.	Courtesy	Psychiatry	N/A	N/A	N/A
Normand, Robin S., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Outlaw, Kittie, MD	Reappt.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Owens, Japonica D., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Ozment, Elmo D., MD	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Pacheco, Antonio L., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	N/A	N/A	N/A
Pack-Mabien, Ardie V., CRNP	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Pant, Amit, MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Parker, Sandra K. MD	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry	N/A	N/A	N/A
Parsell, Karen J., MD (***)	Reappt.	Active	Evaluation Center	N/A	N/A	N/A	Reappt.	Active	Evaluation Center
Parsell, Karen J., MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Pelekanos, Sharon, PA	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery
Perkins, Robert A., MD	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine
Pettyjohn, Frank S., MD	Reappt.	Active	Emergency Med.	Reappt.	Active	Emergency Med.	N/A	N/A	N/A
Pettyjohn, Frank S., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Pitruzzello, Frank, MD	N/A	N/A	N/A	Reappt.	Cont/Temp/Loc	Radiology	N/A	N/A	N/A
Ponnambalam, Ananthasekar, MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Preud'Homme, Daniel L., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Qureshi, Yasmeen, MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Quindlen, Eugene A., MD	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery
Reed, Jennifer, Dental Assistant	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
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FOR BOARD OF TRUSTEE APPROVAL
SEPTEMBER AND OCTOBER, 2013**

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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Roca, Cesar M., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Roca Garcia, Maria R., MD	New Appt.	Active	Pediatrics	N/A	N/A	N/A	New Appt.	Active	Pediatrics
Rosenbohm, Amy M., RN	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Russell, Robert T., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	N/A	N/A	N/A
Saitz, Marianne, DO	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry	N/A	N/A	N/A
Scott, Shanda F., CRNP	N/A	N/A	N/A	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Sherman, Craig D., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
Sheets, Cindy S., MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	Reappt.	Active	Pediatrics
Standley, Todd B., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Steffler, Brad A., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Steger, Lisa A., Scrub Tech	Reappt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Stewart, Tamara L., RHD	Reappt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Stubbs, Eugene, II, Neuro Tech	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery	N/A	N/A	N/A
Thames, Amilie T., MD	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Thompson, Lee W., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	N/A	N/A	N/A
Turner, Staci A., MD	N/A	N/A	N/A	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Walks, Debra, MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A
Wells, Marv S., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Wolf, Laura J., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Change Requests									
Cordina, Steve M., MD	Added Priv.	Active	Neurology	Added Priv.	Active	Neurology	Added Priv.	Active	Neurology
Grimm, Leander, MD	Added Priv.	Active	Surgery	Added Priv.	Active	Surgery	Added Priv.	Active	Surgery
Salameh, Mohammed, MD	Adding Deep	Sedation Priv	Evaluation Center	N/A	N/A	N/A	N/A	N/A	N/A
Xing, Zhiqing, MD	Added Priv.	Active	Orthopaedics	Added Priv.	Active	Orthopaedics	Added Priv.	Active	Orthopaedics

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
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SEPTEMBER AND OCTOBER, 2013**

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NAME	USACWH		USAMC		AMBULATORY CARE	
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
<u>Retired Resigned</u>						
<u>Name</u>	<u>Reason</u>	<u>Date</u>	<u>Dept.</u>	<u>Reason</u>	<u>Date</u>	<u>Dept.</u>
Alter, Stuart	Resigned	8/1/2013	Orthopaedics	Resigned	8/1/2013	Orthopaedics
Altermatt, Christen M., MD	Resigned	8/1/2013	OB/GYN	Resigned	8/1/2013	OB/GYN
Conn, Brian, Neuro Tech	Deceased	9/17/2013	Neurosurgery	Deceased	9/17/2013	Neurosurgery
Desancitis, Carlos, MD	Resigned	9/17/2013	Anesthesiology	Resigned	9/17/2013	Anesthesiology
Diaz, Judy, Neuro Tech	Resigned	8/20/2013	Neurosurgery	Resigned	8/20/2013	Neurosurgery
Hanlon, Philip R., MD	Resigned	7/30/2013	Anesthesiology	Resigned	7/30/2013	Anesthesiology
Hill, Lea, Dental Hygienist	Resigned	8/20/2013	Surgery	N/A	N/A	N/A
Hixson, William C., MD	Resigned	9/3/2013	Radiology	Resigned	9/3/2013	Radiology
Kidd, Antoine, PCT	Resigned	8/5/2013	Internal Med.	Resigned	8/5/2013	Internal Med.
Mupanomunda, Ophard, MD	Resigned	6/14/2013	Pediatrics	N/A	N/A	N/A
Logan, Mary, MD	Resigned	9/17/2013	Anesthesiology	Resigned	9/17/2013	Resigned
Neely, Megan, Dental Asst.	Resigned	8/20/2013	Surgery	N/A	N/A	N/A
Rutecki, Gregory W., MD	Resigned	7/31/2013	Internal Med.	Resigned	7/31/2013	Internal Med.
Schaphorst, Kane L., MD	Resigned	9/30/2013	Internal Med.	Resigned	9/30/2013	Internal Med.

SPECIAL NOTATIONS:

- (*) Kimberly Cole, MD Combined Credentials Committee recommends approval pending obtaining ACLS and ATLS certification by 12/30/13.
(**) Karen Crissinger, MD Combined Credentials Committee recommends approval pending obtaining PALS certification by 12/30/13.
(***) Karen Parsell, MD Combined Credentials Committee recommends approval pending obtaining ACLS and ATLS certification by 12/30/13.

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


September and October, 2013


LEGEND:

New Appt. Reappt.	New application for medical/allied staff privileges recommended for approval. Reappointment application for medical/ allied staff privileges recommended for approval.
No Privs. Change in Status	No privileges requested Added privileges Change Department
Retired Resigned	Locums Contract Expiration, Moved, Retired, and Resigned

RECOMMENDED BY:


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


Anthony M. Martino, M.D., Chair of Medical Executive Committee or Chair Elect
USA Medical Center


Stanley K. Hammack
Vice President, USA Health Systems

RESOLUTION

USA HOSPITALS MEDICAL STAFF BYLAWS
REVISION OF OCTOBER 29, 2013

WHEREAS, the revision to USA Hospitals Medical Staff Bylaws approved at the October 29, 2013, Medical Staff meeting and attached hereto, is 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 revision as submitted.

Proposed Changes to USA Hospitals Medical Staff Bylaws Revisions/Additions

Approved at the USA Hospitals General Medical Staff Meeting on October 29, 2013

Bold and Underlined-New Wording

~~Strikethrough~~ -Deletion

Proposed Medical Staff Bylaws

Section 6.02 Board Certification

The Medical Staff shall demonstrate Board certification requirements as follow:

- A. **For physicians and dentist that apply for initial appointment on or after January 1, 2013, Board certification in the specialty or subspecialty within 5 years of completing residency or fellowship. Recertification or maintenance of certification is required if established as a requirement by the specialty board.**
- B. **For physicians who are members of the Medical Staff prior to January 1, 2013 and who currently have or at any time in the past have had Board certification with a time-limited certificate, Board certification must be maintained and/or renewed no later than the time of the Practitioner's reappointment. Recertification or maintenance of certification is required if established as a requirement by the specialty board.**
- C. **Physicians who seek reappointment must obtain at least one specialty American Board of Medical Specialties (ABMS) or American Osteopathic Association (DO) or American Board of General Dentistry (ABGD) or American Dental Board of Anesthesiology (ADBA) or American Board of Pediatric Dentistry (ABPD) board certification within five years of their residency training completion.**
- D. **Board certification shall not be required for physicians who are members of the Medical Staff prior to January 1, 2013 and who have not ever held Board certification.**
- E. **In special circumstances, the Chair of the Department may request a waiver of this Board certification requirement through a written request submitted to the Medical Executive Committee (MEC). The MEC must issue approval of the request for waiver in order for the waiver to be granted. Such waiver will generally apply only to full-time faculty with special expertise who are ineligible for Board certification. Waiver recommendations must be communicated to the MEC and approved by the Governing Body as part of the recommendation for the Practitioner's medical staff appointment.**
- F. **Failure to meet these requirements shall lead to termination of Medical Staff membership and clinical privileges, which shall not entitle the physician to the procedural hearing and appellate review rights provided for in these Bylaws, except as to the sole question of whether such Board certification was timely obtained.**

Current Medical Staff Bylaws

Section 6.02 Board Certification

- A. ~~Only physicians who have certification who are active candidates for certification as a diplomate in the medical board of their specialty; or who have fully completed an approved hospital-based post graduate training program in their respective specialty may be considered for Medical Staff Appointment.~~
- B. ~~Beginning on January 1, 2013, physicians who apply and thereafter seek reappointment must obtain at least one specialty American Board or Medical Specialties (ABMS) or American Osteopathic Association (DO) or American Board of General Dentistry (ABGD) or American Dental Board of Anesthesiology (ADBA) or American Board of Pediatric Dentistry (ABPD) board certification within five years of their residency training completion.~~
- C. ~~If maintenance of certification by an ABMS/DO/ABGD/ADBA/ABPD recognized board is required, physicians on staff must either maintain a valid certification or become recertified within 1 year of the expiration of their previous certification. If not obtained and maintained as specified, the medical staff membership and/or clinical privileges of any practitioner shall automatically terminate at the end of their current appointment.~~
- D. ~~Physicians who apply for Medical Staff Appointment and who finished their residency training fewer than five (5) years before the date of their application, must have current ABME/DO/ABGD/ADBA/ABPD specialty board certification or be actively engaged in the process of acquiring such certification as deemed appropriate by the Department Chair. Physicians on the medical staff must maintain Board Certification. In the case of a Physician who was certified but allowed the certification to lapse or who was granted privileges in anticipation of certification that was not achieved, the Physician will be asked to present a plan to the Credentials Committee for achieving Board Certification within a calendar year with an agreement that he or she voluntarily relinquish his or her privileges if he or she has not achieved certification within this time.~~
- E. ~~Physicians must provide the Medical Staff Office (MSO) with the expiration date of their certification.~~
- F. ~~Failure to achieve board certification according to the time periods specified in this document will constitute grounds for termination of appointment.~~
- G. ~~The only exception to (A) above applies to:~~
~~Current Medical Staff physicians who are not ABMS/DO/ABGD/ADBA/ABPD board certified in their specialty or subspecialty and who have completed ACGME residency prior to 2013 remain eligible for ongoing membership and medical staff privileges upon recommendation by the Department Chair, MEC, and/or Executive Committee, and approval by the BOT.~~

UNIVERSITY OF SOUTH ALABAMA HOSPITALS
MEDICAL STAFF MEETING MINUTES
October 29, 2013

The quarterly meeting of the Medical Staff of the University of South Alabama Hospitals was held at the Faculty Clubhouse on Tuesday, October 29, 2013. Mr. Stan Hammack, Vice President, for USA Health Systems, called the meeting to order at 6:50 p.m. A roster of attendees is available in the Medical Staff Credentials Office.

Mr. Hammack introduced Ehab Molokhia, M.D., Chair of the Medical Executive Committee for USA Children's and Women's Hospital. Dr. Molokhia announced the election of Medical Staff Officers for 2014-2015: Lynn Dyess, M.D. for Chair and Eric McCathran, M.D. for Chair-Elect/Secretary. As there were no nominations from the floor, a motion to elect the officers presented was made, carried, and approved.

Mr. Hammack introduced Anthony Martino, M.D. Chair of the Medical Executive Committee for USA Medical Center. Dr. Martino announced the election of Medical Staff Officers for 2014-2015: William O. Richards, M.D. for Chair and Clara Massey, M.D. for Chair-Elect/Secretary. As there were no nominations from the floor, a motion to elect the officers presented was made, carried, and approved.

Dr. Anthony Martino presented the Medical Staff Bylaws revision for discussion. (Revisions made to Bylaws Section 6.02 Board Certification.) With no discussion, a motion was made, carried, and approved as presented.

Mr. Hammack introduced Dr. Ronald Franks, Vice-President of Health Sciences. Dr. Franks congratulated Riley F. Trimm, M.D. on being a recipient of the ACGME 2014 Parker Palmer Courage to Teach Award. Dr. Trimm was also recently awarded honorary membership to the Alpha Omega Alpha Honor Medical Society. Dr. Franks also expounded on the progress of the USA Presidential Search with a decision to be made by the Board of Trustees in the near future. Dr. Franks is currently serving as Interim Director of the Mitchell Cancer Institute with a search for a director to begin soon. Errol Crook, M.D. and William Richards, M.D. are members of the search committee. Information pertaining to the plan for the new Physician Office Building was shared with a projected date of the first department to move into the building by January 2016. Additionally, Dr. Franks spoke of Mr. Stan Hammack's and Ms. Becky Tate's, Health Services Foundation CEO, intricate involvement with the Regional Care Organization (RCO).

Mr. Hammack introduced Ms. Beth Anderson, Administrator of USA Medical Center. Ms. Anderson announced that the USA Medical Center had recently received several honors: Get with the Guidelines Stroke - Gold Plus Target Award for 2013 from the American Heart Association, the achievement of Primary Stroke Certification and recognition as "Top Performer on Key Quality Measures" from The Joint Commission. Ms. Anderson also shared the upcoming facility changes. The 10th Floor Dining Room will be converted into offices for the Neurosurgery Department and the opening of additional patient beds on floors 5, 6, and 9 to address diversion time.

Mr. Hammack introduced Mr. Owen Bailey, USA Children's and Women's Hospital Administrator. Mr. Bailey reported on the progress of the new tower. He stated several departments had moved and additional departments will move to the new space in November. Phase II will be underway soon with demolition of the old kitchen, pharmacy, etc. The plans will include the courtyard to be raised up between the towers. Phase II is scheduled to be completed in the summer of 2014. Mr. Bailey also shared information pertaining to the Hospitalist Program and the Outreach Program. He described how the community outreach had resulted in practitioners in the community to be granted privileges in the the Refer and Follow Category. Mr. Bailey spoke of continuing to raise the awareness level and reach out to the community. A total of seven community outreach events with over 2,000 attendees were held to tour the new tower. The new tower will house six operating room suites with a possibility of eight if the volume dictates. The parking issues are being studied and addressed throughout the construction process.

Mr. Hammack gave a synopsis of the Regional Care Organization progress with the first milestone being met with districts being established effective October 1, 2013. Collaboration efforts will continue with UAB and now intense collaboration efforts with providers in all seven counties of the district to participate in managed care. He explained that internally focus groups were needed to integrate ideas and get organized to prepare for a Health Insurance Exchange in Alabama in the near future.

With no further business, the meeting was adjourned at 7:25 p.m. by Mr. Stan Hammack.

Respectfully submitted,



Juliana Kuck
Medical Credentialing Specialist

RESOLUTION

**USA HOSPITALS GENERAL MEDICAL STAFF MEETING
NOMINATION OF OFFICERS
CALENDAR YEARS 2014 - 2015**

WHEREAS, the following slate of officers approved at the General Medical Staff meeting on October 29, 2013, are recommended for approval by the General Medical Staff and the Executive Committee of the University of South Alabama Hospitals,

USA Children's and Women's Hospital:

Chair, Medical Executive Committee

D. Lynn Dyess, M.D.

Chair-elect/Secretary, Medical Executive Committee

C. Eric McCathran, M.D.

USA Medical Center:

Chair, Medical Executive Committee

William O. Richards, M.D.

Chair-elect/Secretary, Medical Executive Committee

Clara V. Massey, M.D.

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

RESOLUTION

**USA HOSPITALS COMMUNITY HEALTH NEEDS ASSESSMENT
AND IMPLEMENTATION STRATEGIES**

WHEREAS, the Patient Protection and Affordable Care Act requires that not-for-profit hospitals conduct community health needs assessments, and

WHEREAS, the USA Hospitals have conducted the above-referenced assessment for 2013, and

WHEREAS, the USA Hospitals have developed implementation strategies based on the findings of the 2013 community health needs assessment, and

WHEREAS, the Patient Protection and Affordable Care Act further requires that hospital governing bodies adopt those implementation strategies developed by the hospitals to meet the community needs identified through such assessment,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama accepts the community health needs assessment conducted by the USA hospitals and adopts the implementation strategies developed by the USA Hospitals as a result, both of which are attached hereto and incorporated herein.

NOV 07 2013

UNIVERSITY OF SOUTH ALABAMA
HOSPITALS

WILLIAM B. BUSH
CHIEF FINANCIAL OFFICER



UNIVERSITY OF SOUTH ALABAMA

TELEPHONE: (251) 471-7114
2451 FILLINGIM STREET, SUITE 3040
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7756

MEMORANDUM

To: Dr. John Smith
Acting President

From: William B. Bush *WBB*

Date: November 5, 2013

Subject: The Community Needs Assessment performed by USA Hospitals and proposed Implementation Strategy to meet the identified community needs

Under the provisions of the Patient Protection and Affordable Care Act each covered hospital is to conduct a community health needs assessment at least once every three years. Furthermore, the governing board of the hospital is required to adopt an implementation strategy proposed to meet the community needs identified through such assessment. I am recommending for your approval and recommendation to the Board of Trustees the attached Community Health Needs Assessment conducted by USA Hospitals for 2013 and the proposed Implementation Strategies as well as the resolution for the approval and adoption of same by the Board of Trustees.

WBB/cd

APPROVED FOR
BOARD ACTION
John W. Smith
11/7/13

**Community Health Needs Assessment
of Mobile County, Alabama
University of South Alabama Hospitals
2012 – 2013**

A collaboration between:

**University of South Alabama Medical Center
&
University of South Alabama Children's & Women's
Hospital**

Assessment Team:

**Denise M. Anderson, RN, MSN, CPHQ
Director, Care Management / Social Services**

**Donald F. Ching, MBA, CPA
Assistant Chief Financial Officer**

**Shana Noland, RN, BSN
Concurrent Utilization Review Program Coordinator**

**Tina Taylor, RN, MSN
Director, Care Management / Social Services**

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Introduction

On March 23, 2010, Congress approved the Patient Protection and Affordable Care Act. The Act included a Community Health Needs Assessment mandate for not-for-profit hospitals. According to the mandate, the CHNA must be conducted once every three years and it must include input from persons who represent the broad interests of the community, as well as those with public health expertise.

Hospitals across the United States are conducting Community Health Needs Assessments (CHNA) of their local service areas. This effort was a result of the need for hospitals to have formalized, organized and systematic approaches for meeting the healthcare needs of the populations they serve. An analysis of community health needs is especially relevant in light of growing momentum and increased scrutiny around how hospitals are making a measurable contribution to community health.

The University of South Alabama has a long history of providing healthcare services to the citizens of Mobile County and the surrounding region. The University works in partnership with numerous community health and social service organizations to provide treatment and preventive health services to the community.

The CHNA allows hospitals to better understand the health needs of vulnerable, at-risk, underserved and low income populations; and, subsequently, develop a plan that will guide future community benefit programming. The approach used incorporates best practice standards that have been published by recognized leaders in the field such as the American Public Health Association, the Association for Community Health Improvement, and the Catholic Health Association.

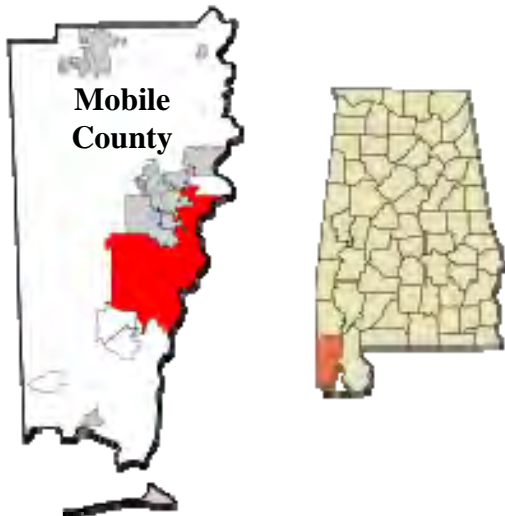
The CHNA is based on extensive analysis of data from local, state and national sources. The cornerstone of the effort, however, is the input from citizens, stakeholders and community leaders. We are indebted to them for their contributions to this effort.

All statistics reported are for the latest year available (unless otherwise stated).

Community

The first step in completing a community health needs assessment is to determine the “community” to be assessed. USA Hospitals provide tertiary care over a broad expanse of Alabama and Mississippi; however, because over 80% of the patients admitted to the USA Medical Center and to the USA Children’s & Women’s Hospital reside in Mobile County, that was the obvious choice of the community to assess.

Mobile County is the second largest county by population in the state. It is located in the extreme southwest corner of the state on the Gulf of Mexico. The city of Mobile is the largest city in Mobile County with a population of 195,111. The other cities in the county are Prichard (22,659), Saraland (13,405), Satsuma (6,618), Chickasaw (6,106), Citronelle (3,905), Semmes (3,115), Bayou La Batre (2,558), Creola (1,926), Dauphin Island (1,238) and Mount Vernon (816). Approximately 156,000 county residents live in unincorporated areas.



The majority of the healthcare facilities and providers in the county are located in the city of Mobile (shown in red on the county map at left).

The land area of the county is 1,229 square miles. At its widest points, the county runs 57 miles from north to south and 29 miles from east to west.

Mobile County is a regional center of manufacturing, tourism, transportation, healthcare and higher education. The county public school system, with an enrollment of over 63,000, is the largest system in the state. An additional 25,000 K-12 students are enrolled in private, parochial and smaller public systems.

Hospitals

Both hospitals included in the University of South Alabama Health System are safety net hospitals and have long traditions of providing healthcare to low-income, underserved, and vulnerable members of the local community.

USA Children's & Women's Hospital is the region's only hospital dedicated specifically to the healthcare needs of children and women, offering unique services for neonatal and pediatric intensive care, pediatric oncology, sickle cell treatment, and high-risk obstetrical care. With more than 2,600 births annually, Children's & Women's is the area's leader in deliveries. A major expansion doubling the size of USA Children's & Women's Hospital has recently been completed. This new space enables the hospital to continue to meet the needs of a varied and growing population.

USA Medical Center is an acute care facility serving as a major referral center for southern Alabama, southeast Mississippi and portions of northwest Florida. It offers the region's only Level I trauma center, and also centers for burns, stroke, cardiovascular disease, and sickle cell disease. USA Medical Center is the first facility in Mobile to receive the Gold Plus Performance Achievement Award from the American Heart Association/American Stroke Association. As a key teaching and research facility for the USA College of Medicine, the USA Medical Center plays a major role in the development of new technology and the training of tomorrow's physicians and other essential health care professionals.

Summary of Findings

The public health system has a basic duty to assure the public's health. In order to do this, periodic assessment of the community's health problems and needs is required. This assessment was undertaken specifically to identify unmet health needs in Mobile County.

The population of Mobile County according to the 2010 Census was 412,992. Of this total, 195,111 reside in the city of Mobile. The rest of the county's residents reside in the smaller cities (61,896) or in the unincorporated areas (155,985).

The population distribution in the county by sex is 52% female and 48% male. By age, the distribution is 28% below 20 years of age, 13% above age 65, and 59% in the middle. These distributions are in line with state and national averages. The population distribution by race shows that the percentage of African American residents in the county (35%) is much higher than the national average (14%).

The median household income in the county is \$42,187 compared to the national median household income of \$52,762. The percentage of the county population living below 100% of the Federal Poverty Level is 19% and the percentage of the county's children living in poverty is 28%. The corresponding national averages are 15% (all ages) and 22% (children). Significant levels of unmet health needs exist in inner city ZIP code areas with high levels of poverty and high percentages of African American residents.

Access to healthcare is directly related to who is covered by private health insurance, who is covered by government-sponsored health insurance, and who is not covered by health insurance. Additionally, certain persons who are covered by health insurance may have a limited scope of coverage or have such high levels of deductibles or co-pay amounts that they effectively fall into the underinsured category. In the county, 22% of the population is covered by Alabama Medicaid, 17% by Medicare, 44% by other types of health insurance, and 17% have no health insurance coverage.

Socio-economic factors such as levels of educational attainment and family status have been shown to have a strong influence on the quality of the community's health. The county has a low high school graduation rate and a low proportion of residents who have completed a bachelors degree or higher. The proportion of children in the county living in a single parent household is 42%, and over 51% of the births in the county are to mothers who are unmarried at the time of the child's birth. Births to teenage mothers make up 15% of the births in the county.

The main causes of death in the county are heart disease (24%), cancer (23%), stroke (5%), accidents (5%), chronic lower respiratory disease (5%), Alzheimer's disease (3%), and diabetes mellitus (3%). Of the deaths caused by cancer in the county, the leading sites are lung (32%), colon (9%), breast (7%), pancreas (5%) and prostate (4%).

In addition to the death rates in the county, the quality of the population's health is equally reflected in the residents who have to deal with chronic diseases over long periods of time. Two-thirds of the county's adult population is overweight or obese (and one-third of the children). Mental illness issues affect 19% to 20% of adults and 13% to 14% of children. The county has high levels of hypertension, diabetes, asthma, and arthritis.

The health needs faced by Mobile County can be summarized in seven key areas:

1. A significant portion of the population is poor or near poor. This low socioeconomic status leads directly and indirectly to lower levels of health for this segment of the population.
2. There is limited access to all types of healthcare for the low income, uninsured, underinsured, and unemployed segments of the population and for the working poor. There is also limited access in some cases for persons covered by Medicaid.
3. Poor healthy living decisions, especially related to diet and exercise, smoking, and abuse of drugs and alcohol, have resulted in high levels of obesity, cardiovascular disease, cancer, hypertension, diabetes, chronic lower respiratory diseases and other chronic and acute health problems.

4. There is a shortage in the county of primary care physicians, especially those who see low-income patients.
5. Mental health issues, particularly depression, stress, and substance abuse affect a significant number of people in the county. There is a shortage of mental and behavioral health workers in the county and there is also a shortage of outpatient venues in the county for providing mental and behavioral health services. Access to mental health services for low-income individuals is limited.
6. Many people in the county do not have affordable access to oral health services.
7. There is limited collaboration and coordination between healthcare providers and other social service organizations serving older adults. This can have dramatic impacts on the health and well-being of these adults, especially those who are frail, disabled, or have chronic health conditions.

Approach/Methodology

The assessment involved research and data analysis from secondary data sources; a review of other reports and assessments reviewing health status in Mobile County; interviews with community leaders; and a survey to prioritize available strategies for improving community health.

Research and Data Analysis from Secondary Sources

Extensive data concerning state and county health is available from a variety sources. A partial listing of the sources from which data was obtained for analysis includes:

- United States Census Bureau
United States Department of Commerce
- National Center for Health Statistics
Centers for Disease Control and Prevention
United States Department of Health and Human Services
- Alabama Center for Health Statistics
Alabama Department of Public Health
- Mobile County Health Department
- Center for Healthy Communities
University of South Alabama
- State Health Facts (www.statehealthfacts.org)
The Henry J. Kaiser Family Foundation
- 2013 County Health Rankings and Roadmaps
Robert Wood Johnson Foundation
- Kids Count Databook
The Annie E. Casey Foundation

Other Reports Assessing Health Status in Mobile County

Various agencies and organizations have previously assessed the status of public health in Mobile County. In addition, other entities have put forth health improvement strategies and goals that set reasonable targets for communities to aspire to. Copies of these reports were reviewed and information from them has been incorporated into this assessment. A partial list of the reports reviewed includes:

- Rapid Community Health Needs Assessment Report
Gulf Region Health Outreach Program:
Primary Care Capacity Project
Louisiana Public Health Institute; December, 2012
- Community Capacity Inventory
University of South Alabama Center for Healthy Communities;
December, 2009
- Using Zip Code-Level Mortality Data as a Local Health Status
Indicator in Mobile, Alabama
University of South Alabama Center for Healthy Communities;
January, 2008
- The Building Blocks for a Better Community
United Way of Southwest Alabama
September, 2010
- Healthy People 2020
Centers for Disease Control and Prevention
U.S. Department of Health and Human Services
- Community Need Index Report
Dignity Health / Thomson Reuters
December, 2010
- Community Health Needs Assessment
Mobile Infirmary Medical Center
March, 2013

- Community Health Needs Assessment
Providence Hospital
June, 2013
- Better Living Mobile Guidelines
Mobile United
January, 2013

Interviews with Community Leaders

In formulating this assessment an effort was made to take into account input from persons who represent the broad interests of the community served by the hospitals, including those with special knowledge of or expertise in public health. Special emphasis was placed on those individuals who have knowledge of the unmet health needs of vulnerable, at-risk, underserved and low-income populations in the county. Community leaders from governmental entities, healthcare providers, educational institutions, social service agencies, and philanthropic groups provided input for this information gathering process and they are listed below:

Andrew Ackland	Mobile ARC Program Director
Dr. Martha Arrieta	University of South Alabama Center for Healthy Communities Director of Research
Julie Bellcase	AltaPointe Health Systems, Inc. Chief Operating Officer
Henry H. Caddell, Esq.	Franklin Primary Health Center Board Member
Honorable Jerry Carl	Mobile County Commission Commissioner

Dr. Errol D. Crook	University of South Alabama College of Medicine Chair, Department of Internal Medicine
Lorissa Dickinson	Mobile County Public School System Homeless Education Social Worker
Dr. Bernard Eichold	Mobile County Health Department County Medical Officer
Sandra J. Forbus	Mobile United Executive Director
Dr. Ronald Franks	University of South Alabama College of Medicine Chair, Department of Psychiatry Vice-president for Health Sciences
Dr. David Gremse	University of South Alabama College of Medicine Chair, Department of Pediatrics
Dr. Wanda Hannon	Mobile County Public School System Director of Health and Social Services
Randy Henry	Goodwill Easter Seals Director of Community Resources
James A. Holland	Mostellar Medical Center Chief Executive Officer
Honorable Connie Hudson	Mobile County Commission Commissioner
Honorable Sam Jones	City of Mobile Mayor

Dr. Deborah Lafky	University of South Alabama Center for Strategic Health Innovations Director
Christopher L. Lee	The J. L. Bedsole Foundation Executive Director
Dr. David Lewis	University of South Alabama College of Medicine Chair, Department of Obstetrics/Gynecology
Honorable Merceria Ludgood	Mobile County Commission President
Emily Martin	Area Agency on Aging Outreach Nurse
Julie McGee	Area Agency on Aging Director
Dr. Allen Perkins	University of South Alabama College of Medicine Chair, Department of Family Medicine Alabama Academy of Family Physicians President Alabama Rural Health Association President
J. Tuerk Schlesinger	AltaPointe Health Systems, Inc. Chief Executive Officer
Susan Stiegler	Mobile County Health Department Director, Family Health Clinical Services
Tonie Ann Torrans	Penelope House Family Violence Center Executive Director

Bobbie Jo Trammell	Alabama Childrens Rehabilitation Services District Supervisor
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Alan J. Turner II	United Way of Southwest Alabama President & Chief Executive Officer
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Charles White	Franklin Primary Health Center President & Chief Executive Officer
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Joshua Willis	15 th Place Assistance Director
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Strategy Survey of Health and Community Leaders

A variety of health and community leaders were surveyed using an instrument consisting of 42 health improvement strategies that have been shown to improve public health in communities that have adopted them. The purpose of the survey was to prioritize the 42 strategies into segments representing:

- Strategies that would have a high favorable impact and should be implemented immediately.
- Strategies that would have moderate favorable impact relative to the “high impact” group. These strategies should be implemented after the “high impact” strategies.
- Strategies that would have a low favorable impact relative to the “high” and “moderate” groups. While desirable, these strategies would have the lowest priority for community-wide emphasis.

The strategies that were identified by the survey results as the ten highest priority were:

- Change personal behaviors related to increased levels of obesity and overweight
- Change personal behaviors related to reduction of risk factors for heart disease
- Change personal behaviors to reduce the risk factors for diabetes
- Change personal behaviors to reduce tobacco use
- Change personal behaviors to reduce risk factors for cancer
- Change personal behaviors to increase the level of physical activity

- Change personal behaviors to decrease risk factors and increase prevention of chronic diseases
- Change personal behaviors related to prenatal care and prenatal care education
- Improve access to health services to the uninsured and underinsured
- Improve access to health services for the elderly

Note: The survey instrument is reproduced in its entirety on pages 53 to 56.

Demographic Profile

Population by Age and Sex

The population of the county according to the 2010 Census was 412,992. The estimate for 2012 is 413,936.

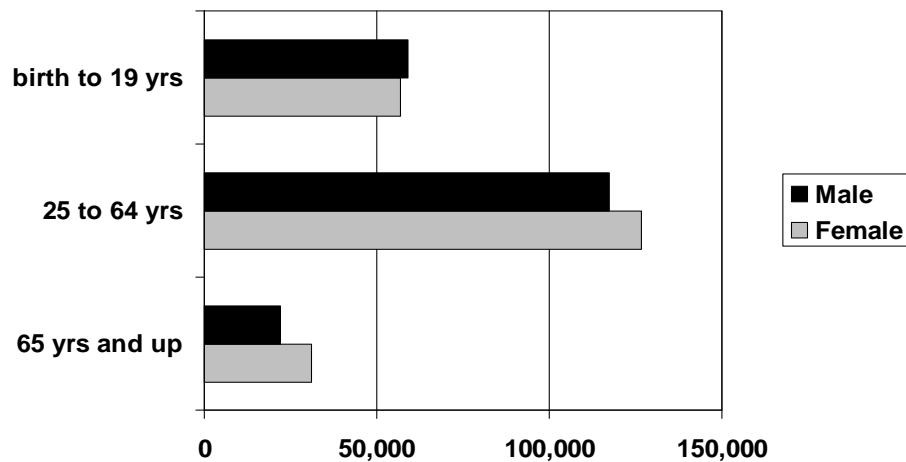
By sex, the distribution was 198,374 males (48%) and 214,618 females (52%).

By age, there were 115,728 residents aged from birth to 19 years (28%); 243,943 aged from 25 to 64 years (59%); and 53,321 aged 65 years and up (13%).

The population distribution by both sex and age are very similar to the sex and age distributions for Alabama as a whole and for the nation.

Detailed population data is shown in Table 1 on page 57.

County Population by Age and Sex (2010)



Population by Race

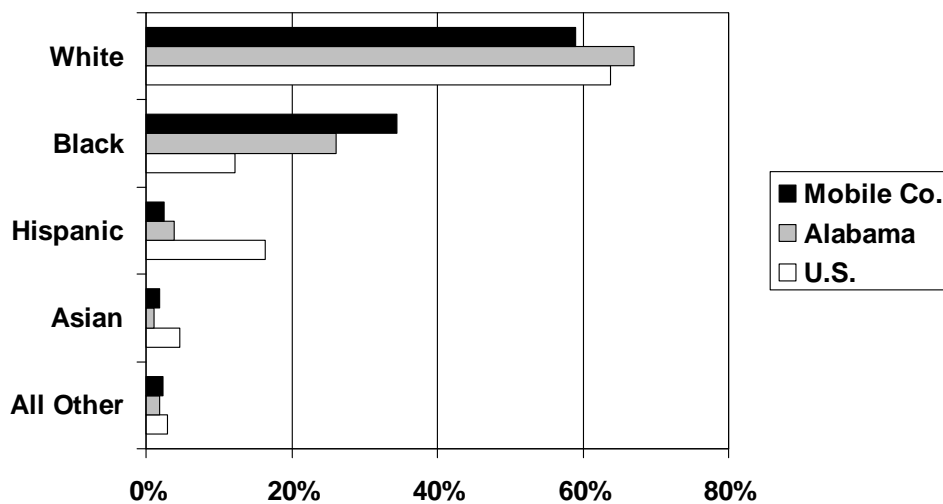
The study of disease has shown that specific racial groups are more susceptible to certain diseases and conditions. This makes the racial composition of a population very important when evaluating the status of the public health in a community.

The 2010 population of the county according to the 2010 Census was 412,992. Of this total, 243,904 were white, 142,272 were black, 9,936 were Hispanic, 7,507 were Asian, and 9,373 were from all other races listed by the Bureau of the Census.

The population distribution by race for Mobile County is different than that for Alabama as a whole and very different from that for the United States as shown in the figure at the bottom of this page.

More detailed information on racial distribution for the county, state and nation is shown in Table 2 on page 58 at the end of this report.

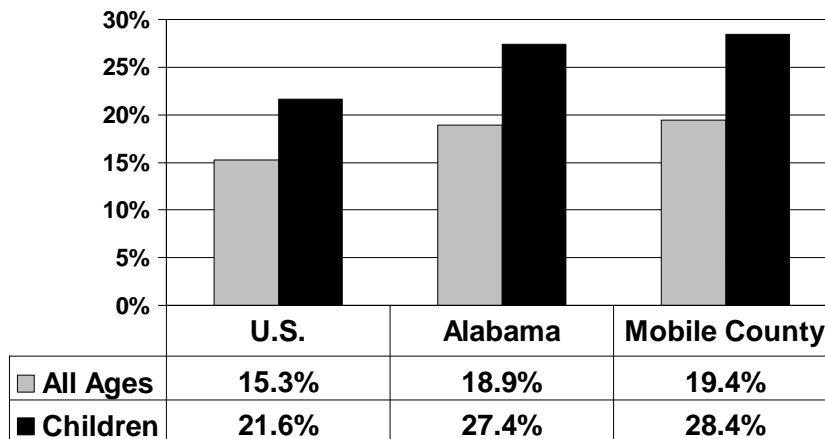
Population Distributions by Race (2010)



Poverty

Each year the federal government changes the dollar ceiling amounts which define the Federal Poverty Level (FPL) for families of different sizes. For 2013, the FPL ceiling for a single person is \$11,170 and \$23,050 for a family of four.

Population in Poverty (100% FPL)



While this is the basic standard for poverty in a community, research has shown that 100% of the FPL is not sufficient to meet basic needs for housing, food, transportation, healthcare and child care. This research estimates that the level of income that is sufficient to meet basic needs is approximately 200% of FPL. In the United States, 44% of children live in families with income below 200% of FPL and in Mobile County 45% to 50%.

Poor adults are more likely to be in poor health, to be uninsured, and to die at a younger age than adults who are not poor.

Growing up in poverty is one of the greatest threats to healthy child development. It raises children's risk for poor health, school failure, and teenage pregnancy. Poverty and financial stress have been shown to impede

children's cognitive development and their ability to learn. It can contribute to behavioral, social, and emotional problems. The poverty rate among African American children is three times the rate for non-Hispanic whites.

Several reports reviewed by the assessment team for this report indicated that certain ZIP code areas in Mobile County had high levels of unmet health needs or health disparities. Many of these high need areas were also areas with high levels of residents living in poverty. These high need areas included Downtown Mobile, Midtown Mobile, Prichard, Crichton, Whistler, Toulminville, Dauphin Island Parkway, Chickasaw, and Bayou La Batre.

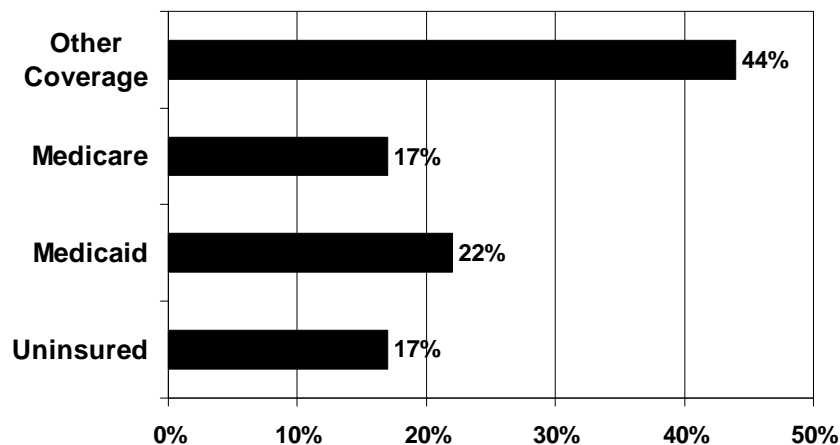
Health Insurance Status

One of the main determinants of adequate access to health care is whether or not the person is covered by health insurance. Mobile County has a very significant portion of the population (17%) which is not covered by any type of health insurance. The county also has a high percentage of the population which is covered by Alabama Medicaid. Because of limitations on the scope of care and the levels of reimbursement, Medicaid coverage does not provide the same levels of access to care as Medicare or full-coverage commercial health insurance policies.

When individuals have no health insurance or have insurance with limited coverage or with high deductibles or co-payments they often engage in negative health behaviors including:

- Foregoing prescriptions
- Failure to seek care
- Sporadic care for chronic diseases
- Overuse of the emergency room for primary care

Health Insurance in Mobile County
Percent of Persons Covered



Births

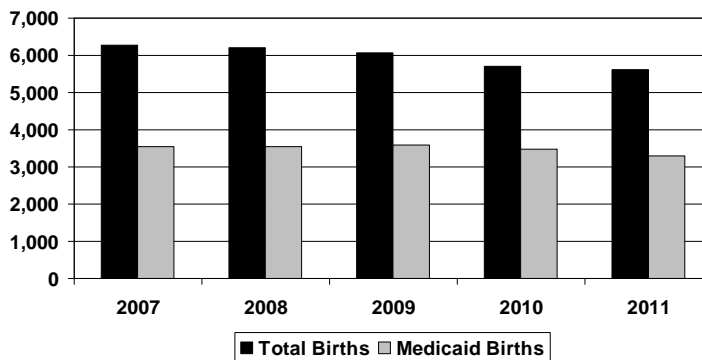
Both crude birth rates and fertility rates declined steadily in Alabama and the nation from 1950 through 1975 and have declined at a more gradual pace since that time. The birth rate is the number of live births per 1,000 population. Birth rates for selected years were:

	<u>United States</u>	<u>State of Alabama</u>
1950	23.6	26.9
1970	18.4	19.6
1990	16.7	15.7
2010	13.0	12.5

These same trends were reflected in the data for Mobile County, with the last five years showing a slow but steady decrease in both total births and Medicaid births.

Detailed birth data is shown in Table 7 on page 62.

Resident Births in Mobile County by Year



Teen Childbearing

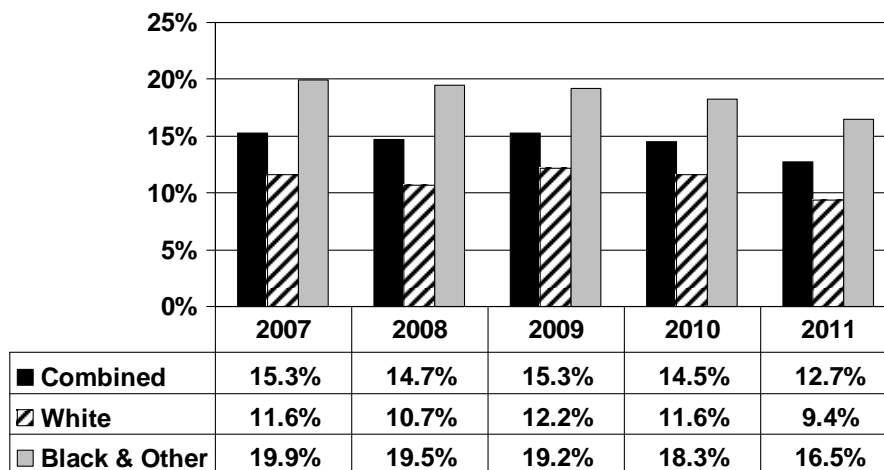
Births to teenagers (those aged 10 to 19) in the United States rose from 13.9% of all live births in 1960 to 18.9% in 1975. After that year, the rate has continued to decline to its current (2010) level of 9.3%. Rates in Alabama have shown a similar pattern.

Teenage childbearing can have long-term negative effects for both the mother and the newborn. Babies born to teen mothers are at a higher risk of being low-birthweight and preterm. They are also far more likely to be born into families with limited educational and economic resources. All of these combine to function as barriers to future healthy success.

Of the overall births to teenage mothers, roughly 70% represent births to 18 and 19-year olds and the remainder represent births to mothers under 18 years of age.

Detailed data on teenage childbearing is shown in Table 8 on page 63.

Percent of Live Births to Teenagers Mobile County



Unmarried Mothers

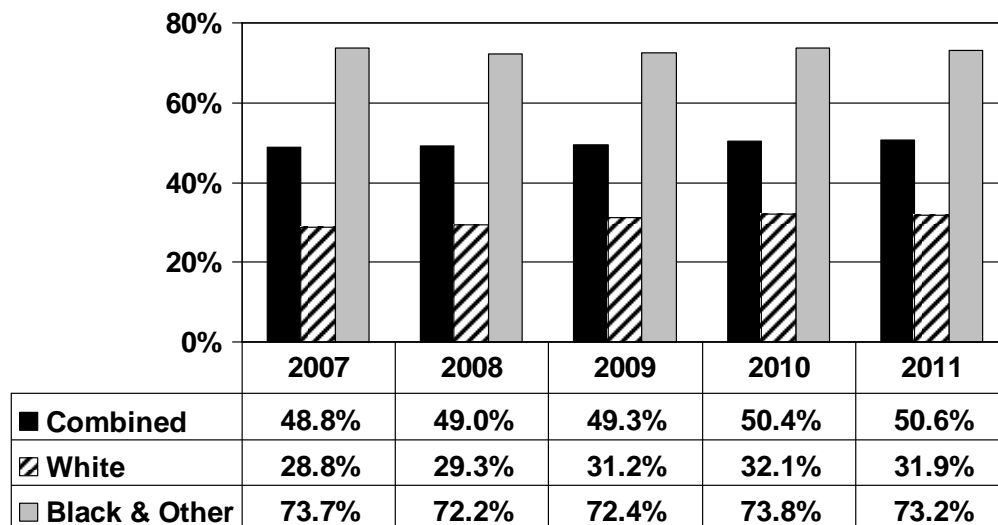
In the United States, the percentage of live births to unmarried women has increased from 26.4% in 1970 to well over 50% today.

In Alabama for the same period, the rate has gone from 14.6% to 42.1% today.

For Mobile County, the rate has been holding steady for the last 5 years at around 50%.

Detailed data on unmarried mothers is shown in Table 9 on page 64.

Percent of Live Births to Unmarried Women Mobile County



Specifically, compared with children who grow up in stable, two-parent families, children born outside marriage reach adulthood with less education, earn less income, have lower occupational status, are more likely to be idle

(that is, not employed and not in school), are more likely to have a non-marital birth (among daughters), have more troubled marriages, experience higher rates of divorce, and report more symptoms of depression.

It is estimated that about one-third of unmarried mothers are living with the child's father at the time of birth. Although these households may resemble a household with two married parents, cohabiting parents tend to be more disadvantaged than married parents. They often have less education, earn less income, report poorer relationship quality, and experience more mental health problems. These considerations suggest that children living with cohabiting parents are often worse off, in terms of a nurturing environment that promotes good health, than children living with two married biological parents.

Family Status

The proportion of families consisting of two parents and their own children has continued to decline over the years. Now the proportion of families consisting of a single parent and children in the home has reached historically high levels.

Having only a single parent in the home (and a single wage-earner) creates problems that can affect the health of all persons in the household.

Children growing up in single-parent families typically do not have the same economic or human resources available to those growing up in two-parent families. In 2010, 36% of single-parent families had incomes below the poverty line, compared with 8% of married-couple families with children. Compared to children in married-couple families, children raised in female-headed households are more likely to drop out of school or to have or cause a teen pregnancy.

Family Status of Children in the United States

	All Races	White	Black
Living with 2 Parents	69%	74%	38%
Living with 1 Parent	27%	23%	54%
Living with no Parent	4%	3%	8%

The percent of children in Mobile County living in two-parent households is approximately 58%.

Educational Attainment

Research has shown a correlation between educational attainment and health status and life expectancy.

Mobile has experienced a low level of high school graduation on schedule (60% to 65%) and low levels of high school graduates and college graduates. This contributes to lowering the health status in the community.

- Women with less than a bachelor's degree are 60% more likely to be obese.
- Adults with a high school diploma or less are more than three times as likely to be current smokers.
- Average life expectancy at age 25 is lower for those with a high school diploma (9.3 years lower for men; 8.6 years lower for women) than for those with a bachelor's degree.

	U.S.	Alabama	Mobile County
Educational Attainment			
Less than 9th Grade	6.1%	6.1%	4.7%
9th to 12th Grade, no diploma	8.5%	12.0%	12.4%
High school graduate (includes equivalency)	28.6%	31.4%	33.6%
Some college, no degree	21.0%	21.5%	21.7%
Associate's degree	7.6%	7.0%	7.5%
Bachelor's degree	17.7%	14.0%	13.2%
Graduate or professional degree	10.5%	8.0%	6.9%
Percent high school graduate or higher	85.4%	81.9%	82.9%
Percent bachelor's degree or higher	28.2%	22.0%	20.1%

Note: For population 25 years and older

Health Profile

Causes of Death

The leading causes of death in the United States in order are heart disease, cancer, stroke, chronic lower respiratory diseases, and accidental deaths. The leading causes in Alabama and in Mobile County are the same except that stroke and chronic lower respiratory diseases trade places.

Mortality statistics reflect that 84% of deaths are for individuals over the age of 54 and 51% are for those over the age of 74.

The standard measure of death rates is the number of deaths per 100,000 population. As shown in the chart below, the death rates for Alabama and/or Mobile County are higher than the national rates with few exceptions.

Detailed data on deaths is shown on pages 59, 60 and 61.

Mobile County Cause of Death, 2011 With Comparative Data for Alabama and for the United States

	Number of Deaths	Rate per 100,000		
		County	State	U.S.
Diseases of the Heart	986	239.0	247.4	191.4
Malignant Neoplasms (cancer)	864	209.4	211.4	184.6
Cerebrovascular Diseases (mainly stroke)	228	55.3	52.8	41.4
Chronic Lower Respiratory Diseases	222	53.8	60.2	46.0
Accidents	187	45.3	54.1	39.4
Alzheimer's Disease	129	31.3	30.6	27.2
Diabetes Mellitus	120	29.1	26.1	23.5
Influenza and Pneumonia	82	19.9	19.6	17.2
Nephritis, Nephrotic Syndrome and Nephrosis	72	17.4	21.8	14.7
Intentional Self-harm (Suicide)	70	17.0	13.3	12.3
Septicemia	68	16.5	18.8	11.4
Homicide	61	14.8	7.9	5.1
Chronic Liver Disease and Cirrhosis	40	9.7	11.4	10.8
Parkinson's Disease	34	8.2	7.7	7.4
Human Immunodeficiency Virus	18	4.4	2.6	2.5
Viral Hepatitis	15	3.6	2.0	2.5
All Other Causes	925	224.1	218.3	169.1
Total	4,121	998.8	1006.0	806.5

Cancer Rates

Cancer is the second leading cause of death in Mobile County with 850 to 950 deaths each year. In addition, an estimated 2,400 new cancer cases are diagnosed in the county annually.

The ten leading causes of cancer death in Mobile County for 2011 were:

Trachea, Bronchus & Lung	274	31.7%
Colorectal	80	9.3%
Breast	57	6.6%
Pancreas	43	5.0%
Prostate	37	4.3%
Leukemias	32	3.7%
Non-Hodgkin Lymphoma	32	3.7%
Stomach	27	3.1%
Esophagus	24	2.8%
Brain & Other Nervous System	21	2.4%

The National Cancer Institute reports that Mobile County cancer rates are above the national average in 9 categories:

For women -	Breast, Ovary, Leukemia, Lung & Bronchus
For men -	Colorectal, Pancreas, Lung & Bronchus, Prostate, Oral Cavity & Pharynx

In addition to the cancer mortality statistic, another important measure of the cancer burden in the community is the incidence rate for new cancer diagnoses. The estimate of new cancer diagnoses each year in the county is 2,400. This estimate of new cases by site is:

Trachea, Bronchus & Lung	404	16.8%
Prostate	351	14.6%
Female Breast	314	13.1%
Colorectal	231	9.6%
Melanoma of the Skin	99	4.1%
Urinary Bladder	96	4.0%
Non-Hodgkin Lymphoma	91	3.8%
Uterus	74	3.1%
Leukemias	57	2.4%
All Other Sites	683	28.5%

Infant Mortality

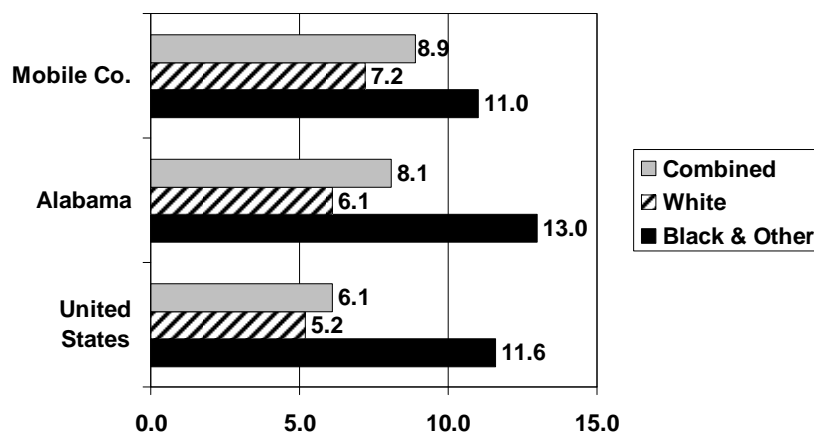
Infant mortality is a measure of the infants who die during their first year of life. It is further divided into neonatal mortality and post-neonatal mortality. Roughly two-thirds of infant mortality is neonatal and one-third is post-neonatal.

Neonatal mortality is death before the 28th day of life. Neonatal mortality is generally related to short gestation and low birth weight, congenital malformations, and conditions originating in the perinatal period, such as maternal complications related to pregnancy or complications experienced by the newborn resulting from birth. Post-neonatal mortality is death between the 28th day of life and the first birthday. Post-neonatal mortality is generally related to Sudden Infant Death Syndrome (SIDS), congenital malformations, and unintentional injuries.

The U.S. infant mortality rate is higher than that of many other industrialized nations. The higher rate of preterm births in the United States overall has a significant impact on the infant mortality rate. Mobile County rates have improved over the years but are still high (see details on page 66).

Infant Mortality Rate (2011)

Rate is per 1,000 live births



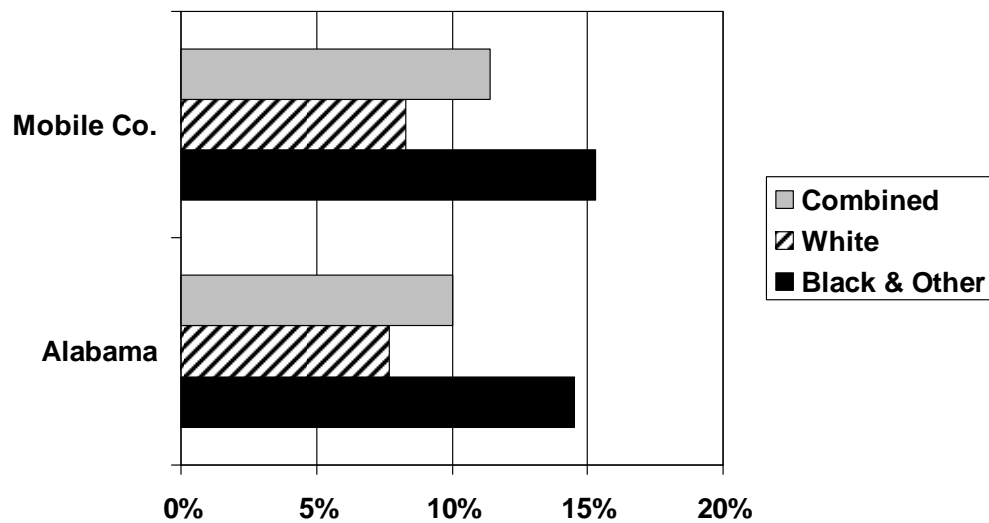
Low Birth Weight

Low birth weight is a leading cause of neonatal mortality (death before 28 days of age). Low birth weight infants are more likely to experience physical and developmental health problems later in life or die during the first year of life than are infants of normal weight.

Low birth weight is defined as less than 2,500 grams (5 pounds, 8 ounces). In the United States, approximately 8.3% of all babies are born at low birth weight.

Detailed population data is shown in Table 10 on page 65.

Percent of Low Weight Births (2011)



Chronic Disease

Other than mortality, the most significant health burden on the population of the county is those persons who have to deal for long periods of time with the effects of chronic diseases. Chronic diseases are defined as those that are either persistent or recurring. Obviously, this type of condition places demands on the individuals, their families, and the community's healthcare system.

Chronic disease affects all age groups in the population as well as individuals at all income levels. It has been estimated that over 50% of the adult population deals with one or more chronic disease and one-third of poor adults deal with two chronic diseases or more. Over one in five children have at least one chronic disease (and the ratio is higher for children living in poverty).

Some examples include:

For Children

asthma
sickle cell anemia
learning disabilities
diabetes
ADD/ADHD
cystic fibrosis
consequences of
pre-maturity

For Adults

hypertension
arthritis
migraine headaches
AIDS/HIV
orthopedic impairments
kidney disease
hearing impairments

For Senior Adults

cataracts
depression
osteoporosis
glaucoma
enlarged prostate
Parkinson's disease
dementia

Obesity

For the last 40 years, the United States has been confronted with a steadily rising trend in the percentage of the population of both adults and children who are overweight or obese. Dietary habits, inactivity, genetic factors, and environmental and health conditions all contribute to obesity. Obesity is a gateway condition which is related to a broad spectrum of diseases including heart attack, stroke, hypertension, diabetes, certain cancers, degenerative joint disease, metabolic syndrome, liver disease, sleep apnea, gall bladder disease, gastroesophageal reflux disease, asthma, depression and other conditions.

The rates of obesity in Alabama are the fifth highest in the nation (following West Virginia, Mississippi, Arkansas and Louisiana).

Body mass index (BMI) is the ratio of weight to height, which is used to define whether an individual is overweight or obese. The standard calculation of BMI is the weight in kilograms divided by the square of the height in meters.

In adults, persons with a BMI of 25 but less than 30 are considered to be overweight. Adults with a BMI of 30 or above are considered to be obese. The obese category for adults is further broken down into Grade 1 Obesity (BMI from 30 to 34.9); Grade 2 Obesity (BMI from 35 to 39.9); and Grade 3 Obesity (BMI of 40 or higher). An adult BMI table is included in an appendix to this report (Table 12, page 67).

In children, BMI is used in conjunction with age and weight, since both of these factors affect body composition. Children who fall between the 85th and 94th percentile of Standard BMI for age are considered overweight. Children who are in the 95th percentile or above are considered obese.

Obesity is a serious health problem for children. Obese children are more likely to have risk factors for cardiovascular disease such as high blood pressure, high cholesterol, and type 2 diabetes. Obese children are also at increased risk for obesity in adulthood. Overweight and obesity are more prevalent among children living in poor and near poor families.

Among boys and girls from 2 to 19 years of age, obesity rates decreased with increasing levels of educational attainment by the head of the household.

Overweight and Obese in Alabama

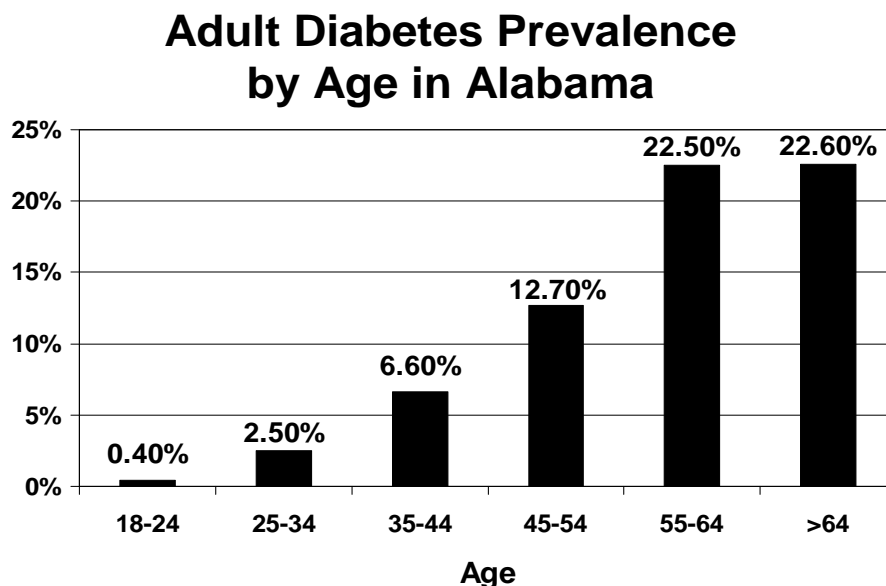
	Overweight	Obese	Combined
Adults	33%	35%	68%
Children	17%	18%	35%

Diabetes

According to data recently released by the U.S. Centers for Disease Control and Prevention, approximately 435,000 people currently living in Alabama have been diagnosed with diabetes. Thousands more (approximately 6% of the population) are unaware that they have the disease. Alabama ranks among the top five states in the nation for prevalence of diabetes (12.2%), surpassing the national average (8.3%). Diabetes is the seventh leading cause of death in the nation, in the state, and in Mobile County. It directly contributes to the incidence of heart disease and stroke. It is also the primary cause of kidney failure, non-trauma related limb amputations and adult onset blindness.

In addition, 18.5% of the population experiences a borderline diabetic condition known as “pre-diabetes”. Of all persons with pre-diabetes, over 40% will develop diabetes within 2 to 6 years.

Combining the prevalence rates indicates that 37% of Alabamians have either diagnosed diabetes, undiagnosed diabetes, or pre-diabetes. For Mobile County, this translates to 153,000 people.



Mental Illness

In addition to assessing the physical health of the population of the county, an attempt has also been made to assess the status of the community's mental health.

Adults with serious mental illness make up 4% to 5% of the population of Mobile County, and one-quarter of those with serious mental illness also have co-occurring substance dependence or abuse.

Of persons receiving treatment for mental illness from a mental health professional, approximately 15% are inpatients and 85% are outpatients. A significant proportion of those treated for mental illness received prescriptions for antidepressant, antianxiety, antipsychotic, antimanic, or anticonvulsant medications. Many people with mental illness do not receive treatment of any sort.

It has been pointed out that the number of mental health professionals in the state and in the county is not adequate to meet the needs of the population. The per capita numbers of psychiatrists, psychologists, and social workers in Alabama are all at least 30% below the national average. It is estimated that there are 168 mental health professionals in the county. This includes psychiatrists, psychologists, and licensed clinical social workers. This number of mental health professionals has to deal with high demand for services as shown below.

Incidence of Mental Illness

	Any Illness	Serious Illness
Adults	19 - 20%	4 - 5%
Children	13 - 14%	3 - 4%

Oral Health

Dental disease is one of the great preventable public health challenges of the 21st century. Labeled a “silent epidemic” by the U.S. Surgeon General, dental disease ranks high in prevalence among chronic health conditions. It is universally prevalent, but a number of sub-populations are particularly vulnerable, including seniors, children and adolescents, low-income people, minority groups, and people with special health care needs.

While dental disease is itself a discrete health concern, like many other chronic diseases it has broader health impacts. Poor oral health has been linked to increased risk for cardiovascular disease, diabetes, and other chronic conditions. Among adults who have lost their natural teeth, studies have shown that there is a significant impact on nutritional intake, resulting in the consumption of few if any fresh fruits and vegetables. Poor oral health also exacerbates other underlying chronic diseases. For example, diabetic patients with periodontitis are six times more at risk for worsening glycemic control and are at increased risk for other diabetic health complications.

Dental disease has a number of broader implications. Poor oral health in children has been shown to result in decreased academic performance and can adversely affect behavioral and social development.

Poor and near poor children are less likely to have received dental care in the past year and are more likely to have unmet dental needs.

A standard measure of dental professional resources is the number of dentists for each 10,000 residents in an area. This statistic is 6.0 for the United States, 4.4 for the State of Alabama, and 4.1 for Mobile County.

The U.S. Department of Health and Human Services has designated the low-income population of Mobile County as a Health Professional Shortage Area for dentists and has calculated that Mobile County needs 36 more dental professionals to serve the needs of this population.

Lifestyle Issues

Too often, we make ourselves sick.

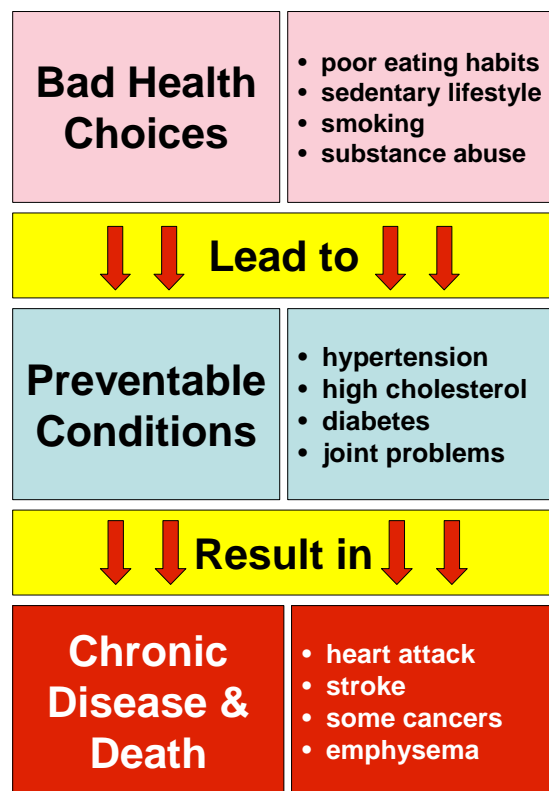
Individuals make unhealthy decisions that result in behaviors that ultimately bring about undesirable health outcomes.

Smoking is perhaps the best example. For decades, the harmful effects of smoking have been widely known. Cigarette manufacturers have been forced to pay for magazine ads and television commercials that warn about the harm cigarettes can cause. Each pack of cigarettes is required to have a warning label. In spite of all of this, over 20% of the national population continue to smoke cigarettes.

As shown in the diagram on this page, bad health choices often lead to preventable health conditions. Ultimately, the preventable health conditions result in chronic disease or death.

People know the health behaviors that are causing them to experience chronic diseases or even death, and yet they are unwilling or unable to change their behaviors.

In Mobile County 24% of the residents smoke cigarettes. Over 60% do not get vigorous exercise each week. Binge drinking is reported by 23% of the population and illicit drug use by 8%.



At least partially as a result, the local rate for high blood pressure tops 30%; high cholesterol is over 27%; and the diabetes rate is one of the highest in the nation.

To break this cycle, a means must be found to change the unhealthy behaviors. First, education must be made available that makes people fully aware of the links between their poor health choices and the resulting poor health outcomes. Secondly, a means must be identified to motivate each individual to actually change their behavior.

Healthcare Resources

Access to healthcare services is directly affected by the medical professionals and healthcare facilities available in the community.

Provider Resources

Hospitals	
Number of Acute Care Hospitals	5
Total Licensed Beds	1,863
Total Staffed Inpatient Beds	1,312
Inpatient Admissions	71,998
Total Inpatient Days of Service	372,995
Outpatient Visits	586,736
Emergency Room Visits	161,240
Long-term Care Hospital	1
Specialty Psychiatric Hospital	1
Physicians	1,050
Dentists	168
Psychiatrists	32
Federally Qualified Health Clinics	3
Service Locations	22
Nursing Homes	17
Home Health Agencies	17

Health Professional Shortage Areas

The U. S. Department of Health and Human Services designates geographical areas that do not have enough health professionals to adequately serve the needs of the local population. One of the designations is Health Professional Shortage Area (HPSA). HPSA designations are granted in three disciplines: primary medical care, dental care, and mental

health care. Primary medical care HPSAs are designated if there is an established shortage of primary care physicians for the population. Dental care HPSAs are granted if there is an established shortage of general dentists and pedodontists (also giving consideration to dental auxiliaries) for the population. Mental health care HPSAs are granted if there is an established shortage of psychiatrists, psychologists, clinical social workers, psychiatric nurse specialists, and marriage and family therapists for the population.

In addition to HPSAs, the U.S. Department of Health & Human Services also designates certain areas or populations as being Medically Underserved (MUA or MUP).

Mobile County has HPSA status for the low-income population for primary care, dental and mental health. Various census tracts (primarily in areas with high numbers of persons living in poverty) are also designated as MUAs.

A shortage of primary care physicians affects Mobile County just as it does the nation as a whole. Primary care physicians serve on the front line of care and meet the greatest volume of healthcare demand both in terms of scope of disease and frequency of encounters. Primary care physicians also serve the important function of referring patients to more specialized care based on condition.

For economic and professional reasons, many physicians choose to train and practice in specialties and sub-specialties that are outside the realm of primary care (i.e. family practice, pediatrics, obstetrics & gynecology, internal medicine). Of the 1,050 physicians practicing in Mobile County, only 35% are in primary care.

Community Resource List

Acute Care Hospitals

Mobile Infirmary Medical Center
Providence Hospital
Springhill Medical Center
University of South Alabama Children's & Women's Hospital
University of South Alabama Medical Center

Specialty Hospitals

BayPointe Children's Hospital
Mobile Infirmary Long Term Acute Care Hospital

Federally Qualified Health Clinics

Franklin Primary Health Centers
Mobile County Health Department Clinics
Mostellar Medical Center

Nursing Homes

Allen Memorial Home
Ashland Place Health & Rehabilitation
Citronelle Convalescent Home
Crowne HealthCare of Mobile County
Crowne HealthCare of Springhill
Gordon Oaks Convalescent Center
Grand Bay Convalescent Home
Gulf Coast Health & Rehabilitation
Kindred Transitional Care and Rehab
Little Sisters of the Poor Sacred Heart Residence
Lynwood Nursing Home
North Mobile Health & Rehabilitation Center
Mobile Nursing & Rehab Center
Palm Gardens Health & Rehabilitation
Sea Breeze Health Care Center
Spring Hill Manor Nursing Home
Springhill Senior Residence
Twin Oaks

Hospice Services

Coastal Hospice
Infirmary Hospice Care
Gentiva Hospice
Mercy Medical Home Care & Hospice
Odyssey Health Care
Saad's Hospice Services
Southern Care Hospice
Springhill Home Care & Hospice
Veterans Affairs Outpatient Clinic

Home Health Agencies

Amedisys
Care Staff
Infirmary Home Care of Mobile
Maxim Health Care Services
Mercy Medical Home Health Care
Oxford Health Care Services
Saad's Healthcare Services
Springhill Home Health and Hospice

Social Service Agencies

AltaPointe Health Systems
American Red Cross
Bay Area Food Bank
Boys & Girls Club of South Alabama
CASA Mobile
Catholic Social Services
Child Advocacy Center
Child Day Care Association
Crittendon Youth Services
Dearborn YMCA
Drug Education Council
Dumas Wesley Community Center
E. A. Roberts Alzheimer Center
Emma's Harvest Home
Epilepsy Foundation of Alabama
Goodwill Easter Seals of the Gulf Coast

GRCMA Early Childhood Directions
Habitat for Humanity in Mobile County
Handson South Alabama
Home of Grace for Women
Homeless Coalition Housing First
Lifelines Family Counseling Center
MARC Mobile
Mission of Hope
Mobile Community Action
Mulherin Custodial Home
Oznam Charitable Pharmacy
Penelope House Family Violence Center
Preschool for the Sensory Impaired
Serenity Care
Sickle Cell Disease Association of American
South Alabama CARES
South Alabama Volunteer Lawyers Program
St. Mary's Home
The Salvation Army
United Cerebral Palsy of Mobile
Via! Senior Citizens Services
Victory Health Partners
Volunteers of America
Waterfront Rescue Mission
Wilmer Hall Children's Home
Wings of Life
YWCA of Greater Mobile

Appendix A

Abstracts of Other Reports

Abstracts of Other Reports and Assessments

Rapid Community Health Needs Assessment Report Gulf Region Health Outreach Program: Primary Care Capacity Project Louisiana Public Health Institute; December, 2012

This program was developed jointly by BP and counsel representing certain plaintiffs in the Deepwater Horizon litigation in the U.S. District Court in New Orleans. The ultimate goal of the Outreach Program is to ensure that residents are fully informed about their own health and have access to an adequate system of healthcare services. This specific report is intended to establish a baseline of community health status, healthcare needs, and assets and barriers to care in Mobile and Baldwin counties.

For Mobile County, the report identifies 10 health status/outcomes priorities:

- Hypertension / diabetes
- Chronic mental health
- Depression / anxiety
- Heart disease / COPD
- Obesity
- Suicide
- Teenage pregnancy
- Cancer
- Drug / alcohol abuse
- Oral health

The report also identified four issues related to access to care and healthcare capacity:

- Shortage of primary health providers
- Transportation to providers
- Shortage of behavioral/mental health providers
- Access to health care for youth

Community Capacity Inventory
University of South Alabama Center for Healthy
Communities;
December, 2009

The goal of this initiative was to identify service areas in which community needs are not being met, in order to seek necessary resources to meet those needs.

One section of the report addressed human service needs such as day care, education, and social skills support.

The section of the report devoted to health service needs addressed medical care in general, mental health, disabilities, nutrition needs, and health promotion.

The three key observations noted in the health service needs area were:

1. The services with the greatest need for additional capacity are mental health services and services for children and youth with disabilities.
2. Promoting good nutrition, proper diet, exercise, and good sleep habits are important not only for good health, but also for learning and intellectual development.
3. Federally qualified health clinics in the county point out that the greatest obstacle they face in reaching more patients is residents lack of awareness of the services available from these clinics.

**Using ZIP Code-Level Mortality Data as a Local Health Status
Indicator in Mobile, Alabama
University of South Alabama Center for Healthy
Communities;
January, 2008**

The objective of this study was to determine if ZIP code information could be used to identify areas in the community where health disparities existed.

The study area population included the ZIP codes for downtown Mobile (36603), Prichard (36610), Toulminville (36617), Dauphin Island Parkway (36605), Crichton (36607), midtown Mobile (36604), Whistler (36612), Bienville Square (36602), and the Loop area (36606). These ZIP codes all had significantly higher proportions of persons living below the federal poverty level and persons identifying themselves as African American when compared to the control group of ZIP codes.

The study data revealed that health disparities did in fact exist in the study population when compared to the control population for certain diseases, conditions or other causes of mortality including:

- human immunodeficiency virus (HIV)
- homicide
- hypertensive heart and renal disease
- nephrosis
- nephrotic syndrome
- nephrosclerosis
- cancer mortality (particularly prostate)
- hypertension-related disorders
- stroke

The Building Blocks for a Better Community
United Way of Southwest Alabama
September, 2010

The objective of this report was to “identify collective, focused action that will produce what matters most in our region – results that change people’s lives and better our community.”

The report identified four key areas for actions:

Meeting educational needs

Meeting immediate and basic needs during times of crisis and personal challenges

Meeting financial stability needs

Meeting health needs

In the Meeting Health Needs area, the report recommended three focus areas:

Prevention: programs and services that assist children and adults to received timely, regular preventive healthcare and health education (examples: health education, health screenings & immunization, and prenatal care)

Intervention: support services designed to promote successful, healthy living (examples: addiction counseling, treating mental disorders, and providing services for individuals with special needs)

Health maintenance: assist children and parents to live a healthy life and avoid risky behaviors (examples: proactive wellness education for children and adults, physical fitness and exercise programs)

Healthy People 2020
Centers for Disease Control and Prevention
United States Department of Health and Human Services

Healthy People provides science-based, national goals and objectives with 10-year targets designed to guide national health promotion and disease prevention efforts to improve the health of all people in the United States. For three decades, Healthy People has established benchmarks and monitored progress over time in order to:

- Identify nationwide health improvement priorities.
- Increase public awareness and understanding of the determinants of health, disease, and disability and the opportunities for progress.
- Provide measurable objectives and goals that are applicable at the national, state, and local levels

Healthy People 2020 is a system of health indicators, measures, and goals in many different but related areas aimed at achieving four overarching objectives:

- Attain high quality, longer lives free of preventable disease, disability, injury, and premature death
- Achieve health equity, eliminate disparities, and improve the health of groups
- Create social and physical environments that promote good health for all
- Promote quality of life, healthy development, and healthy behaviors across all life stages

**Community Need Index Report
Dignity Health / Thomson Reuters
December, 2010**

Dignity Health (formerly Catholic Health West) and Thomson Reuters have created a rating system that creates an index number (CNI) that measures the unmet health need in each ZIP code area in the United States. The rating system goes from 1 to 5 (with 5 indicating the highest level of unmet health need).

The ZIP codes in Mobile county with the highest levels of unmet health needs and their rating on the CNI scale are:

Downtown Mobile	5.0
Crichton	5.0
Prichard	5.0
Whistler	5.0
Toulminville	5.0
Bayou La Batre	4.8
Bienville Square	4.8
Midtown Mobile	4.8
Dauphin Island Parkway	4.8
Chickasaw	4.6

**Community Health Needs Assessment
Mobile Infirmary Medical Center
March, 2013**

This study was conducted to comply with the requirements of the Affordable Care Act.

The assessment team prioritized the community health needs as follows:

Good nutrition / Obesity Prevention
Diabetes-related Education and Support
Decrease Unemployment
Free/Subsidized Healthcare for Uninsured and or poor
Cardiac Health
Mental Health-related Education and Support

**Community Health Needs Assessment
Providence Hospital
June, 2013**

This study was conducted to comply with the requirements of the Affordable Care Act.

The assessment team prioritized the community health needs as follows:

Good nutrition / Obesity Prevention
Diabetes
Free/Subsidized Healthcare Services
Heart & Vascular Health
Mental Health

**Live Better Mobile Guidelines
Mobile United
January, 2013**

Live Better Mobile is an initiative of community networking organization Mobile United, that seeks to achieve greater collective impact in Mobile County in our community-wide efforts to:

- 1) achieve a healthy weight,
- 2) prevent teen pregnancy, and
- 3) quit tobacco.

Live Better Mobile's efforts are focused on facilitating the access to and connection of our community with evidence-based health and wellness providers working in these areas, as well as those providers to one another, so that we can achieve success. By focusing our attention on prevention, nutrition and exercise, we can choose to live better, Mobile.

Appendix B

Community Survey



Community Health Needs Assessment

University of South Alabama Hospitals

The University of South Alabama Hospitals are conducting an assessment of the status of community health needs in Mobile County, Alabama. The objective is to both identify the current status of the health of county residents and to prioritize strategies to make improvements.

We are asking that individuals who are knowledgeable about the community's health status and related unmet health needs participate in the assessment. The attached survey is designed to prioritize strategies for improving the health status of all of the residents of the county.

INSTRUCTIONS

- 1. The survey lists 42 health improvement strategies that other communities have used to improve community health status.**
- 2. Please review the informational materials included and then choose a priority for each of the strategies listed. Those strategies marked “highest” are those which would produce the largest favorable impact in Mobile County if adopted and implemented first.**
- 3. Please circle one answer for each strategy.**
- 4. Space is provided at the end of the survey for your comments. We are especially interested in comments about underserved, vulnerable, and low-income populations.**
- 5. The completed survey (including this cover page, please) may be returned to the University Hospitals in the postage-paid envelope included. Thank you very much.**

Please provide the identifying information below so that we may establish which organizations, groups, and segments of the county population have provided input for the assessment.

Name _____

Title / Position _____

Community Health Needs Assessment

		Impact on community health		
1	Reduce the rate of motor vehicle accidents in the community	Low	Moderate	High
2	Change personal behaviors to reduce risk factors for cancer	Low	Moderate	High
3	Reduce injuries related to motor vehicle accidents caused by distracted driving	Low	Moderate	High
4	Change personal behaviors to reduce abuse of alcohol in the general population	Low	Moderate	High
5	Change personal behaviors to increase the level of immunizations among adults	Low	Moderate	High
6	Improve access to health services to the uninsured and underinsured	Low	Moderate	High
7	Improve access to health services for the elderly	Low	Moderate	High
8	Change personal behaviors to increase the level of physical activity	Low	Moderate	High
9	Change personal behaviors related to prenatal care and prenatal care education	Low	Moderate	High
10	Improve access to health services related to poverty and socioeconomic status	Low	Moderate	High
11	Improve access to health services related to the availability of transportation	Low	Moderate	High
12	Change personal behaviors related to the spread of sexually transmitted diseases and HIV	Low	Moderate	High
13	Protect the community by increasing the levels of education and prevention related the spread of flu and pneumonia	Low	Moderate	High
14	Change personal behaviors to increase early detection and prompt treatment of breast cancer	Low	Moderate	High
15	Increase access to health services related to providers and facilities for substance abuse and behavioral health	Low	Moderate	High

Community Health Needs Assessment

		Impact on community health		
16	Change personal behaviors related to increased levels of obesity and overweight	Low	Moderate	High
17	Change personal behaviors to reduce abuse of controlled substances in the youth population	Low	Moderate	High
18	Change personal behaviors to increase awareness of health resources in the community	Low	Moderate	High
19	Reduce accidental injuries in the community	Low	Moderate	High
20	Improve access to health services related to the availability of hospitals, clinics and other facilities	Low	Moderate	High
21	Improve access to health services by increasing recruitment and retention of health care workers	Low	Moderate	High
22	Change personal behaviors to reduce tobacco use	Low	Moderate	High
23	Increase the availability of facilities and programs in the community related to physical activity	Low	Moderate	High
24	Improve access to health services by removing economic barriers	Low	Moderate	High
25	Change personal behaviors related to improving mental health in the youth of the community	Low	Moderate	High
26	Change personal behaviors to reduce abuse of controlled substances in the general population	Low	Moderate	High
27	Protect the community from the spread of infectious diseases by increasing pandemic surge capacity in healthcare facilities	Low	Moderate	High
28	Improve access to health services for maternal care and childrens health care	Low	Moderate	High
29	Change personal behaviors related to family planning and family planning education	Low	Moderate	High
30	Change personal behaviors related to improving mental health in the community	Low	Moderate	High

Community Health Needs Assessment

		Impact on community health		
31	Change personal behaviors to decrease risk factors and increase prevention of chronic diseases	Low	Moderate	High
32	Change personal behaviors to reduce the risk factors for diabetes	Low	Moderate	High
33	Reduce injuries by lowering the levels of domestic violence and sexual abuse	Low	Moderate	High
34	Change personal behaviors related to reduction of risk factors for heart disease	Low	Moderate	High
35	Change personal behaviors to reduce risk factors for colorectal cancer	Low	Moderate	High
36	Change personal behaviors to reduce use and abuse of alcohol in the youth population	Low	Moderate	High
37	Improve access to health services related to availability of dental health providers and services	Low	Moderate	High
38	Change personal behaviors to increase the level of immunizations among children	Low	Moderate	High
39	Reduce injuries by increasing suicide awareness and suicide prevention	Low	Moderate	High
40	Improve access to health services related to availability of mental health providers and services	Low	Moderate	High
41	Reduce injuries by improving child safety and reducing child abuse	Low	Moderate	High
42	Reduce injuries related to falls in the community	Low	Moderate	High

Appendix C

Data Tables

Table 1
2010 County, State and National Population by Age
Source: U.S. Census Bureau

	Mobile County	%	Male	Female
Under 5 years	28,159	6.82%	14,316	13,843
5 to 9 years	27,943	6.77%	14,208	13,735
10 to 14 years	28,824	6.98%	14,753	14,071
15 to 19 years	30,802	7.46%	15,613	15,189
20 to 24 years	29,130	7.05%	14,055	15,075
25 to 29 years	27,657	6.70%	13,248	14,409
30 to 34 years	25,974	6.29%	12,587	13,387
35 to 39 years	25,565	6.19%	12,388	13,177
40 to 44 years	25,852	6.26%	12,386	13,466
45 to 49 years	29,546	7.15%	14,161	15,385
50 to 54 years	30,429	7.37%	14,648	15,781
55 to 59 years	26,672	6.46%	12,925	13,747
60 to 64 years	23,118	5.60%	10,959	12,159
65 to 69 years	17,066	4.13%	7,812	9,254
70 to 74 years	12,919	3.13%	5,710	7,209
75 to 79 years	9,605	2.33%	4,016	5,589
80 to 84 years	7,355	1.78%	2,671	4,684
85 years and over	6,376	1.54%	1,918	4,458
Total	412,992	100.00%	198,374	214,618
			48.03%	51.97%

	Alabama	%	Male	Female
Under 5 years	304,957	6.38%	155,265	149,692
5 to 9 years	308,229	6.45%	157,340	150,889
10 to 14 years	319,655	6.69%	163,417	156,238
15 to 19 years	343,471	7.19%	175,151	168,320
20 to 24 years	335,322	7.02%	167,520	167,802
25 to 29 years	311,034	6.51%	153,716	157,318
30 to 34 years	297,888	6.23%	146,424	151,464
35 to 39 years	308,430	6.45%	151,078	157,352
40 to 44 years	311,071	6.51%	152,707	158,364
45 to 49 years	346,369	7.25%	169,103	177,266
50 to 54 years	347,685	7.27%	168,725	178,960
55 to 59 years	311,906	6.53%	149,633	162,273
60 to 64 years	276,127	5.78%	131,603	144,524
65 to 69 years	209,637	4.39%	97,893	111,744
70 to 74 years	160,864	3.37%	72,143	88,721
75 to 79 years	122,836	2.57%	51,927	70,909
80 to 84 years	88,711	1.86%	33,684	55,027
85 years and over	75,684	1.58%	22,859	52,825
Total	4,779,876	100.00%	2,320,188	2,459,548
			48.54%	51.46%

	United States	%	Male	Female
Under 5 years	20,201,362	6.54%	10,319,427	9,881,935
5 to 9 years	20,348,657	6.59%	10,389,638	9,959,019
10 to 14 years	20,677,194	6.70%	10,579,862	10,097,332
15 to 19 years	22,040,343	7.14%	11,303,666	10,736,677
20 to 24 years	21,585,999	6.99%	11,014,176	10,571,823
25 to 29 years	21,101,849	6.83%	10,635,591	10,466,258
30 to 34 years	19,962,099	6.47%	9,996,500	9,965,599
35 to 39 years	20,179,642	6.54%	10,042,022	10,137,620
40 to 44 years	20,890,964	6.77%	10,393,977	10,496,987
45 to 49 years	22,708,591	7.36%	11,209,085	11,499,506
50 to 54 years	22,298,125	7.22%	10,933,274	11,364,851
55 to 59 years	19,664,805	6.37%	9,523,648	10,141,157
60 to 64 years	16,817,924	5.45%	8,077,500	8,740,424
65 to 69 years	12,435,263	4.03%	5,852,547	6,582,716
70 to 74 years	9,278,166	3.01%	4,243,972	5,034,194
75 to 79 years	7,317,795	2.37%	3,182,388	4,135,407
80 to 84 years	5,743,327	1.86%	2,294,374	3,448,953
85 years and over	5,493,433	1.78%	1,789,679	3,703,754
Total	308,745,538	100.00%	151,781,326	156,964,212
			49.16%	50.84%

Table 2
Population Classified by Race and Ethnicity
Source: 2010 Census, U.S. Bureau of the Census

	Mobile County	State of Alabama	United States
Race			
Total Population	412,992	4,779,736	308,745,538
One Race	406,970	4,708,485	299,736,465
White	248,647	3,275,394	223,553,265
Black	142,992	1,251,311	38,929,319
American Indian or Native Alaskan	3,681	28,218	2,932,248
Asian	7,561	53,595	14,674,252
Native Hawaiian or other Pacific Islander	204	3,057	540,013
Some Other Race	3,885	96,910	19,107,368
Two or More Races	6,022	71,251	9,009,073

Ethnicity			
Hispanic or Latino	9,936	185,602	50,477,594
White Alone	4,743	70,992	26,735,713
Black Alone	720	6,874	1,243,471
American Indian or Native Alaskan Alone	140	2,311	685,150
Asian Alone	54	658	209,128
Native Hawaiian or other Pacific Islander Alone	47	1,081	58,437
Some Other Race Alone	3,457	92,880	18,503,103
Two of More Races Alone	775	10,806	3,042,592

Note: "Hispanic or Latino" was not listed as a race on the Census form. Persons who designated themselves as "Hispanic or Latino" also had to select one of the listed racial groups.

Table 3
Resident Deaths and Death Rates by Race
State of Alabama for Selected Years

	ALL RACES			WHITE			BLACK & OTHER		
	NUMBER	RATE	U.S. RATE	NUMBER	RATE	U.S. RATE	NUMBER	RATE	U.S. RATE
1960	30,304	9.3	9.5	18,988	8.3	9.5	11,316	11.5	10.1
1965	32,520	9.7	9.4	21,260	8.8	9.4	11,260	11.9	9.7
1970	33,693	9.8	9.5	23,071	9.1	9.5	10,622	11.7	9.4
1975	33,629	9.1	8.8	23,745	8.7	8.9	9,884	10.2	8.2
1980	35,305	9.0	8.8	24,942	8.6	8.9	10,363	10.1	7.9
1985	37,531	9.0	8.7	27,198	8.8	9.0	10,333	9.6	7.4
1990	39,335	9.7	8.6	28,685	9.6	8.9	10,650	10.0	7.4
1995	42,321	10.3	8.8	31,317	10.3	9.1	11,004	10.1	7.3
2000	44,967	10.1	8.7	33,998	10.7	9.2	10,969	8.5	6.8
2005	46,797	10.3	8.3	35,491	10.9	8.7	11,306	8.7	6.3
2006	46,259	10.1	8.1	35,049	10.7	8.6	11,210	8.5	6.1
2007	45,983	9.9	8.0	34,968	10.6	8.5	11,015	8.2	6.0
2008	47,601	10.2	8.1	36,290	11.0	8.6	11,311	8.4	6.0
2009	47,278	10.0	7.9	36,141	10.8	8.4	11,137	8.1	5.8
2010	47,897	10.0	8.0	36,724	11.2	NA	11,173	7.4	NA
2011	48,318	10.1	NA	37,078	11.0	NA	11,240	7.8	NA

MOBILE COUNTY DATA

2007	4,075	10.0		2,679	10.7		1,396	9.1	
2008	4,053	10.0		2,669	10.6		1,384	8.9	
2009	4,064	9.9		2,730	10.8		1,334	8.5	
2010	4,052	9.8		2,749	11.1		1,303	7.9	
2011	4,121	10.0		2,801	11.2		1,320	8.2	

Rate is per 1,000 population for specified group

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 31 and 32

Table 4
Mobile County Cause of Death, 2011
With Comparative Data for Alabama and
for the United States

	Number of Deaths	Rate per 100,000		
		County	State	U.S.
Diseases of the Heart	986	239.0	247.4	191.4
Malignant Neoplasms (cancer)	864	209.4	211.4	184.6
Cerebrovascular Diseases	228	55.3	52.8	41.4
Chronic Lower Respiratory Diseases	222	53.8	60.2	46.0
Accidents	187	45.3	54.1	39.4
Alzheimer's Disease	129	31.3	30.6	27.2
Diabetes Mellitus	120	29.1	26.1	23.5
Influenza and Pneumonia	82	19.9	19.6	17.2
Nephritis, Nephrotic Syndrome and Nephrosis	72	17.4	21.8	14.7
Intentional Self-harm (Suicide)	70	17.0	13.3	12.3
Septicemia	68	16.5	18.8	11.4
Homicide	61	14.8	7.9	5.1
Chronic Liver Disease and Cirrhosis	40	9.7	11.4	10.8
Parkinson's Disease	34	8.2	7.7	7.4
Human Immunodeficiency Virus	18	4.4	2.6	2.5
Viral Hepatitis	15	3.6	2.0	2.5
All Other Causes	925	224.1	218.3	169.1
Total	4,121	998.8	1006.0	806.5

Source for National Data

Deaths: Preliminary Data for 2011, National Vital Statistics Reports, Vol. 61, No. 6, October 10, 2012. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics

Table 5
Cancer Deaths in Mobile County
Selected Years

SITE	2007	2008	2009	2010	2011
All Sites	853	870	971	934	864
Trachea, Bronchus, Lung, Pleura	254	284	297	308	274
Colorectal	85	83	82	83	80
Breast	63	59	70	56	57
Pancreas	62	52	57	47	43
Prostate	63	38	47	44	37
Leukemias	24	37	38	34	32
Non-Hodgkins Lymphoma	33	23	34	34	32
Stomach	12	20	13	15	27
Esophagus	17	20	23	21	24
Brain and Other Nervous System	17	19	23	19	21
Uterus & Cervix	10	15	15	24	20
Ovaries	26	19	28	25	14
Melanoma of Skin	6	10	15	10	11
All Other	181	191	229	214	192

Table 6
Accidental Deaths in Mobile County
Selected Years

SITE	2007	2008	2009	2010	2011
All Accidents	265	223	197	210	187
Motor Vehicle	129	98	68	80	80
Suffocation	14	11	14	13	14
Poisoning	53	59	51	39	40
Smoke, Fire & Flames	6	4	6	14	1
Falls	21	20	24	17	20
Drowning	7	10	7	11	5
Firearms	0	0	1	1	0
Other Accidents	35	21	26	35	27

Table 7
Resident Births by Race of Mother
State of Alabama for Selected Years

	TOTAL	WHITE	BLACK AND OTHER
1950	82,566	49,640	32,926
1955	81,867	49,810	32,057
1960	80,955	50,849	30,106
1965	70,589	44,689	25,900
1970	67,570	45,479	22,091
1975	57,922	37,565	20,357
1980	63,405	40,624	22,781
1985	59,663	39,042	20,621
1990	63,420	41,072	22,348
1995	60,264	39,660	20,604
2000	63,166	41,946	21,220
2005	60,262	40,895	19,376
2006	62,915	42,369	20,546
2007	64,180	42,986	21,194
2008	64,345	42,897	21,448
2009	62,476	41,963	20,513
2010	59,979	40,193	19,786
2011	59,322	39,770	19,552

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2007	6,262	3,467	2,795
2008	6,203	3,364	2,839
2009	6,057	3,404	2,653
2010	5,700	3,182	2,518
2011	5,617	3,072	2,545

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 1 and 2

Table 8
Births to Teenagers as a Percent
Of All Births by Race of Mother
State of Alabama for Selected Years

	TOTAL		U.S. RATE	WHITE		BLACK & OTHER	
	NUMBER	PERCENT		NUMBER	PERCENT	NUMBER	PERCENT
1960	15,608	19.3%	13.9%	8,938	17.6%	6,670	22.2%
1965	15,243	21.6%	15.9%	8,703	19.5%	6,540	25.3%
1970	15,834	23.4%	17.6%	8,734	19.2%	7,100	32.1%
1975	14,906	25.7%	18.9%	7,737	20.6%	7,169	35.2%
1980	13,048	20.6%	15.6%	6,730	16.6%	6,318	27.7%
1985	10,689	17.9%	12.7%	5,625	14.4%	5,064	24.6%
1990	11,552	18.2%	12.8%	5,905	14.4%	5,647	25.3%
1995	11,175	18.5%	13.1%	5,674	14.3%	5,501	26.7%
2000	9,916	15.7%	11.8%	5,338	12.7%	4,578	21.6%
2005	7,903	13.1%	10.2%	4,434	10.8%	3,469	17.9%
2006	8,670	13.8%	10.4%	4,825	11.4%	3,845	18.7%
2007	8,776	13.7%	10.5%	4,899	11.4%	3,877	18.3%
2008	8,567	13.3%	10.4%	4,742	11.1%	3,825	17.8%
2009	8,365	13.4%	10.0%	4,769	11.4%	3,596	17.5%
2010	7,446	12.4%	9.3%	4,196	10.4%	3,250	16.4%
2011	6,697	11.3%		3,799	9.6%	2,898	14.8%

MOBILE COUNTY DATA

2007	955	15.3%		401	11.6%	554	19.9%
2008	914	14.7%		359	10.7%	555	19.5%
2009	925	15.3%		415	12.2%	510	19.2%
2010	829	14.5%		368	11.6%	461	18.3%
2011	711	12.7%		290	9.4%	421	16.5%

Teenagers are considered to be persons aged 10 to 19 years

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 17 and 18

Table 9
Births to Unmarried Women and Percent of Births
State of Alabama for Selected Years

	TOTAL		WHITE		BLACK & OTHER	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
1960	9,271	11.6%	859	1.7%	8,412	28.2%
1965	9,145	13.1%	1,070	2.4%	8,075	31.6%
1970	9,794	14.6%	1,546	3.4%	8,248	37.6%
1975	11,476	19.8%	1,811	4.8%	9,665	47.5%
1980	14,033	22.1%	2,401	5.9%	11,632	51.1%
1985	14,876	24.9%	3,133	8.0%	11,743	57.0%
1990	19,099	30.1%	4,902	11.9%	14,197	63.5%
1995	20,782	34.5%	6,598	16.6%	14,184	68.9%
2000	21,663	34.3%	7,556	18.0%	14,107	66.5%
2005	21,549	35.8%	8,595	21.0%	12,954	66.9%
2006	23,144	36.8%	9,461	22.3%	13,683	66.6%
2007	24,616	38.4%	10,278	23.9%	14,338	67.7%
2008	25,667	39.9%	10,910	25.4%	14,757	68.8%
2009	25,561	40.9%	11,324	27.0%	14,237	69.4%
2010	25,127	41.9%	11,086	27.6%	14,041	71.0%
2011	24,946	42.1%	11,102	27.9%	13,844	70.8%

MOBILE COUNTY DATA

2007	3,058	48.8%	997	28.8%	2,061	73.7%
2008	3,037	49.0%	987	29.3%	2,050	72.2%
2009	2,984	49.3%	1,062	31.2%	1,922	72.4%
2010	2,874	50.4%	1,020	32.1%	1,854	73.8%
2011	2,841	50.6%	979	31.9%	1,862	73.2%

Data for 1960 to 1985 are by race of child

Low weight birth is less than 2,500 grams (5 pounds, 8 ounces)

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 7 and 8

Table 10
Low Weight Births and Percent of Low
Weight Births by Race of Mother
State of Alabama for Selected Years

	TOTAL		WHITE		BLACK & OTHER	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
1960	6,840	8.5%	3,462	6.8%	3,378	11.2%
1965	6,276	8.9%	3,124	7.0%	3,152	12.2%
1970	6,045	9.0%	3,119	6.9%	2,926	13.3%
1975	4,886	8.4%	2,414	6.4%	2,472	12.1%
1980	4,985	7.9%	2,273	5.6%	2,712	11.9%
1985	4,785	8.0%	2,323	6.0%	2,462	11.9%
1990	5,331	8.4%	2,546	6.2%	2,785	12.5%
1995	5,448	9.0%	2,815	7.1%	2,633	12.8%
2000	6,154	9.7%	3,242	7.7%	2,912	13.7%
2005	6,428	10.7%	3,527	8.6%	2,901	15.0%
2006	6,616	10.5%	3,523	8.3%	3,093	15.1%
2007	6,695	10.4%	3,535	8.2%	3,160	14.9%
2008	6,716	10.6%	3,478	8.3%	3,238	15.3%
2009	6,472	10.4%	3,436	8.2%	3,036	14.8%
2010	6,183	10.3%	3,299	8.2%	2,884	14.6%
2011	5,908	10.0%	3,071	7.7%	2,837	14.5%

MOBILE COUNTY DATA

2007	720	11.5%	296	8.5%	424	15.2%
2008	742	12.0%	296	8.8%	446	15.7%
2009	730	12.1%	326	9.6%	404	15.2%
2010	693	12.2%	287	9.0%	406	16.1%
2011	643	11.4%	254	8.3%	389	15.3%

DATA FOR 1960 TO 1985 ARE BY RACE OF CHILD

Low weight birth is under 2,500 grams (5 pounds, 8 ounces)

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 14 and 15

Table 11
Infant Deaths and Infant Mortality Rates
State of Alabama for Selected Years

	ALL RACES			WHITE			BLACK & OTHER		
	NUMBER	RATE	U.S. RATE	NUMBER	RATE	U.S. RATE	NUMBER	RATE	U.S. RATE
1950	3,004	36.4	29.2	1,475	29.7	26.8	1,529	46.4	44.5
1955	2,623	32.0	26.4	1,223	24.6	23.6	1,400	43.7	42.8
1960	2,603	32.2	26.0	1,258	24.7	22.9	1,345	44.7	43.2
1965	2,165	30.7	24.7	1,031	23.1	21.5	1,134	43.8	40.3
1970	1,628	24.1	20.0	838	18.4	17.8	790	35.8	30.9
1975	1,130	19.5	16.1	553	14.7	14.2	577	28.3	24.2
1980	960	15.1	12.6	472	11.6	11.0	488	21.4	19.1
1985	752	12.6	10.6	405	10.4	9.3	347	16.8	15.8
1990	689	10.9	9.2	338	8.2	7.6	351	15.7	15.5
1995	592	9.8	7.6	282	7.1	6.3	310	15.0	12.6
2000	594	9.4	6.9	274	6.5	5.7	320	15.1	11.4
2005	561	9.3	6.9	293	7.2	5.7	268	13.8	10.9
2006	569	9.0	6.7	284	6.7	5.6	285	13.9	10.6
2007	641	10.0	6.8	345	8.0	5.6	296	14.0	10.6
2008	612	9.5	6.6	324	7.6	5.6	288/	13.4	10.2
2009	513	8.2	6.4	254	6.1	5.3	259	12.6	11.1
2010	522	8.7	6.1	265	6.6	5.2	257	13.0	NA
2011	481	8.1	NA	242	6.1	NA	239	12.2	NA

MOBILE COUNTY DATA

2007	65	10.4		31	8.9		34	12.2	
2008	43	6.9		15	4.5		28	9.9	
2009	44	7.3		19	5.6		25	9.4	
2010	43	7.5		14	4.4		29	11.5	
2011	50	8.9		22	7.2		28	11.0	

Rate is per 1,000 live births for specified group

Source: *Alabama Vital Statistics*, Alabama Center for Health Statistics,
Alabama Department of Public Health, Tables 60 and 63

Table 12

Body Mass Index Table

Height	Body Weight (pounds)															
	119	124	129	134	138	143	148	153	158	162	167	172	177	181	186	191
4 ft. 10 in.	119	124	129	134	138	143	148	153	158	162	167	172	177	181	186	191
4 ft. 11 in.	124	128	133	138	143	148	153	158	163	168	173	178	183	188	193	198
5 ft. 0 in.	128	133	138	143	148	153	158	163	168	174	179	184	189	194	199	204
5 ft. 1 in.	132	137	143	148	153	158	164	169	174	180	185	190	195	201	206	211
5 ft. 2 in.	136	142	147	153	158	164	169	175	180	186	191	196	202	207	213	218
5 ft. 3 in.	141	146	152	158	163	169	175	180	186	191	197	203	208	214	220	225
5 ft. 4 in.	145	151	157	163	169	174	180	186	192	197	204	209	215	221	227	232
5 ft. 5 in.	150	156	162	168	174	180	186	192	198	204	210	216	222	228	234	240
5 ft. 6 in.	155	161	167	173	179	186	192	198	204	210	216	223	229	235	241	247
5 ft. 7 in.	159	166	172	178	185	191	198	204	211	217	223	230	236	242	249	255
5 ft. 8 in.	164	171	177	184	190	197	203	210	216	223	230	236	243	249	256	262
5 ft. 9 in.	169	176	182	189	196	203	209	216	223	230	236	243	250	257	263	270
5 ft. 10 in.	174	181	188	195	202	209	216	222	229	236	243	250	257	264	271	278
5 ft. 11 in.	179	186	193	200	208	215	222	229	236	243	250	257	265	272	279	286
6 ft. 0 in.	184	191	199	206	213	221	228	235	242	250	258	265	272	279	287	294
6 ft. 1 in.	189	197	204	212	219	227	235	242	250	257	265	272	280	288	295	302
6 ft. 2 in.	194	202	210	218	225	233	241	249	256	264	272	280	287	295	303	311
6 ft. 3 in.	200	208	216	224	232	240	248	256	264	272	279	287	295	303	311	319
6 ft. 4 in.	205	213	221	230	238	246	254	263	271	279	287	295	304	312	320	328
Overweight						Obese										
BMI	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40

Instructions: Find your weight in the row corresponding to your height. Your Body Mass Index (BMI) is in the same column as you weight at the bottom of the table

Implementation Strategies

USA Medical Center

And

USA Children's & Women's Hospital

Community Health Needs Assessment

Fiscal Year 2012-13

Implementation Strategies

1. A significant portion of the population is poor or near poor. This low socioeconomic status leads directly and indirectly to lower levels of health for this segment of the population.

Opportunities for the hospitals to directly change the level of poverty in the community are limited; however, the University of South Alabama (including its component hospitals) is one of the major economic drivers of the local economy. As such, the University makes numerous contributions to the alleviation of poverty in the community. Specifically:

- the University is one of the largest employers in the region
- the University provides affordable access to higher education to thousands of local residents
- the University has provided education and training to the vast majority of teachers in the local public schools
- the University supports and participates in a broad spectrum of economic development initiatives affecting the local area

Importantly, as the health emphasis shifts to accountable care, the hospitals will focus on identifying vulnerable, underserved, and at risk portions of their service populations. Once identified, these groups can be targeted for increased screening, prevention activities, and intensive treatment for chronic conditions.

The hospitals have partnered with University of South Alabama College of Nursing as well as other community outreach programs including, but not limited to:

Implementation Strategies

15th Place Wellness Center The wellness center provides health promotion and wellness activities for the poor and homeless population of the community.

Dumas Wesley Community Outreach The outreach provides blood pressure, health, and functional screenings along with health education to the adult and senior population.

Goodwill Easter Seals Focuses on helping adults and children with disabilities along the Gulf Coast by providing early intervention and access to day care, parent training, and assisting with job training. Medical equipment for trauma patients is also provided.

Think First for Kids and Teens An educational program that is designed to prevent brain, spinal cord and other traumatic injuries by identifying high risk behaviors and highlighting the consequences of poor decision making.

Implementation Strategies

2. **There is limited access to all types of healthcare for the low income, uninsured, underinsured, and unemployed segments of the population and for the working poor. There is also limited access in some cases for persons covered by Medicaid.**

The University's hospitals have a long and ongoing tradition of filling the role of safety net healthcare providers for the Mobile region.

USA Hospitals assist in the provision of healthcare for lower middle class families, the working poor, elderly people who are living on a fixed income and the homeless populations. Each year, almost 20,000 inpatient days of hospital care are provided to individuals without health insurance (over 14,000 days at USA Medical Center and over 5,000 days at USA Children's & Women's Hospital).

The University's hospitals have partnered with various community organizations to provide access to care to those with limited or no income. These organizations include but are not limited to the following:

The Center for Healthy Communities It represents the University's dedication to its communities through research and education to empower citizens to lead healthier lives.

Our Neighborhood Healthcare Clinic The clinic is staffed by board certified nurse practitioners, registered nurses, case managers and other integrated primary healthcare providers to deliver accessible healthcare to the community.

Victory Health Partners The clinic provides access to healthcare for adults who do not have access to quality affordable healthcare.

Implementation Strategies

3. Poor healthy living decisions, especially related to diet and exercise, smoking, and abuse of drugs and alcohol, have resulted in high levels of obesity, cardiovascular disease, cancer, hypertension, diabetes, chronic lower respiratory diseases and other chronic and acute health problems.

The hospitals will partner with public health officials, community-based organizations, and other diverse stakeholders to develop and implement a multi-pronged approach to addressing these issues.

Success will depend on disseminating evidence-based community health programming to reduce chronic disease rates, prevent the development of secondary conditions, address health disparities, and develop a stronger base of effective prevention programs.

As teaching institutions, the hospitals have the potential to contribute to the health knowledge and awareness of low-income community residents from diverse racial and ethnic backgrounds. This can be made possible by aligning hospital resources with the resources in the community to create better interfaces between community-based prevention and hospital-based intervention. Examples include the USA Mitchell Cancer Institute and the USA Physicians Group offering free take-home colorectal cancer screening tests; the partnership with the Alabama Department of Public Health in offering free breast and cervical cancer screenings; Stroke Awareness Education; Diabetes Education; Nutrition Assessment and Weight Loss Education; and Community Health Fairs.

Implementation Strategies

4. There is a shortage in the county of primary care physicians, especially those who see low-income patients.

The hospitals, through graduate medical education programs for physicians, and the University of South Alabama College of Medicine are primary sources of new physicians, including primary care physicians, for Mobile County.

In addition to training board certified physicians in all of the primary care fields, the hospitals participate in the training programs for physician extenders in the local area. These physician extenders include physician assistants, nurse practitioners and clinical nurse specialists.

Implementation Strategies

- 5. Mental health issues, particularly depression, stress, and substance abuse affect a significant number of people in the county. There is a shortage of mental and behavioral health workers in the county and there is also a shortage of outpatient venues in the county for providing mental and behavioral health services. Access to mental health services for low-income individuals is limited.**

The hospitals will continue to maintain and enhance their existing partnership with AltaPointe Health Systems, Inc. (formerly Mobile Mental Health) to meet the mental health needs of the community.

A portion of this ongoing relationship is the graduate medical education program in Psychiatry and the graduate psychology program's Psychological Clinic which expands the availability of mental and behavioral health services during the training period and eventually increases the number of board certified psychiatrists and psychologists practicing in the local area.

Implementation Strategies

6. Many people in the county do not have affordable access to oral health services.

Currently the only oral health services provided by the hospitals are sedation of children whose medical condition requires general anesthesia for extensive oral health procedures. When traumatic injuries require it, local oral health practitioners are called in for consultations.

The hospitals currently partner with federally qualified health centers, such as Franklin Primary Health Center, which provide access to oral care in their clinics and with a medical and dental express van which travels to schools, health fairs, and social service agencies serving children and adults in need.

Implementation Strategies

7. There is limited collaboration and coordination between healthcare providers and other social service organizations serving older adults. This can have dramatic impacts on the health and well-being of these adults, especially those who are frail, disabled, or have chronic health conditions.

Collaboration and coordination of care between healthcare providers and other social service organizations are essential in the care of the older adult population.

The hospitals will be participating in regional care organizations in Alabama to assist in the networking and coordination of healthcare for Medicaid patients.

The hospitals have also partnered with several community organizations to assist in providing care to older adults including but not limited to the following:

Mercy Life Pace Program Is a program offering all inclusive care for the elderly including primary and specialty care, vision care, dental care, personal care services, therapy services, hot meals, transportation, and spiritual care and support.

Healthy Gulf Coast Communities and the Continuum of Care Network Focuses on health care quality and coordination of care services to ensure appropriate discharge planning and transition needs to reduce hospital readmission rates.

Patient Care Networks Focus on engaging individuals in the management of their health conditions and medications to improve health outcomes.

RESOLUTION

**AUTHORIZATION FOR CONSTRUCTION CONTRACT
FOR PHYSICIAN OFFICE BUILDING**

WHEREAS, the University of South Alabama Board of Trustees, at its meeting on June 7, 2013, approved the plans for a Physician Office Building to be located near its Spring Hill Avenue Campus, Mitchell Cancer Institute and Children's & Women's Hospital, and

WHEREAS, this approval was preceded by the selection of an architect for this facility at the March 8, 2013, Board meeting, and

WHEREAS, the Physician Office Building will house the College of Medicine's and the University of South Alabama Health Service Foundation's outpatient clinics for pediatrics, family medicine, obstetrics/gynecology, orthopaedics, neurology, pediatric surgery and neurosurgery, and

WHEREAS, it is the intent of the University that the construction of this facility be completed by February 28, 2016, and

WHEREAS, the University is preparing bid documents for the construction of this project which meet all requirements of the Alabama bid law,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby authorizes the President to award the construction bid to the lowest qualified, responsible and responsive bidder for the Physician Office Building project, pursuant to the bid process as required by applicable Alabama law, subject to this bid being within the budgeted funds available for this project.



REC'D
OFFICE OF THE PRESIDENT

DEC 02 2013

UNIVERSITY OF SOUTH ALABAMA

UNIVERSITY OF SOUTH ALABAMA
Executive Assistant to the President

MEMORANDUM

TO: President John W. Smith
FROM: M. Wayne Davis *M. Wayne Davis*
SUBJECT: Approval of Construction Bids for Physician Office Building
DATE: November 26, 2013

At its meeting on June 7, 2013, the University of South Alabama Board of Trustees approved plans for construction of a new Physician Office Building to be located near the Spring Hill Avenue Campus, the Mitchell Cancer Institute and the Children's & Women's Hospital. This building is planned to house the clinical departments that are currently located adjacent to the former Knollwood Hospital as well as some of those at the Children's & Women's Hospital.

The building will consist of approximately 130,000 square feet and is being financed by proceeds from the University bond issue which was also approved at the June Board meeting.

We have a tight construction schedule because the facility needs to be completed by February 28, 2016. Bid documents for the construction of this project are being prepared, and bids should be received in January or February 2014.

Because time is of the essence, we recommend that the Board authorize you as President to award the construction contract once the lowest qualified, responsible and responsive bidder has been identified and if it abides by the bid process as described by Alabama law and within the budgeted funds available for this project.

With your approval, we will place this on the agenda for the December 6, 2013, Board of Trustees meeting.

MWD/cbm

c: Mr. Stephen H. Simmons
Dr. Ronald D. Franks
Ms. Jean W. Tucker
Mr. Stanley K. Hammack

APPROVE
John W. Smith
12/2/13

RESOLUTION

SABBATICAL AWARDS

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

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves said Sabbatical Awards on this date, December 6, 2013, for the 2014-2015 academic year.

<u>NAME</u>	<u>DISCIPLINE</u>	<u>TIME PERIOD</u>
Dr. Martha Jane Brazy	History	Spring 2015
Dr. Isabel Brown	Foreign Languages & Literatures	Spring 2015
Dr. Philip Carr	Sociology, Anthropology, Social Work	Spring 2015
Dr. David Forbes	Chemistry	Spring 2015
Ms. Carolyn Haines	English	Academic Year 2014-15
Dr. Juan Mata	Biology	Fall 2014
Dr. Elizabeth Rivenbark	Visual Arts	Spring 2015
Dr. Harry Louis Roddy	Foreign Languages & Literatures	Spring 2015
Dr. Justin St. Clair	English	Academic Year 2014-15
Dr. Rebecca Williams	History	Spring 2015

NOV 08 2013



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF ACADEMIC AFFAIRS

November 11, 2013

TO: John W. Smith

FROM: G. David Johnson

SUBJECT: Sabbatical Recommendation for Academic Year 2014-15

I recommend that the individuals whose names are listed below be granted a sabbatical for the period of time as indicated.

Dr. Martha Jane Brazy	History	Spring 2015
Dr. Isabel Brown	Foreign Languages & Literatures	Spring 2015
Dr. Philip Carr	Sociology, Anthropology, Social Work	Spring 2015
Dr. David Forbes	Chemistry	Spring 2015
Ms. Carolyn Haines	English	Academic Year 2014-15
Dr. Juan Mata	Biology	Fall 2014
Dr. Elizabeth Rivenbark	Visual Arts	Spring 2015
Dr. Harry Louis Roddy	Foreign Languages & Literatures	Spring 2015
Dr. Justin St. Clair	English	Academic Year 2014-15
Dr. Rebecca Williams	History	Spring 2015

Teaching coverage has been addressed in a satisfactory manner for all recommended proposals. Proposals have been reviewed and recommended at the department and college level. Full applications and supporting materials are available in the Office of Academic Affairs. A brief summary of each request is attached.

GDJ/njc

APPROVED

11/11/13

RESOLUTION

DEMOLITION OF DELTA 2 RESIDENCE HALL

WHEREAS, Delta 2 Residence Hall was constructed in 1983 and has served as a student housing facility for thirty years, and

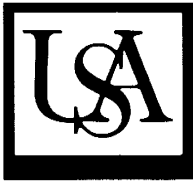
WHEREAS, the University evaluated the option of renovating the building to provide improved housing accommodations, but deemed the cost to renovate and repair prohibitive, and

WHEREAS, the site of future residence hall construction is on the Delta 2 Residence Hall location, and

WHEREAS, the estimated cost of \$50,000 for the demolition of Delta 2 Residence Hall and temporary landscaping will be funded by the Department of Housing, and

WHEREAS, overall campus housing capacity will not be reduced by the demolition of Delta 2 Residence Hall,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves the demolition of Delta 2 Residence Hall during summer 2014 and the site to be temporarily landscaped after demolition.



MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

RECEIVED

NOV 21 2013

TO: Dr. John Smith
Acting President

FROM: Dr. Michael Mitchell 
Assistant Vice President for Student Affairs and
Dean of Students

SUBJECT: Demolition of Delta 2

DATE: November 21, 2013

Dr. Chris Vinet, Director of Housing, in conjunction with the USA Facilities Department, has completed an assessment of our existing housing facilities. The assessment of housing facilities indicates that Delta 2 would require significant renovations in order to remain online.

Per the evaluation of Dr. Vinet (memo attached), I support the recommendation to demolish Delta 2 in the summer of 2014. This site would be landscaped after demolition and be available for future housing construction.

APPROVED

11/22/13

MEMORANDUM

TO: DR. MIKE MITCHELL
FROM: DR. CHRIS VINET *CV*
SUBJECT: RECOMMENDATION TO DEMOLISH DELTA 2
DATE: NOVEMBER 12, 2013

Delta 2 Residence Hall was constructed in 1983 and has served as a student housing facility for thirty years. Since opening, Delta 2 has received necessary repairs and upkeep as required but has had minimal renovation. In order to meet the expectations of current and prospective students for improved campus housing accommodations, the University evaluated the option of renovating the building but deemed the cost to renovate and repair the building prohibitive.

The Delta 2 location is also the proposed site for future expansion of student housing. If an additional housing facility is recommended and approved in the future, having the flexibility of available land for construction eliminates associated cost of an accelerated construction timeline.

An estimate of \$50,000 for demolition of Delta 2 and temporary landscaping of the site has been obtained and Housing has the ability to fund the expense by using a designated operating account.

With the opening of both Stokes and New Residence Halls, Housing will be able to maintain current overall capacity without the use of Delta 2 by converting private rooms to double occupancy in select Beta and Delta 5 buildings.

It is my recommendation that Delta 2 Residence Hall be demolished in summer of 2014 and the location temporarily landscaped after demolition.

approved
11-13-13
ch *[Signature]*

RESOLUTION

**AUTHORIZATION TO EXPLORE FEASIBILITY OF SELLING REFUNDING BONDS
THROUGH A COMPETITIVE PROCESS**

WHEREAS, the University heretofore issued its \$51,080,000 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), which are presently outstanding in the aggregate principal amount of \$41,690,000, and

WHEREAS, the Series 2004 Bonds bear interest at fixed rates and may be redeemed and prepaid by the University anytime on or after March 15, 2014, and

WHEREAS, on January 2, 2008, the University entered a transaction (the "Swaption Transaction") with Wells Fargo Bank National Association (formerly known as "Wachovia Bank, National Association") ("Wells Fargo"), and

WHEREAS, as contemplated by the Swaption Transaction, it will be necessary for the University to refinance the Series 2004 Bonds with a series of variable rate bonds containing the same current outstanding principal amortization schedule as the Series 2004 Bonds (the "Refunding Bonds"), and

WHEREAS, it is necessary, desirable and in the best interest of the University that the University explore the feasibility of selling the Refunding Bonds to one or more financial institutions through a competitive process,

THEREFORE, BE IT RESOLVED that the Vice President for Financial Affairs of the University is hereby authorized and directed to explore the feasibility of selling the Refunding Bonds to one or more financial institutions through a competitive process, provided that the sale of Refunding Bonds shall be subject to approval and authorization by the Board of Trustees.



REC'D
OFFICE OF THE PRESIDENT


NOV 18 2013

UNIVERSITY OF SOUTH ALABAMA
Vice President for Financial Affairs
AD 170

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

TO: President John W. Smith

FROM: Stephen H. Simmons 

SUBJECT: Agenda Item for December 6, 2013, Board of Trustees Meeting

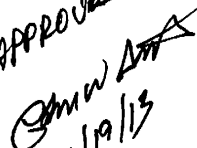
DATE: November 18, 2013

Attached is a resolution for consideration by the Budget and Finance Committee concerning the University's 2004 swaption and the related sale of bonds that will refund the existing 2004 bonds. This resolution will give authorization for me to issue a request for proposal to several financial institutions to determine if directly selling refunding bonds to one or more financial institutions is feasible. The sale of the refunding bonds will be an approval item on the March 2014 meeting agenda.

This is a refinancing transaction of existing debt and will not impact the budget.

With your consent, this item will be presented to the Budget and Finance Committee and the Board of Trustees for final approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

APPROVED

11/19/13

I N D E X **JULY 31, 2013**

	<u>PAGE</u>
FINANCIAL HIGHLIGHTS.....	1
BALANCE SHEET.....	2
STATEMENT OF CHANGES IN FUND BALANCES.....	3
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES.....	4
NOTES TO FINANCIAL REPORTS	5
SUPPLEMENTAL SCHEDULES:	
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Financial Report Highlights July 31, 2013

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 ten months ended, July 31, 2013 and 2012 are as follows (in thousands):

4

	For the ten months ended	
	7-31-13	7-31-12
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 105,217	\$ 97,234
State appropriations	84,680	88,027
Hospital revenues	275,084	276,814
Gifts, grants and contracts	86,091	91,058
Instruction and academic support	115,816	112,338
Research and public service	63,683	65,780
Hospital expenses	278,912	289,461
Net current fund increase (decrease)	4,094	(1,143)

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 continues to experience a 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 2013 or beyond.

	At and for the ten months ended	
	7-31-13	7-31-12
<i>Total assets</i>		
Current	\$ 177,558	\$ 182,678
Loan	5,855	5,127
Endowment	154,535	137,737
Plant	755,757	690,311
<i>Fund Balances</i>		
Current	\$ 10,264	\$ 4,560
Loan	1,220	596
Endowment	118,968	105,213
Plant	341,449	320,876
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 303,458	\$ 251,536
Receivables	126,813	132,391
Bonds payable	392,997	352,174

**UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
JULY 2013 AND 2012**

ASSETS		2013	2012	LIABILITIES AND FUND BALANCES		2013	2012
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	93,930.95	135,993.59	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	53,608,849.37	47,664,507.40
INVESTMENTS		2,785,702.66	20,557,655.31	DEFERRED REVENUES		70,813,649.50	61,217,726.59
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$51,911,295.63 FOR 2013 AND \$54,689,445.69 FOR 2012)				DUE TO OTHER FUNDS		35,527,545.04	67,820,490.48
DEPOSITS		126,813,458.07	132,391,183.76	DEPOSITS HELD IN CUSTODY		1,094,837.51	525,575.33
INVENTORIES AT COST		6,263,281.37	35,000.00	OTHER DEPOSITS		445,694.83	460,518.49
PREPAID EXPENSES		34,331,591.75	20,250,217.51	FUND BALANCES:			
				ALLOCATED FOR:			
				HOSPITALS	(41,932,086.83)		(53,933,374.65)
				AUXILIARY ENTERPRISES	2,647,026.36		2,439,471.69
				ENCUMBRANCES	5,174,847.73		4,973,850.65
				SELF-SUPPORTING ACTIVITIES	48,835,371.64		55,127,281.94
				UNALLOCATED	(5,892,170.35)		(7,796,435.44)
				TOTAL FUND BALANCES	8,832,388.55		850,794.19
				TOTAL UNRESTRICTED	170,322,964.80		178,539,612.48
TOTAL UNRESTRICTED		170,322,964.80	178,539,612.48				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		2,347,095.02	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		24,619.88	50,691.09
INVESTMENTS		8,647.20	3,989.33	DEFERRED REVENUES		5,779,188.36	346,684.38
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		4,879,492.69	4,134,899.96	DUE TO OTHER FUNDS		0.00	32,260.33
TOTAL RESTRICTED		7,235,234.91	4,138,899.29	FUND BALANCES		1,431,426.67	3,709,203.49
TOTAL CURRENT FUNDS		177,558,199.71	182,678,451.77	TOTAL RESTRICTED		7,235,234.91	4,138,899.29
				TOTAL CURRENT FUNDS		177,558,199.71	182,678,451.77
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,257,974.95	1,147,434.10	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,000.00	0.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$722,025.21 FOR 2013 AND \$446,174.349 FOR 2012)				REFUNDABLE GOVERNMENT ADVANCES		4,628,943.38	4,530,636.86
TOTAL LOAN FUNDS		1,257,974.95	1,147,434.10	FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		1,220,217.18	595,965.94
				TOTAL FUND BALANCES		1,220,217.18	595,965.94
				TOTAL LOAN FUNDS		5,855,160.56	5,126,602.80
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		31,821,811.08	42,340,331.49	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		28,109,000.00	25,460,600.00
INVESTMENTS		111,590,823.26	84,933,021.09	BONDS PAYABLE		7,457,710.00	7,063,414.00
ACCOUNTS RECEIVABLE		4,341,625.57	3,713,457.45	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		6,780,531.00	3,162,768.00	RESTRICTED NONEXPENDABLE		33,879,821.18	31,254,927.31
PREPAID-LIFE ESTATE		0.00	3,587,008.00	UNRESTRICTED EXPENDABLE		85,088,259.73	73,957,644.72
TOTAL ENDOWMENT FUNDS		154,534,790.91	137,736,586.03	TOTAL FUND BALANCES		118,968,080.91	105,212,572.03
				TOTAL ENDOWMENT FUNDS		154,534,790.91	137,736,586.03
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		145,508,446.46	66,726,347.43	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		13,413,469.00	8,875,877.79
INVESTMENTS		1,262,807.73	32,528,571.57	DEFERRED REVENUES		7,071,754.22	7,290,720.98
ACCOUNTS RECEIVABLE		2,095,998.04	2,687,392.58	RETIREMENT OF INDEBTEDNESS		25,791.63	25,791.63
DUE FROM OTHER FUNDS		35,527,545.04	67,852,750.81	OTHER DEPOSITS		800,076.39	1,069,483.06
PREPAID EXPENSES		5,107,089.04	5,550,535.25	NOTES PAYABLE		392,996,571.39	352,173,772.29
CAPITAL LEASE RECEIVABLE		0.00	380,986.91	BONDS PAYABLE			
INVESTMENT IN PLANT:							
LAND		22,242,549.92	22,056,047.66				
LAND IMPROVEMENTS		13,569,093.50	10,437,242.96				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		307,470,206.71	296,644,776.59				
OTHER EQUIPMENT, BOOKS AND FILMS		48,845,378.40	51,938,112.46				
CONSTRUCTION IN PROGRESS		174,127,859.94	133,508,529.38				
TOTAL PLANT FUNDS		755,756,974.78	690,311,293.60				
TOTAL ASSETS		1,093,705,125.96	1,015,852,934.20	TOTAL LIABILITIES AND FUND BALANCES	\$	1,093,705,125.96	\$ 1,015,852,934.20

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE TEN MONTHS ENDED JULY 31, 2013

	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	252,470,643.41							
HOSPITALS REVENUES	282,128,991.17							
AUXILIARY ENTERPRISES REVENUES	12,599,728.73							
GRANTS AND CONTRACTS:								
FEDERAL		33,898,606.93		139,461.00				
STATE AND LOCAL		5,606,184.67						
PRIVATE		4,599,946.32						
GOVERNMENT APPROPRIATIONS:								
FEDERAL								
STATE						292,055.95		
INVESTMENT INCOME/GAINS/LOSS						131,992.06	52,345.37	
INSURANCE PROCEEDS					4,329,495.66			
INTEREST ON LOANS RECEIVABLE								
GIFTS AND BEQUESTS				93,167.61			17,002.44	
EXPENDED FOR PLANT FACILITIES (INCLUDING					3,549,960.29	208,857.40		59,004,544.75
\$9,275,046.54 CURRENT FUNDS EXPENDITURES)								10,552,000.00
RETIREMENT OF INDEBTEDNESS								(227,451.48)
PROCEEDS FROM SALE OF CAPITAL ASSETS								69,329,093.27
OTHER SOURCES								
TOTAL REVENUES AND OTHER ADDITIONS	547,199,363.31	3,121,005.97		235,271.12	1,825.00	2,073,024.59	69,347.81	
		47,025,743.89			7,881,280.95	2,705,930.00		
EXPENDITURES AND OTHER DEDUCTIONS:								
EDUCATIONAL AND GENERAL EXPENDITURES	229,667,056.86							
HOSPITALS EXPENDITURES	273,704,002.42							
AUXILIARY ENTERPRISES EXPENDITURES	9,891,713.33							
INDIRECT COSTS RECOVERED		4,090,358.21						
REFUNDED TO GRANTORS		19,992.48						
RETIREMENT OF INDEBTEDNESS							10,552,000.00	
ADMINISTRATIVE AND COLLECTION COSTS				244.94				
EXPENDED FOR PLANT FACILITIES (INCLUDING						51,506,317.23	9,077,622.27	18,945.83
\$1,776,819.02 FOR NON-CAPITALIZED EXPENDITURES)								25,946,915.84
INTEREST ON INDEBTEDNESS								
DEPRECIATION EXPENSES OF PLANT FACILITIES								
DISPOSAL OF PLANT								
OTHER DEDUCTIONS					312,855.44		88,243.50	1,306.18
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	513,262,772.61	47,121,083.20		(59,347.15)	312,855.44	51,506,317.23	19,717,865.77	25,967,167.85
				(59,102.21)				
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):								
MANDATORY:								
PRINCIPAL AND INTEREST	(20,375,465.18)					(914,770.96)	21,383,373.39	(93,137.25)
FINANCIAL AID MATCHING	(140,640.00)							
NON-MANDATORY:								
FUNDED DEPRECIATION	(4,249,998.84)							
MOBILE RACING COMMISSION	(60,201.25)							
PLANT ADDITIONS AND REPLACEMENTS	(4,000,000.00)						134,258.90	
ENDOWMENT FUND	(2,624,248.90)							
OTHER TRANSFERS	1,511,339.26							
TOTAL TRANSFERS	(29,939,214.91)							
NET INCREASE (DECREASE) FOR THE PERIOD	3,997,375.79							
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76							
FUND BALANCES AT JULY 31, 2013	8,832,388.55							
		1,431,426.67		1,220,217.18	118,968,080.91	1,015,922.59	5,479,818.75	334,953,570.81

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,249,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TEN MONTHS ENDED JULY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	MONTH ENDED JULY 31, 2013			JULY 31, 2012	
	UNRESTRICTED	RESTRICTED	TOTAL		
REVENUES:					
TUITION AND FEES	\$ 105,216,826.24	\$	\$ 105,216,826.24	\$	\$ 97,233,945.57
STATE APPROPRIATIONS	77,634,870.00		77,634,870.00		80,681,848.40
MOBILE RACING COMMISSION	60,201.25		60,201.25		374,196.63
FEDERAL GRANTS AND CONTRACTS	3,179,395.74	30,655,351.96	33,834,747.70		35,302,565.89
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$256,041.70)	412,363.18	5,172,915.24	5,585,278.42		4,801,940.34
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$654,920.77)	42,701,884.37	3,969,450.96	46,671,335.33		46,953,758.35
INVESTMENT INCOME	330,727.95		330,727.95		109,294.36
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,082,366.70		3,082,366.70		2,937,669.62
HOSPITALS - SALES AND SERVICES	275,083,821.17		275,083,821.17 *		276,813,710.39
- STATE APPROPRIATIONS	7,045,170.00		7,045,170.00		7,344,820.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	12,599,728.73		12,599,728.73		12,471,342.34
OTHER SOURCES	19,851,987.88	3,213,014.35	23,065,002.33		24,847,149.40
TOTAL CURRENT REVENUES	547,198,363.31	43,010,732.51	590,210,095.82		593,872,241.29
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	92,111,669.93	7,994,959.23	100,106,629.16		96,301,032.67
RESEARCH	8,135,110.78	8,844,582.05	17,079,692.83		17,810,063.10
PUBLIC SERVICE	42,161,162.53	4,441,829.59	46,602,992.12		47,870,242.28
ACADEMIC SUPPORT	15,707,755.61	1,251.92	15,709,007.53		16,036,937.17
STUDENT SERVICES	24,300,164.10	790,465.72	25,090,629.82		23,750,184.77
INSTITUTIONAL SUPPORT	23,104,566.23	965,138.39	24,069,704.62		23,030,294.21
OPERATION AND MAINTENANCE OF PLANT	19,092,251.51	7,830,037.91	26,922,289.42		31,813,431.19
SCHOLARSHIPS	5,054,376.17	12,042,467.70	17,096,843.87		15,282,934.42
EDUCATIONAL AND GENERAL	229,687,066.86	43,010,732.51	272,677,789.37		271,995,119.81
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	12,136,849.74		12,136,849.74		11,623,008.72
FINANCIAL AID MATCHING	140,640.00		140,640.00		147,725.00
TOTAL EDUCATIONAL AND GENERAL	241,944,546.60	43,010,732.51	284,955,279.11		283,765,853.53
HOSPITALS (INCLUDING DEBT SERVICE OF \$5,208,188.40)	278,312,190.82		278,312,190.82		289,461,366.59
AUXILIARY ENTERPRISES:					
EXPENDITURES	9,891,713.33		9,891,713.33		9,266,804.31
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	3,030,427.04		3,030,427.04		2,978,715.04
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	0.00		0.00		120,000.00
OTHER TRANSFERS	9,362.50		9,362.50		0.00
TOTAL AUXILIARIES	12,931,502.87	0.00	12,931,502.87		12,385,519.35
TOTAL EXPENDITURES AND TRANSFERS	533,788,240.29	43,010,732.51	576,798,972.80		585,592,739.46
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(75,346.83)	(75,346.83)		386,008.90
REFUNDED TO GRANTORS		(19,992.48)	(19,992.48)		(244,279.99)
FUNDED DEPRECIATION		(4,249,998.84)	(4,249,998.84) *		(9,587,934.40)
MOBILE RACING COMMISSION		(60,201.25)	(60,201.25)		(374,196.63)
PLANT ADDITIONS AND REPLACEMENTS		(4,000,000.00)	(4,000,000.00)		(3,987,000.00)
ENDOWMENT FUND		(2,624,248.90)	(1,989,865.22)		(911,640.23)
OTHER TRANSFERS		1,520,701.76	1,078,000.38		4,906,745.09
TOTAL TRANSFERS		(9,413,747.23)	(9,317,404.24)		(9,422,297.26)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 3,997,375.79	\$ 96,342.99	\$ 4,093,718.78	\$	\$ (1,142,795.43)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,249,998.84 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.
- University Facilities Revenue Capital Improvement Bond, Series 2013A, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013B, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013C, 2.78% payable through August 2028.

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 TEN MONTHS ENDED JULY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT) 07/31/13</u>	<u>07/31/12</u>
BOOKSTORE	\$ 5,029,898.91	\$ 5,357,486.88	\$ (197,110.00)	\$ (524,697.97)	\$ (296,798.11)
FOOD SERVICES-CAMPUS	750,410.04	260,049.03	(450,685.04)	39,675.97	(52,431.49)
HOUSING	6,819,419.78	4,274,177.42	(2,391,994.50)	153,247.86	455,052.59
TOTAL	<u>\$ 12,599,728.73</u>	<u>\$ 9,891,713.33</u>	<u>\$ (3,039,789.54)</u>	<u>\$ (331,774.14)</u>	<u>\$ 105,822.99</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TEN MONTHS ENDED JULY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	<u>07/31/13</u>	<u>07/31/12</u>
REVENUES:		
SALES	\$ 4,851,523.56	\$ 4,844,448.31
LESS: DEPARTMENTAL DISCOUNTS	7,614.93	6,482.33
COST OF GOODS SOLD	<u>3,758,364.81</u>	<u>3,544,499.94</u>
GROSS PROFIT	1,085,543.82	1,293,466.04
CASH OVER/(SHORT)	(44.55)	(1,452.33)
GRADUATION (NET)	103,072.00	68,158.15
TEXTBOOK RENTAL INCOME	23,045.87	4,391.30
OTHER	<u>52,302.03</u>	<u>39,402.19</u>
NET REVENUES:	<u>1,263,919.17</u>	<u>1,403,965.35</u>
EXPENDITURES:		
SALARIES	705,032.67	655,473.25
EMPLOYEE BENEFITS	228,823.78	211,323.26
SUPPLIES	27,993.59	19,339.35
TRAVEL	10,837.26	8,547.39
EQUIPMENT	11,621.55	11,726.43
EQUIPMENT MAINTENANCE AND REPAIR	45,550.70	40,909.86
BUILDING & EQUIPMENT RENTAL	18,100.60	23,006.41
ADVERTISING	27,274.57	18,929.46
UTILITIES	62,500.00	62,500.00
TELEPHONE	5,576.81	15,577.48
INSURANCE AND BONDS	3,912.00	3,997.00
CONTRACT SERVICES	131,421.28	139,585.49
RENT	0.00	3,885.00
OBSOLETE INVENTORY	2,356.80	1,201.83
GENERAL EXPENSES	14,050.96	35,909.33
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	60,996.27	56,531.12
INSTITUTIONAL COST ALLOCATION	<u>235,458.30</u>	<u>195,210.80</u>
TOTAL EXPENDITURES	<u>1,591,507.14</u>	<u>1,503,653.46</u>
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(197,110.00)	(197,110.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(197,110.00)</u>	<u>(197,110.00)</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ (524,697.97)</u>	<u>\$ (296,798.11)</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	09/30/13	09/30/12
REVENUES:		
COMMISSION INCOME	\$ 931,103.52	\$ 914,590.31
TOTAL REVENUES	<u>931,103.52</u>	<u>914,590.31</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	23.40	214.24
EQUIPMENT MAINTENANCE AND REPAIR	80,624.59	46,250.50
UTILITIES	125,000.04	125,000.04
TELEPHONE	0.00	639.92
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	52,372.49	37,088.45
INSURANCE AND BONDS	23,703.00	9,537.00
EQUIPMENT	0.00	2,519.97
BUILDING MAINTENANCE AND REPAIR	2,134.00	2,905.00
INDIRECT COST	24,999.96	24,999.96
GENERAL EXPENSE	<u>16,106.00</u>	<u>22,425.69</u>
TOTAL EXPENDITURES	<u>324,963.48</u>	<u>271,580.77</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:	(450,685.04)	(450,685.04)
OTHER TRANSFERS	<u>(155,455.00)</u>	<u>(120,000.00)</u>
TOTAL TRANSFERS	<u>(606,140.04)</u>	<u>(570,685.04)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 0.00</u>	<u>\$ 72,324.50</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED
SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	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	\$ 159,310.00	\$ 134,454.50	\$ 1,667,957.87	\$ 44,382.58	\$ 392,295.58
BAD DEBT RECOVERY	2,317.50	0.00	0.00	0.00	0.00	321.54	0.00
OTHER	80,025.76	700.00	0.00	0.00	12,770.34	1,400.00	141,490.78
TOTAL REVENUES	82,343.26	700.00	159,310.00	134,454.50	1,680,728.21	46,104.12	533,786.36
EXPENDITURES:							
SALARIES	388,585.99	9,827.75	0.00	16,339.69	139,836.97	0.00	75,195.50
EMPLOYEE BENEFITS	124,342.61	88.74	0.00	1,114.68	11,575.24	0.00	0.00
CONTRACT LABOR	880.00	0.00	0.00	0.00	4,487.76	0.00	418.95
CONTRACT SERVICES	276.75	0.00	65,929.00	23,127.75	50,993.00	540.00	11,683.71
TRAVEL	14,730.39	104.36	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	7,110.66	26,256.88	0.00	0.00	0.00	0.00	0.00
SUPPLIES	22,236.61	10,445.92	0.00	2,237.53	23,070.81	0.00	1,194.64
CABLE	147,575.32	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	856.46	0.00	0.00	0.00	321.71	0.00	325.38
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	916.80
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	8,633.00	2,359.00	5,846.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	897.58	4,223.73
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	4,500.00	0.00	0.00
EQUIPMENT	1,706.60	5,175.59	0.00	0.00	736.00	0.00	1,860.00
EQUIPMENT RENTAL	1,413.38	0.00	0.00	0.00	0.00	0.00	186.36
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	51,414.20	37,244.56	0.00	(14,113.50)	104,087.59	3,391.89	66,841.47
ADMINISTRATIVE OVERHEAD	338,593.04	0.00	0.00	0.00	187,035.04	0.00	62,720.00
ADMINISTRATIVE EXPENSES	(1,018,110.75)	(87,806.30)	35,389.35	0.00	169,205.31	0.00	89,579.30
TOTAL EXPENDITURES	82,343.26	1,337.50	101,318.35	28,706.15	704,482.43	7,188.47	320,991.84
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	(57,991.65)	(105,748.35)	312,498.22	(38,915.65)	94,245.48
OTHER NON-MANDATORY TRANSFERS	0.00	637.50	0.00	0.00	(5,000.00)	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	637.50	(57,991.65)	(105,748.35)	307,498.22	(38,915.65)	94,245.48
TOTAL TRANSFERS	0.00	637.50	(57,991.65)	(105,748.35)	(976,245.78)	(38,915.65)	(212,794.52)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED
SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 09/30/13	TOTAL HOUSING 09/30/12
REVENUES:							
RENTAL INCOME	\$ 1,299,740.72	\$ 741,016.64	\$ 2,574,186.11	\$ 996,887.60	\$ 246,997.93	\$ 8,257,229.53	\$ 7,979,704.58
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	2,639.04	4,884.37
OTHER	9,945.75	5,742.74	19,974.09	20,125.47	3,332.63	295,507.56	287,578.94
TOTAL REVENUES	1,309,686.47	746,759.38	2,594,160.20	1,017,013.07	250,330.56	8,555,376.13	8,272,167.89
EXPENDITURES:							
SALARIES	190,266.49	91,437.20	270,093.36	125,019.71	52,828.29	1,359,430.95	1,162,255.17
EMPLOYEE BENEFITS	22,224.71	14,586.25	55,244.34	10,762.52	586.44	240,525.53	190,915.14
CONTRACT LABOR	3,130.10	5,427.44	10,964.86	1,185.60	0.00	26,494.71	33,663.44
CONTRACT SERVICES	15,098.62	6,427.30	127,774.24	17,753.06	167.25	319,770.68	300,475.92
TRAVEL	0.00	0.00	0.00	0.00	0.00	14,834.75	9,599.77
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	33,367.54	28,259.65
SUPPLIES	552.18	364.45	11,854.07	4,547.73	0.00	76,503.94	67,637.80
CABLE	0.00	0.00	0.00	0.00	0.00	147,575.32	154,893.04
TELEPHONE	162.88	278.57	1,020.33	580.94	0.00	3,546.27	2,838.42
UTILITIES	0.00	0.00	0.00	0.00	0.00	916.80	1,925.98
INSURANCE AND BONDS	8,709.00	4,197.00	13,039.00	5,303.00	0.00	48,818.00	52,569.00
BAD DEBT EXPENSE	7,854.06	8,080.87	41,081.12	9,823.22	0.00	71,960.58	72,502.07
BUILDING MAINTENANCE AND REPAIR	550.00	0.00	0.00	0.00	0.00	5,050.00	0.00
EQUIPMENT	0.00	72,109.80	6,574.09	982.68	2,304.96	91,449.72	75,418.40
EQUIPMENT RENTAL	0.00	1,214.43	1,886.40	0.00	0.00	4,700.57	2,819.10
EQUIPMENT MAINTENANCE AND REPAIR	0.00	2,180.00	0.00	0.00	0.00	2,180.00	4,830.15
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	87,716.15	53,552.42	204,352.34	112,465.59	1,570.65	708,523.36	907,241.41
ADMINISTRATIVE OVERHEAD	357,296.00	168,732.00	514,134.00	171,612.00	0.00	1,800,122.08	1,554,467.12
ADMINISTRATIVE EXPENSES	182,476.31	102,850.28	394,812.38	131,604.12	0.00	0.00	0.00
TOTAL EXPENDITURES	876,036.50	531,438.01	1,652,830.53	591,640.17	57,457.59	4,955,770.80	4,622,311.58
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	0.00	(2,382,632.00)	(2,330,920.00)
TOTAL MANDATORY TRANSFERS	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	0.00	(2,382,632.00)	(2,330,920.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	(280,497.97)	(169,561.37)	(584,374.84)	(176,780.90)	(192,872.97)	(1,200,000.00)	(1,200,000.00)
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	(5,000.00)	0.00	0.00	(9,362.50)	0.00
TOTAL NON-MANDATORY TRANSFERS	(280,497.97)	(169,561.37)	(589,374.84)	(176,780.90)	(192,872.97)	(1,209,362.50)	(1,200,000.00)
TOTAL TRANSFERS	(433,649.97)	(215,321.37)	(933,718.84)	(425,372.90)	(192,872.97)	(3,591,994.50)	(3,530,920.00)
EXCESS REVENUES OVER EXPENDITURES AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 7,610.83	\$ 0.00	\$ 0.00	\$ 7,610.83	\$ 118,936.31

I N D E X **AUGUST 31, 2013**

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Financial Report Highlights

August 31, 2013

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 eleven months ended, August 31, 2013 and 2012 are as follows (in thousands):

	At and for the eleven months ended	
	8-31-13	8-31-12
<i>Total assets</i>		
Current	\$ 125,173	\$ 132,653
Loan	6,079	5,184
Endowment	156,514	139,385
Plant	756,893	701,000
<i>Fund Balances (deficit)</i>		
Current	\$ 84	\$ (11,990)
Loan	1,445	653
Endowment	120,848	106,766
Plant	339,275	327,817
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 340,123	\$ 287,535
Receivables	76,827	88,173
Bonds payable	393,332	352,541

	For the eleven months ended	
	8-31-13	8-31-12
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 111,862	\$ 103,656
State appropriations	93,644	96,874
Hospital revenues	303,244	305,631
Gifts, grants and contracts	101,131	107,395
Instruction and academic support	125,674	122,503
Research and public service	70,893	71,934
Hospital expenses	303,031	317,593
Net current fund decrease	(6,086)	(17,693)

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 continues to experience a 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 2013 or beyond.

**UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
AUGUST 2013 AND 2012**

ASSETS		LIABILITIES AND FUND BALANCES	
CURRENT FUNDS:		CURRENT FUNDS:	
2013	2012	2013	2012
UNRESTRICTED:		UNRESTRICTED:	
CASH AND CASH EQUIVALENTS	\$ 869,496.39	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 51,237,682.07
INVESTMENTS	2,663,861.89	DEFERRED REVENUES	67,449,994.09
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE		DEPOSITS HELD IN CUSTODY	
FOR DOUTBFUL ACCOUNTS OF \$51,461,591.99		OTHER DEPOSITS	878,131.69
FOR 2013 AND \$55,122,483.70 FOR 2012)		FUND BALANCES:	
DEPOSITS	76,826,514.31	ALLOCATED FOR:	
INVENTORIES AT COST	35,000.00	HOSPITALS	(43,839,074.69)
PREPAID EXPENSES	4,880,161.37	AUXILIARY ENTERPRISES	3,780,975.01
	34,031,975.71	ENCUMBRANCES	5,009,195.79
		SELF-SUPPORTING ACTIVITIES	48,863,063.06
		UNALLOCATED	(14,072,957.35)
		TOTAL FUND BALANCES	(258,798.18)
		TOTAL UNRESTRICTED	119,307,009.67
TOTAL UNRESTRICTED	127,518,701.47		
RESTRICTED FUNDS:		RESTRICTED FUNDS:	
CASH AND CASH EQUIVALENTS	1,806,458.80	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	14,211.08
INVESTMENTS	8,647.20	DEFERRED REVENUES	5,509,164.00
UNBILLED COSTS AND ACCOUNTS RECEIVABLE	4,050,934.04	FUND BALANCES	342,664.96
TOTAL RESTRICTED	5,865,040.04	TOTAL RESTRICTED	5,866,040.04
TOTAL CURRENT FUNDS	125,173,049.71	TOTAL CURRENT FUNDS	125,173,049.71
LOAN FUNDS:		LOAN FUNDS:	
CASH AND CASH EQUIVALENTS	987,805.46	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	6,000.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR	1,003,168.74	REFUNDABLE GOVERNMENT ADVANCES	4,628,943.38
DOUTBFUL ACCOUNTS OF \$486,790.34 FOR		FUND BALANCES:	
2013 AND \$422,025.21 FOR 2012)		UNIVERSITY FUNDS, UNRESTRICTED	1,444,541.10
		TOTAL FUND BALANCES	1,444,541.10
TOTAL LOAN FUNDS	5,091,679.02	TOTAL LOAN FUNDS	6,079,484.48
ENDOWMENT FUNDS:		ENDOWMENT FUNDS:	
CASH AND CASH EQUIVALENTS	24,376,517.79	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	28,109,000.00
INVESTMENTS	121,015,631.31	BONDS PAYABLE	7,557,606.00
ACCOUNTS RECEIVABLE	4,341,625.57	FUND BALANCES:	
REAL ESTATE HELD FOR RESALE	6,780,531.00	RESTRICTED NONEXPENDABLE	33,879,821.18
PREPAID-LIFE ESTATE	3,597,553.00	UNRESTRICTED EXPENDABLE	86,967,878.49
		TOTAL FUND BALANCES	120,847,699.67
TOTAL ENDOWMENT FUNDS	156,514,305.67	TOTAL ENDOWMENT FUNDS	156,514,305.67
PLANT FUNDS:		PLANT FUNDS:	
CASH AND CASH EQUIVALENTS	181,356,656.93	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	16,301,947.35
INVESTMENTS	257,872.88	DEFERRED REVENUES	7,180,988.54
ACCOUNTS RECEIVABLE	2,095,998.04	OTHER DEPOSITS	25,791.63
DUE FROM OTHER FUNDS	5,072,599.16	NOTES PAYABLE	777,325.56
PREPAID EXPENSES		BONDS PAYABLE	393,332,363.46
CAPITAL LEASE RECEIVABLE			
INVESTMENT IN PLANT:			
LAND	22,242,549.92	FUND BALANCES:	
LAND IMPROVEMENTS	13,461,880.44	RENEWALS AND REPLACEMENTS	(1,467,429.78)
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS	306,303,085.31	RETIREMENT OF INDEBTEDNESS	4,240,077.62
OTHER EQUIPMENT, BOOKS AND FILMS	47,792,742.64	INVESTMENT IN PLANT	336,502,286.86
CONSTRUCTION IN PROGRESS	178,309,965.92	TOTAL FUND BALANCES	339,274,934.70
TOTAL PLANT FUNDS	756,893,351.24	TOTAL PLANT FUNDS	756,893,351.24
TOTAL ASSETS	1,044,660,191.10	TOTAL LIABILITIES AND FUND BALANCES	1,044,660,191.10

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE ELEVEN MONTHS ENDED AUGUST 31, 2013

	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	273,264,593.56						
HOSPITALS REVENUES	310,994,184.61						
AUXILIARY ENTERPRISES REVENUES	17,374,573.15						
GRANTS AND CONTRACTS:							
FEDERAL		45,377,878.49	139,461.00				
STATE AND LOCAL		6,030,909.94					
PRIVATE		5,266,225.75					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE					640,731.72		
INVESTMENT INCOME GAINS/LOSS			2,868.38	7,536,577.92	140,736.91	55,566.11	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE						17,002.44	
GIFTS AND BEQUESTS			100,899.46	3,775,490.17	506,415.55		63,464,042.39
EXPENDED FOR PLANT FACILITIES (INCLUDING \$9,888,784.16 CURRENT FUNDS EXPENDITURES)							10,552,000.00
RETIREMENT OF INDEBTEDNESS							(148,453.75)
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		3,156,275.97		1,825.00	2,180,342.47		73,867,588.64
TOTAL REVENUES AND OTHER ADDITIONS	601,633,351.32	59,831,290.15	243,226.84	11,313,893.09	3,468,226.55	72,568.55	
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	259,202,332.43	56,376,615.01					
HOSPITALS EXPENDITURES	303,031,270.50						
AUXILIARY ENTERPRISES EXPENDITURES	13,512,898.10						
INDIRECT COSTS RECOVERED		4,520,837.78					
REFUNDED TO GRANTORS		22,659.48					
RETIREMENT OF INDEBTEDNESS						10,552,000.00	
ADMINISTRATIVE AND COLLECTION COSTS			244.94				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$1,897,625.31 FOR NON-CAPITALIZED EXPENDITURES)					55,472,883.54		20,585.99
INTEREST ON INDEBTEDNESS							28,551,277.72
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(275,733.55)	419,251.44		99,530.38	1,306.18
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	575,746,501.03	60,920,112.27	(275,488.61)	419,251.44	55,472,883.54	23,207,030.43	28,573,169.89
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(22,136,341.69)				(1,014,319.96)	23,258,717.03	(106,055.38)
FINANCIAL AID MATCHING	(140,640.00)	140,640.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(4,674,998.84)						
MOBILE RACING COMMISSION	(68,523.75)						
PLANT ADDITIONS AND REPLACEMENTS	(4,010,000.00)					134,258.90	
ENDOWMENT FUND	(1,169,329.02)			615,129.94			
OTHER TRANSFERS	1,221,172.07	(678,620.28)	49,979.80	(1,159,008.50)	2,825,279.91	(946,103.33)	(1,312,699.67)
TOTAL TRANSFERS	(30,980,561.23)	96,403.40	49,979.80	(543,876.56)	10,350,039.04	22,446,872.60	(1,418,755.05)
NET INCREASE (DECREASE) FOR THE PERIOD	(5,093,810.94)	(992,418.72)	566,697.25	10,350,763.09	(41,654,617.85)	(687,589.28)	43,875,663.70
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76	1,335,083.68	875,843.85	110,496,936.58	40,187,188.07	4,927,666.90	292,626,623.16
FUND BALANCES AT AUGUST 31, 2013	(258,798.18)	342,664.96	1,444,541.10	120,847,699.67	(1,467,429.78)	4,240,077.62	336,502,286.86

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,674,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE ELEVEN MONTHS ENDED AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	MONTH ENDED AUGUST 31, 2013		AUGUST 31, 2012	
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 111,862,440.05	\$	\$ 111,862,440.05	\$ 103,656,401.77
STATE APPROPRIATIONS	85,894,107.00		85,894,107.00	88,796,957.74
MOBILE RACING COMMISSION	68,523.75		68,523.75	384,487.77
FEDERAL GRANTS AND CONTRACTS	3,491,592.05	42,023,618.71	45,515,211.76	50,588,277.05
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$287,515.27)	459,469.20	5,525,533.94	5,985,003.14	5,434,305.13
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$742,435.46)	48,090,515.37	4,540,107.26	49,630,622.63	51,372,051.63
INVESTMENT INCOME	320,103.26		320,103.26	89,651.44
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,592,577.75		3,592,577.75	3,399,846.06
HOSPITALS - SALES AND SERVICES	303,244,497.61		303,244,497.61 *	305,630,551.17
- STATE APPROPRIATIONS	7,749,687.00		7,749,687.00	8,079,302.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	17,374,573.16		17,374,573.15	16,579,390.69
OTHER SOURCES	22,485,265.13	4,287,354.10	26,772,619.23	28,284,742.12
TOTAL CURRENT REVENUES	601,633,351.32	56,376,615.01	658,009,966.33	662,295,964.57
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	89,556,175.88	8,517,523.26	108,173,699.24	104,910,493.39
RESEARCH	9,069,557.22	10,066,476.42	19,136,033.64	19,655,060.00
PUBLIC SERVICE	46,992,399.33	4,765,686.52	51,758,085.85	52,268,715.20
ACADEMIC SUPPORT	17,499,555.48	1,541.92	17,500,097.40	17,592,660.06
STUDENT SERVICES	28,790,517.88	847,053.68	29,637,571.56	27,989,611.68
INSTITUTIONAL SUPPORT	25,063,393.11	865,581.38	26,028,974.49	25,259,695.19
OPERATION AND MAINTENANCE OF PLANT	21,379,924.31	8,302,290.61	29,682,214.92	34,974,088.21
SCHOLARSHIPS	10,853,309.02	22,810,461.22	33,663,770.24	30,084,460.51
EDUCATIONAL AND GENERAL	259,202,832.43	56,376,615.01	315,579,447.44	312,743,784.24
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	19,088,203.65		19,088,203.65	12,922,166.06
FINANCIAL AID MATCHING	140,640.00		140,640.00	147,725.00
TOTAL EDUCATIONAL AND GENERAL	278,431,676.08	56,376,615.01	334,808,291.09	325,713,675.30
HOSPITALS (INCLUDING DEBT SERVICE OF \$5,729,007.24)	303,031,270.50		303,031,270.50	317,592,593.34
AUXILIARY ENTERPRISES:				
EXPENDITURES				
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	13,512,898.10		13,512,898.10	12,319,703.46
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	3,050,138.04		3,050,138.04	2,998,426.04
OTHER TRANSFERS				120,000.00
TOTAL AUXILIARIES	9,362.50		9,362.50	
TOTAL EXPENDITURES AND TRANSFERS	16,572,399.64	56,376,615.01	16,572,399.64	15,438,129.50
	588,035,345.22		654,411,960.23	658,744,498.14
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(1,066,162.64)	(1,066,162.64)	(557,348.95)
REFUNDED TO GRANTORS		(22,659.48)	(22,659.48)	(244,279.99)
FUNDED DEPRECIATION	(4,674,998.84)		(4,674,998.84) *	(10,546,727.84)
MOBILE RACING COMMISSION	(68,523.75)		(68,523.75)	(384,487.77)
PLANT ADDITIONS AND REPLACEMENTS	(4,010,000.00)		(4,010,000.00)	(4,007,000.00)
ENDOWMENT FUND	(3,369,329.02)		(2,734,945.34)	(765,356.86)
OTHER TRANSFERS	3,431,034.57	634,383.68	2,893,054.29	(4,739,170.78)
TOTAL TRANSFERS	(8,561,817.94)	(982,418.72)	(9,544,236.66)	(21,244,372.19)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (5,063,810.94)	\$ (982,418.72)	\$ (6,046,229.66)	\$ (17,592,905.76)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$4,674,998.84 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.
- University Facilities Revenue Capital Improvement Bond, Series 2013A, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013B, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013C, 2.78% payable through August 2028.

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 ELEVEN MONTHS ENDED AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012**

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				08/31/13	08/31/12
BOOKSTORE	\$ 9,168,828.34	\$ 8,641,895.03	\$ (216,821.00)	\$ 310,112.31	\$ 483,182.61
BROOKLEY	0.00	(339.76)	0.00	339.76	0.00
FOOD SERVICES-CAMPUS	789,065.11	289,920.08	(450,685.04)	48,459.99	(29,557.53)
HOUSING	7,416,679.70	4,581,422.75	(2,391,994.50)	443,262.45	687,794.11
TOTAL	<u>\$ 17,374,573.15</u>	<u>\$ 13,512,898.10</u>	<u>\$ (3,059,500.54)</u>	<u>\$ 802,174.51</u>	<u>\$ 1,141,419.19</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE ELEVEN MONTHS ENDED AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	<u>08/31/13</u>	<u>08/31/12</u>
REVENUES:		
SALES	\$ 8,969,714.38	\$ 8,395,197.02
LESS: DEPARTMENTAL DISCOUNTS	9,816.36	7,382.91
COST OF GOODS SOLD	<u>6,849,194.33</u>	<u>6,169,197.76</u>
GROSS PROFIT	2,110,703.69	2,218,616.35
CASH OVER/(SHORT)	(48.94)	(1,558.36)
GRADUATION (NET)	98,232.50	63,002.65
TEXTBOOK RENTAL INCOME	24,476.30	29,701.03
OTHER	76,454.10	51,960.11
NET REVENUES:	<u>2,309,817.65</u>	<u>2,361,721.78</u>
EXPENDITURES:		
SALARIES	791,336.68	729,577.95
EMPLOYEE BENEFITS	246,723.86	229,247.01
SUPPLIES	33,691.44	23,265.96
TRAVEL	10,844.26	8,547.39
EQUIPMENT	13,530.49	13,643.89
EQUIPMENT MAINTENANCE AND REPAIR	45,701.60	42,407.37
BUILDING & EQUIPMENT RENTAL	24,767.11	23,774.92
ADVERTISING	27,803.89	19,313.42
UTILITIES	68,750.00	68,750.00
TELEPHONE	6,987.78	18,620.46
INSURANCE AND BONDS	3,912.00	3,997.00
CONTRACT SERVICES	150,884.53	151,181.56
RENT	0.00	3,885.00
OBSOLETE INVENTORY	2,356.80	1,201.83
GENERAL EXPENSES	17,164.38	40,045.32
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	79,425.39	69,527.21
INSTITUTIONAL COST ALLOCATION	259,004.13	214,731.88
TOTAL EXPENDITURES	<u>1,782,884.34</u>	<u>1,661,718.17</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(216,821.00)	(216,821.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(216,821.00)</u>	<u>(216,821.00)</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ 310,112.31</u>	<u>\$ 483,182.61</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE ELEVEN MONTHS ENDED AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	08/31/13	08/31/12
REVENUES:		
COMMISSION INCOME	\$ 789,065.11	\$ 784,436.35
TOTAL REVENUES	<u>789,065.11</u>	<u>784,436.35</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	7.79	188.24
EQUIPMENT MAINTENANCE AND REPAIR	67,332.28	42,310.58
UTILITIES	114,583.37	114,583.37
TELEPHONE	58.72	696.39
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	44,783.14	32,028.20
INSURANCE AND BONDS	23,703.00	9,537.00
EQUIPMENT	0.00	2,519.97
BUILDING MAINTENANCE AND REPAIR	1,675.00	2,905.00
INDIRECT COST	22,916.63	22,916.63
GENERAL EXPENSE	<u>14,860.15</u>	<u>15,623.46</u>
TOTAL EXPENDITURES	<u>289,920.08</u>	<u>243,308.84</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(450,685.04)	(450,685.04)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(450,685.04)</u>	<u>(570,685.04)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 48,459.99</u>	<u>\$ (29,557.53)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE ELEVEN MONTHS ENDED
AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	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	\$ 128,545.00	\$ 134,454.50	\$ 1,462,467.94	\$ 40,777.58	\$ 341,943.33
BAD DEBT RECOVERY	2,317.50	0.00	0.00	0.00	0.00	321.54	0.00
OTHER	78,475.00	1,700.00	0.00	0.00	11,202.39	1,275.00	83,625.78
TOTAL REVENUES	80,792.50	1,700.00	128,545.00	134,454.50	1,473,670.33	42,374.12	425,569.11
EXPENDITURES:							
SALARIES	366,283.91	9,372.45	0.00	17,166.19	138,077.28	0.00	74,987.06
EMPLOYEE BENEFITS	113,735.72	88.74	0.00	1,114.68	10,661.81	0.00	0.00
CONTRACT LABOR	320.00	0.00	0.00	0.00	1,854.72	0.00	418.95
CONTRACT SERVICES	276.75	0.00	65,929.00	22,743.75	35,707.00	0.00	10,888.71
TRAVEL	10,910.14	104.36	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	6,533.81	17,769.16	0.00	0.00	0.00	0.00	0.00
SUPPLIES	21,187.84	7,020.28	0.00	2,237.53	8,718.37	0.00	1,194.64
CABLE	128,273.24	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	830.90	0.00	0.00	0.00	298.81	0.00	298.24
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	823.36
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	8,633.00	2,359.00	5,846.00
EQUIPMENT	922.47	5,473.46	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	1,338.38	0.00	0.00	0.00	654.00	0.00	1,860.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	186.36
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	78,435.79	34,285.81	0.00	0.00	74,304.05	1,689.87	39,272.58
ADMINISTRATIVE OVERHEAD	338,593.04	0.00	0.00	0.00	187,035.04	0.00	62,720.00
ADMINISTRATIVE EXPENSES	(987,581.49)	(71,776.76)	33,899.47	0.00	162,081.81	0.00	85,808.04
TOTAL EXPENDITURES	80,792.50	2,337.50	99,828.47	43,262.15	632,525.89	4,048.87	284,303.94
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	637.50	0.00	0.00	(5,000.00)	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	637.50	0.00	0.00	(5,000.00)	0.00	0.00
TOTAL TRANSFERS	0.00	637.50	0.00	0.00	(1,288,744.00)	0.00	(307,040.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 28,716.53	\$ 91,192.35	\$ (447,599.56)	\$ 38,325.25	\$ (165,774.83)
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE ELEVEN MONTHS ENDED
AUGUST 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 08/31/13	TOTAL HOUSING 08/31/12
REVENUES:							
RENTAL INCOME	\$ 1,151,985.86	\$ 655,488.86	\$ 2,299,178.95	\$ 882,946.44	\$ 89,449.18	\$ 7,187,237.64	\$ 7,032,508.04
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	2,639.04	4,873.73
OTHER	9,770.75	5,592.74	16,350.49	17,683.41	1,127.46	226,803.02	219,428.12
TOTAL REVENUES	<u>1,161,756.61</u>	<u>661,081.60</u>	<u>2,315,529.44</u>	<u>900,629.85</u>	<u>90,576.64</u>	<u>7,416,679.70</u>	<u>7,256,809.89</u>
EXPENDITURES:							
SALARIES	183,326.10	87,510.08	260,357.92	120,836.07	48,923.18	1,306,840.24	1,085,823.29
EMPLOYEE BENEFITS	20,050.27	13,049.48	51,777.65	10,144.17	269.95	220,892.47	169,424.54
CONTRACT LABOR	2,439.68	3,762.46	3,277.37	0.00	0.00	12,073.18	30,518.01
CONTRACT SERVICES	14,637.62	6,367.30	125,350.74	17,508.06	67.25	299,476.18	184,058.61
TRAVEL	0.00	0.00	0.00	0.00	0.00	11,014.50	9,108.07
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	24,302.97	14,250.72
SUPPLIES	552.18	364.45	8,648.73	4,529.74	0.00	54,453.76	60,952.81
CABLE	0.00	0.00	0.00	0.00	0.00	128,273.24	137,768.31
TELEPHONE	152.64	255.67	909.39	538.12	0.00	3,283.77	2,528.44
UTILITIES	0.00	0.00	0.00	0.00	0.00	823.36	1,522.45
INSURANCE AND BONDS	8,709.00	4,197.00	13,039.00	5,303.00	0.00	48,818.00	52,569.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	550.00	0.00	0.00	0.00	0.00	5,050.00	0.00
EQUIPMENT	0.00	72,109.80	6,574.09	198.55	2,022.96	89,815.33	74,252.58
EQUIPMENT RENTAL	0.00	1,214.43	563.31	0.00	0.00	3,302.48	2,481.05
EQUIPMENT MAINTENANCE AND REPAIR	0.00	2,180.00	0.00	0.00	0.00	2,180.00	4,830.15
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	63,260.35	40,331.75	154,703.59	84,417.40	0.00	570,701.19	853,540.63
ADMINISTRATIVE OVERHEAD	357,296.00	168,732.00	514,134.00	171,612.00	0.00	1,800,122.08	1,554,467.12
ADMINISTRATIVE EXPENSES	174,794.10	98,520.31	378,190.89	126,063.63	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>825,767.94</u>	<u>498,594.73</u>	<u>1,517,526.68</u>	<u>541,150.74</u>	<u>51,283.34</u>	<u>4,581,422.75</u>	<u>4,238,095.78</u>
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	0.00	(2,382,632.00)	(2,330,920.00)
TOTAL MANDATORY TRANSFERS	<u>(153,152.00)</u>	<u>(45,760.00)</u>	<u>(344,344.00)</u>	<u>(248,592.00)</u>	<u>0.00</u>	<u>(2,382,632.00)</u>	<u>(2,330,920.00)</u>
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	(5,000.00)	0.00	0.00	(9,362.50)	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>(5,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(9,362.50)</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(153,152.00)</u>	<u>(45,760.00)</u>	<u>(349,344.00)</u>	<u>(248,592.00)</u>	<u>0.00</u>	<u>(2,391,994.50)</u>	<u>(2,330,920.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 182,836.67	\$ 116,726.87	\$ 448,658.76	\$ 110,887.11	\$ 39,293.30	\$ 443,262.45	\$ 687,794.11
AND TRANSFERS (DEFICIT)							

I N D E X **SEPTEMBER 30, 2013**

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Financial Report Highlights September 30, 2013

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 year ended, September 30, 2013 and 2012 are as follows (in thousands):

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<i>Selected operating highlights (current funds)</i>	<i>For the year ended</i>	
	<i>9-30-13</i>	<i>9-30-12</i>
	\$	\$
Tuition and fees	127,917	118,673
State appropriations	102,295	105,371
Hospital revenues	333,982	333,929
Gifts, grants and contracts	110,906	113,684
Instruction and academic support	138,833	135,912
Research and public service	76,682	77,038
Hospital expenses	335,311	329,868
Net current fund increase	3,554	467

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 continues to experience a 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 2013 or beyond.

	<i>At and for the year ended</i>	
	<i>9-30-13</i>	<i>9-30-12</i>
<i>Total assets</i>		
Current	\$ 115,567	\$ 121,271
Loan	6,133	5,511
Endowment	157,112	141,264
Plant	758,413	715,009
<i>Fund Balances</i>		
Current	\$ 9,724	\$ 6,170
Loan	1,307	876
Endowment	136,221	110,497
Plant	345,737	337,741
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 352,293	\$ 295,433
Receivables	62,832	66,195
Bonds payable	393,332	352,541

**UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
SEPTEMBER 2013 AND 2012**

ASSETS		LIABILITIES AND FUND BALANCES		2013	2012
CURRENT FUNDS:		CURRENT FUNDS:		2013	2012
UNRESTRICTED:		UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	52,591,411.89	43,129,724.37
INVESTMENTS		DEFERRED REVENUES		44,924,404.61	44,519,940.81
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE		DUE TO OTHER FUNDS		1,439,367.27	16,990,947.73
FOR DOUBTFUL ACCOUNTS OF \$50,932,192.50		OTHER DEPOSITS		810,540.92	963,791.08
FOR 2013 AND \$53,946,769.71 FOR 2012)		FUND BALANCES:			817,681.03
DEPOSITS		ALLOCATED FOR:			
INVENTORIES AT COST		HOSPITALS		(40,725,053.81)	(38,441,401.73)
PREPAID EXPENSES		AUXILIARY ENTERPRISES		3,086,353.52	2,978,800.50
		ENCUMBRANCES		4,060,528.06	3,854,949.58
		SELF-SUPPORTING ACTIVITIES		46,400,464.97	45,873,432.31
		UNALLOCATED		(3,105,944.14)	(9,430,767.90)
		TOTAL FUND BALANCES		9,718,348.60	4,835,012.76
		TOTAL UNRESTRICTED		108,484,073.29	111,256,697.78
TOTAL UNRESTRICTED					
		RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		604,655.15	3,796,612.42
INVESTMENTS		DEFERRED REVENUES		5,471,995.23	3,537,363.76
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		DUE TO OTHER FUNDS			1,345,041.26
		FUND BALANCES		5,977.26	1,335,083.68
		TOTAL RESTRICTED		6,082,627.64	10,014,101.12
TOTAL RESTRICTED		TOTAL CURRENT FUNDS		115,566,700.93	121,270,798.90
TOTAL CURRENT FUNDS					
		LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,212.00	6,000.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR		REFUNDABLE GOVERNMENT ADVANCES		4,819,961.92	4,628,943.38
DOUBTFUL ACCOUNTS OF \$496,458.37 FOR		FUND BALANCES:			
2013 AND \$722,025.21 FOR 2012)		UNIVERSITY FUNDS, UNRESTRICTED		1,306,663.23	875,843.85
		TOTAL FUND BALANCES		1,306,663.23	875,843.85
TOTAL LOAN FUNDS		TOTAL LOAN FUNDS		6,132,837.15	5,510,787.23
ENDOWMENT FUNDS:		ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		13,333,000.00	23,609,000.00
INVESTMENTS		BONDS PAYABLE		7,557,606.00	7,158,022.00
ACCOUNTS RECEIVABLE		FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		RESTRICTED NONEXPENDABLE		33,879,821.18	33,825,008.46
PREPAID-LIFE ESTATE		UNRESTRICTED EXPENDABLE		102,341,357.55	76,671,928.12
		TOTAL FUND BALANCES		136,221,178.73	110,496,936.58
TOTAL ENDOWMENT FUNDS		TOTAL ENDOWMENT FUNDS		157,111,784.73	141,263,958.58
PLANT FUNDS:		PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		17,124,519.46	16,442,653.52
INVESTMENTS		DEFERRED REVENUES		1,438,806.22	7,232,463.08
ACCOUNTS RECEIVABLE		CAPITALIZED LEASE OBLIGATIONS			1,025,040.46
DUE FROM OTHER FUNDS		OTHER DEPOSITS		25,791.63	25,791.63
PREPAID EXPENSES		NOTES PAYABLE		754,528.09	
CAPITAL LEASE RECEIVABLE		BONDS PAYABLE		393,332,363.46	352,541,195.24
INVESTMENT IN PLANT:					
LAND		FUND BALANCES:			
LAND IMPROVEMENTS		RENEWALS AND REPLACEMENTS		(2,434,437.89)	40,187,188.07
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		RETIREMENT OF INDEBTEDNESS		5,051,043.92	4,927,666.90
OTHER EQUIPMENT, BOOKS AND FILMS		INVESTMENT IN PLANT		343,120,815.86	292,626,623.16
CONSTRUCTION IN PROGRESS		TOTAL FUND BALANCES		345,737,421.89	337,741,478.13
TOTAL PLANT FUNDS		TOTAL PLANT FUNDS		758,413,430.75	715,008,622.06
TOTAL ASSETS	\$	TOTAL LIABILITIES AND FUND BALANCES	\$	1,037,224,753.56	983,054,166.77

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	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	307,415,021.47						
HOSPITALS REVENUES	342,435,931.93						
AUXILIARY ENTERPRISES REVENUES	18,954,896.15						
GRANTS AND CONTRACTS:							
FEDERAL		47,443,530.99	139,461.00				
STATE AND LOCAL		7,732,930.32					
PRIVATE		5,702,144.16					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE					1,236,259.94		
INVESTMENT INCOME, GAINS/LOSS					148,430.61	59,437.91	
INSURANCE PROCEEDS			3,074.75	23,995,039.96			
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			109,074.98			17,002.44	
EXPENDED FOR PLANT FACILITIES (INCLUDING				3,156,315.02	1,154,809.01		177,118.67
\$15,444,490.20 CURRENT FUNDS EXPENDITURES)							74,343,005.53
RETIREMENT OF INDEBTEDNESS							10,552,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES							
TOTAL REVENUES AND OTHER ADDITIONS	668,805,849.55	3,217,648.30	251,610.73	27,154,254.98	2,409,560.54	76,440.35	85,072,124.20
		64,096,253.77			4,949,060.10		
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	284,735,638.16	60,437,773.41					
HOSPITALS EXPENDITURES	329,061,287.17						
AUXILIARY ENTERPRISES EXPENDITURES	14,410,676.59						
INDIRECT COSTS RECOVERED		5,060,211.09					
REFUNDED TO GRANTORS		23,765.17	181.80			10,552,000.00	
RETIREMENT OF INDEBTEDNESS			456.94				
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$3,275,729.59 FOR NON-CAPITALIZED EXPENDITURES)					62,174,244.92	12,671,642.05	22,179.51
INTEREST ON INDEBTEDNESS							29,748,749.08
DEPRECIATION EXPENSES OF PLANT FACILITIES							1,407,277.45
LOSS ON SALE OF ASSETS						100,156.63	230,764.15
OTHER DEDUCTIONS			(129,867.59)	419,251.44			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	628,207,601.92	65,521,749.67	(129,228.85)	419,251.44	62,174,244.92	23,323,798.68	31,408,970.19
TRANSFERS AMONG FUNDS-ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(23,901,218.18)				(1,113,868.96)	25,121,768.77	(106,681.63)
FINANCIAL AID MATCHING	(140,640.00)	140,640.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(6,200,000.00)						
MOBILE RACING COMMISSION	(88,891.66)						
PLANT ADDITIONS AND REPLACEMENTS	(5,389,027.68)					134,258.90	
ENDOWMENT FUND	(588,297.01)						
OTHER TRANSFERS		634,383.68	49,979.80	49,600.11	(100,552.51)		
		(678,634.20)		(1,060,361.50)		(1,885,292.32)	(1,288,308.68)
TOTAL TRANSFERS	(35,714,911.79)	96,389.48	49,979.80	(1,010,761.39)	14,603,558.86	23,370,735.35	(1,394,990.31)
NET INCREASE (DECREASE) FOR THE PERIOD	4,883,335.84	(1,329,106.42)	430,819.38	25,724,242.15	(42,621,525.96)	123,377.02	52,268,163.70
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76	1,335,083.68	875,843.85	110,496,936.58	40,187,188.07	4,927,666.90	290,852,652.16
FUND BALANCES AT SEPTEMBER 30, 2013	\$ 9,718,348.60	\$ 5,977.26	\$ 1,306,683.23	\$ 136,221,178.73	\$ (2,434,337.89)	\$ 5,051,043.92	\$ 343,120,815.86

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$6,200,000.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	YEAR ENDED SEPTEMBER 30, 2013		SEPTEMBER 30, 2012
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 127,916,704.62	\$	\$ 127,916,704.62
STATE APPROPRIATIONS	93,840,840.00		93,840,840.00
MOBILE RACING COMMISSION	88,891.66		88,891.66
FEDERAL GRANTS AND CONTRACTS	3,804,008.22	43,771,663.20	47,575,671.42
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$410,207.54)			
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$845,995.33)	887,793.91	6,957,128.76	7,844,923.67
INVESTMENT INCOME	50,355,356.67	5,129,769.16	55,485,125.83
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	482,274.00		482,274.00
HOSPITALS - SALES AND SERVICES	5,283,084.35		5,283,084.35
- STATE APPROPRIATIONS	333,981,727.93		333,981,727.93 *
AUXILIARY ENTERPRISES - SALES AND SERVICES	8,454,204.00		8,454,204.00
OTHER SOURCES	18,954,896.15		18,954,896.15
TOTAL CURRENT REVENUES	24,756,068.04	4,579,211.29	29,335,279.33
	663,805,849.55	60,437,773.41	729,243,622.96
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	109,715,343.90	10,108,569.42	119,823,913.32
RESEARCH	10,022,460.53	11,575,708.51	21,598,169.04
PUBLIC SERVICE	49,764,945.56	5,319,004.50	55,083,950.06
ACADEMIC SUPPORT	19,007,633.11	1,771.60	19,009,404.71
STUDENT SERVICES	32,493,982.08	924,897.10	33,418,879.18
INSTITUTIONAL SUPPORT	29,446,179.78	995,496.85	30,441,676.63
OPERATION AND MAINTENANCE OF PLANT	23,535,996.97	8,680,964.41	32,216,961.38
SCHOLARSHIPS	10,749,096.23	22,831,361.02	33,580,457.25
EDUCATIONAL AND GENERAL	284,735,638.16	60,437,773.41	345,173,411.57
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	14,581,543.08		14,581,543.08
FINANCIAL AID MATCHING	140,640.00		140,640.00
TOTAL EDUCATIONAL AND GENERAL	299,457,821.24	60,437,773.41	359,895,594.65
HOSPITALS (INCLUDING DEBT SERVICE OF \$6,249,826.06)	335,311,113.23		335,311,113.23
AUXILIARY ENTERPRISES:			
EXPENDITURES	14,410,676.59		14,410,676.59
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	3,069,849.04		3,069,849.04
NON-MANDATORY TRANSFERS FOR:			
RENEWALS AND REPLACEMENTS	1,355,455.00		1,355,455.00
OTHER TRANSFERS	9,362.50		9,362.50
TOTAL AUXILIARIES	18,845,343.13	0.00	18,845,343.13
TOTAL EXPENDITURES AND TRANSFERS	553,614,277.60	60,437,773.41	714,052,051.01
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(1,401,730.73)	(1,401,730.73)
REFUNDED TO GRANTORS		(23,765.17)	(23,765.17)
FUNDED DEPRECIATION	(6,200,000.00)		(6,200,000.00) *
MOBILE RACING COMMISSION	(86,891.66)		(86,891.66)
PLANT ADDITIONS AND REPLACEMENTS	(4,033,572.68)		(4,033,572.68)
ENDOWMENT FUND	(983,431.28)	634,383.68	50,952.40
OTHER TRANSFERS	597,659.51	(537,994.20)	59,665.31
TOTAL TRANSFERS	(10,306,236.11)	(1,329,106.42)	(11,635,342.53)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 4,883,335.84	\$ (1,329,106.42)	\$ 3,554,229.42
			\$ 467,301.33

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$6,200,000.00 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

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

BASIS OF PRESENTATION

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

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

FUND ACCOUNTING

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

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

USE OF ESTIMATES

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

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

PLANT FUNDS

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

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

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

INVESTMENT IN POOLED FUNDS

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

UNRESTRICTED GIFTS

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

GRANTS AND CONTRACTS

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

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

INCOME TAXES

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

DEFERRED REVENUES AND EXPENDITURES

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

EMPLOYEE BENEFITS

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

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

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 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.
- University Facilities Revenue Capital Improvement Bond, Series 2013A, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013B, 2.83% payable through August 2033.
- University Facilities Revenue Capital Improvement Bond, Series 2013C, 2.78% payable through August 2028.

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 YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>09/30/13</u>	<u>09/30/12</u>
BOOKSTORE	\$ 9,468,416.50	\$ 9,129,942.31	\$ (236,532.00)	\$ 101,942.19	\$ 453,890.99
FOOD SERVICES-CAMPUS	931,103.52	324,963.48	(606,140.04)	0.00	72,324.50
HOUSING	8,555,376.13	4,955,770.80	(3,591,994.50)	7,610.83	118,936.31
TOTAL	<u>\$ 18,954,896.15</u>	<u>\$ 14,410,676.59</u>	<u>\$ (4,434,666.54)</u>	<u>\$ 109,553.02</u>	<u>\$ 645,151.80</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	<u>09/30/13</u>	<u>09/30/12</u>
REVENUES:		
SALES	\$ 9,265,064.11	\$ 8,886,272.60
LESS: DEPARTMENTAL DISCOUNTS	10,846.46	7,733.47
COST OF GOODS SOLD	<u>7,053,811.24</u>	<u>6,486,284.32</u>
GROSS PROFIT	2,200,406.41	2,392,254.81
CASH OVER/(SHORT)	(57.76)	(1,522.72)
GRADUATION (NET)	98,232.50	63,125.65
TEXTBOOK RENTAL INCOME	24,476.30	32,276.87
OTHER	80,701.35	66,236.45
NET REVENUES:	<u>2,403,758.80</u>	<u>2,552,371.06</u>
EXPENDITURES:		
SALARIES	886,931.31	795,300.08
EMPLOYEE BENEFITS	272,193.77	253,373.34
SUPPLIES	39,684.21	29,120.99
TRAVEL	10,844.26	8,547.39
EQUIPMENT	15,602.45	14,606.39
EQUIPMENT MAINTENANCE AND REPAIR	45,871.60	42,542.56
BUILDING & EQUIPMENT RENTAL	31,077.55	27,172.24
ADVERTISING	36,336.16	24,629.26
UTILITIES	75,000.00	75,000.00
TELEPHONE	8,859.72	24,741.42
INSURANCE AND BONDS	3,912.00	3,997.00
CONTRACT SERVICES	182,849.48	193,302.98
BAD DEBT EXPENSE	53,891.23	0.00
RENT	0.00	3,885.00
OBSOLETE INVENTORY	2,882.44	1,263.12
GENERAL EXPENSES	14,194.31	40,757.96
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	102,604.16	89,455.38
INSTITUTIONAL COST ALLOCATION	<u>282,549.96</u>	<u>234,252.96</u>
TOTAL EXPENDITURES	<u>2,065,284.61</u>	<u>1,861,948.07</u>
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(236,532.00)	(236,532.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(236,532.00)</u>	<u>(236,532.00)</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 101,942.19</u>	<u>\$ 453,890.99</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	09/30/13	09/30/12
REVENUES:		
COMMISSION INCOME	\$ 931,103.52	\$ 914,590.31
TOTAL REVENUES	<u>931,103.52</u>	<u>914,590.31</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	23.40	214.24
EQUIPMENT MAINTENANCE AND REPAIR	80,624.59	46,250.50
UTILITIES	125,000.04	125,000.04
TELEPHONE	0.00	639.92
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	52,372.49	37,088.45
INSURANCE AND BONDS	23,703.00	9,537.00
EQUIPMENT	0.00	2,519.97
BUILDING MAINTENANCE AND REPAIR	2,134.00	2,905.00
INDIRECT COST	24,999.96	24,999.96
GENERAL EXPENSE	16,106.00	22,425.69
TOTAL EXPENDITURES	<u>324,963.48</u>	<u>271,580.77</u>
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):	(450,685.04)	(450,685.04)
NON-MANDATORY:		
OTHER TRANSFERS	(155,455.00)	(120,000.00)
TOTAL TRANSFERS	<u>(606,140.04)</u>	<u>(570,685.04)</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS (DEFICIT)	<u>\$ 0.00</u>	<u>\$ 72,324.50</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED
SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	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	\$ 159,310.00	\$ 134,454.50	\$ 1,667,957.87	\$ 44,382.58	\$ 392,295.58
BAD DEBT RECOVERY	2,317.50	0.00	0.00	0.00	0.00	321.54	0.00
OTHER	80,025.76	700.00	0.00	0.00	12,770.34	1,400.00	141,490.78
TOTAL REVENUES	82,343.26	700.00	159,310.00	134,454.50	1,680,728.21	46,104.12	533,786.36
EXPENDITURES:							
SALARIES	388,585.99	9,827.75	0.00	16,339.69	139,836.97	0.00	75,195.50
EMPLOYEE BENEFITS	124,342.61	88.74	0.00	1,114.68	11,575.24	0.00	0.00
CONTRACT LABOR	880.00	0.00	0.00	0.00	4,487.76	0.00	418.95
CONTRACT SERVICES	276.75	0.00	65,929.00	23,127.75	50,993.00	540.00	11,683.71
TRAVEL	14,730.39	104.36	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	7,110.66	26,256.88	0.00	0.00	0.00	0.00	0.00
SUPPLIES	22,236.61	10,445.92	0.00	2,237.53	23,070.81	0.00	1,194.64
CABLE	147,575.32	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	856.46	0.00	0.00	0.00	321.71	0.00	325.38
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	916.80
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	8,633.00	2,359.00	5,846.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	897.58	4,223.73
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	4,500.00	0.00	0.00
EQUIPMENT	1,706.60	5,175.59	0.00	0.00	736.00	0.00	1,860.00
EQUIPMENT RENTAL	1,413.38	0.00	0.00	0.00	0.00	0.00	186.36
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	51,414.20	37,244.56	0.00	(14,113.50)	104,087.59	3,391.89	66,841.47
ADMINISTRATIVE OVERHEAD	338,593.04	0.00	0.00	0.00	187,035.04	0.00	62,720.00
ADMINISTRATIVE EXPENSES	(1,018,110.75)	(87,806.30)	35,389.35	0.00	169,205.31	0.00	89,579.30
TOTAL EXPENDITURES	82,343.26	1,337.50	101,318.35	28,706.15	704,482.43	7,188.47	320,991.84
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(1,283,744.00)	0.00	(307,040.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	(57,991.65)	(105,748.35)	312,498.22	(38,915.65)	94,245.48
OTHER NON-MANDATORY TRANSFERS	0.00	637.50	0.00	0.00	(5,000.00)	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	637.50	(57,991.65)	(105,748.35)	307,498.22	(38,915.65)	94,245.48
TOTAL TRANSFERS	0.00	637.50	(57,991.65)	(105,748.35)	(976,245.78)	(38,915.65)	(212,794.52)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED
SEPTEMBER 30, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 09/30/13	TOTAL HOUSING 09/30/12
REVENUES:							
RENTAL INCOME	\$ 1,299,740.72	\$ 741,016.64	\$ 2,574,186.11	\$ 996,887.60	\$ 246,997.93	\$ 8,257,229.53	\$ 7,979,704.58
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	2,639.04	4,884.37
OTHER	9,945.75	5,742.74	19,974.09	20,125.47	3,332.63	295,507.56	287,578.94
TOTAL REVENUES	1,309,686.47	746,759.38	2,594,160.20	1,017,013.07	250,330.56	8,555,376.13	8,272,167.89
EXPENDITURES:							
SALARIES	190,266.49	91,437.20	270,093.36	125,019.71	52,828.29	1,359,430.95	1,162,255.17
EMPLOYEE BENEFITS	22,224.71	14,586.25	55,244.34	10,762.52	586.44	240,525.53	190,915.14
CONTRACT LABOR	3,130.10	5,427.44	10,964.86	1,185.60	0.00	26,494.71	33,663.44
CONTRACT SERVICES	15,098.62	6,427.30	127,774.24	17,753.06	167.25	319,770.68	300,475.92
TRAVEL	0.00	0.00	0.00	0.00	0.00	14,834.75	9,599.77
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	33,367.54	28,259.65
SUPPLIES	552.18	364.45	11,854.07	4,547.73	0.00	76,503.94	67,637.80
CABLE	0.00	0.00	0.00	0.00	0.00	147,575.32	154,893.04
TELEPHONE	162.88	278.57	1,020.33	580.94	0.00	3,546.27	2,838.42
UTILITIES	0.00	0.00	0.00	0.00	0.00	916.80	1,925.98
INSURANCE AND BONDS	8,709.00	4,197.00	13,039.00	5,303.00	0.00	48,818.00	52,569.00
BAD DEBT EXPENSE	7,854.06	8,080.87	41,081.12	9,823.22	0.00	71,960.58	72,502.07
BUILDING MAINTENANCE AND REPAIR	550.00	0.00	0.00	0.00	0.00	5,050.00	0.00
EQUIPMENT	0.00	72,109.80	6,574.09	982.68	2,304.96	91,449.72	75,418.40
EQUIPMENT RENTAL	0.00	1,214.43	1,886.40	0.00	0.00	4,700.57	2,819.10
EQUIPMENT MAINTENANCE AND REPAIR	0.00	2,180.00	0.00	0.00	0.00	2,180.00	4,830.15
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	87,716.15	53,552.42	204,352.34	112,485.59	1,570.65	708,523.36	907,241.41
ADMINISTRATIVE OVERHEAD	357,296.00	168,732.00	514,134.00	171,612.00	0.00	1,800,122.08	1,554,467.12
ADMINISTRATIVE EXPENSES	182,476.31	102,850.28	394,812.38	131,604.12	0.00	0.00	0.00
TOTAL EXPENDITURES	876,036.50	531,438.01	1,652,830.53	591,640.17	57,457.59	4,955,770.80	4,622,311.58
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	0.00	(2,382,632.00)	(2,330,920.00)
TOTAL MANDATORY TRANSFERS	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	0.00	(2,382,632.00)	(2,330,920.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	(280,497.97)	(169,561.37)	(584,374.84)	(176,780.90)	(192,872.97)	(1,200,000.00)	(1,200,000.00)
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	(5,000.00)	0.00	0.00	(9,362.50)	0.00
TOTAL NON-MANDATORY TRANSFERS	(280,497.97)	(169,561.37)	(589,374.84)	(176,780.90)	(192,872.97)	(1,209,362.50)	(1,200,000.00)
TOTAL TRANSFERS	(433,649.97)	(215,321.37)	(933,718.84)	(425,372.90)	(192,872.97)	(3,591,994.50)	(3,530,920.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 7,610.83	\$ 0.00	\$ 0.00	\$ 7,610.83	\$ 118,936.31
AND TRANSFERS (DEFICIT)							



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

Basic Financial Statements and Supplementary Information
on Federal Awards Programs

September 30, 2013

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

September 30, 2013 and 2012

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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Hospitals (the Hospitals), a division of the University, at September 30, 2013 and 2012 and for the years then ended. This discussion was prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

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

Financial Highlights

At September 30, 2013, 2012, and 2011, the University had total assets of \$1,042,345,000, \$983,800,000, and \$920,197,000, respectively; total liabilities of \$549,355,000, \$530,289,000, and \$503,301,000, respectively; and net position of \$492,990,000, \$453,511,000, and \$416,896,000, respectively. University net position increased by \$39,479,000 during the year ended September 30, 2013 compared to an increase of \$38,389,000 for the year ended September 30, 2012 and a decrease of \$2,375,000 for the year ended September 30, 2011.

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

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position of the University at September 30, 2013 and 2012. Net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or external donor. Unrestricted net position is generally designated for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statement of net position, along with all of the University's basic financial statements, is prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and net patient accounts receivable. Of these amounts, cash and cash equivalents, investments, and patient accounts receivable comprise approximately 41%, 39%, and 9%, respectively, of current assets at September 30, 2013. Noncurrent assets at September 30, 2013 consist primarily of capital assets, restricted cash and cash equivalents, and restricted investments.

(Continued)

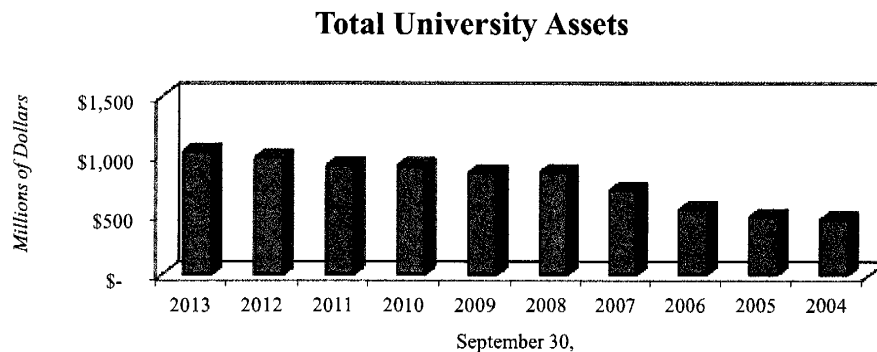
UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

The Condensed Schedule of Net Position at September 30, 2013, 2012, and 2011 follows (in thousands):

Condensed Schedule of Net Position			
	2013	2012	2011
Assets:			
Current	\$ 333,828	292,041	263,608
Capital assets	565,830	533,199	489,031
Other noncurrent	142,687	158,560	167,558
Total assets	\$ 1,042,345	983,800	920,197
Liabilities:			
Current	\$ 115,149	115,088	96,895
Noncurrent	434,206	415,201	406,406
Total liabilities	\$ 549,355	530,289	503,301
Net position:			
Net investment in capital assets	\$ 227,464	227,029	208,442
Restricted, nonexpendable	36,864	33,825	31,146
Restricted, expendable	54,364	48,201	43,227
Unrestricted	174,298	144,456	134,081
Total net position	\$ 492,990	453,511	416,896

University cash, cash equivalents, and investments (current and noncurrent) increased between September 30, 2012 and 2013 by \$47,820,000 to \$395,468,000. This increase is due primarily to the issuance of the 2013-A, 2013-B and 2013-C bonds, net of the utilization of cash from prior bond issues for various construction projects. This follows an increase of \$28,418,000 in cash, cash equivalents, and investments between 2011 and 2012, which was due primarily to the issuance of the 2012-A and 2012-B bonds.

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



(Continued)

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

Management's Discussion and Analysis (Unaudited)

September 30, 2013 and 2012

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

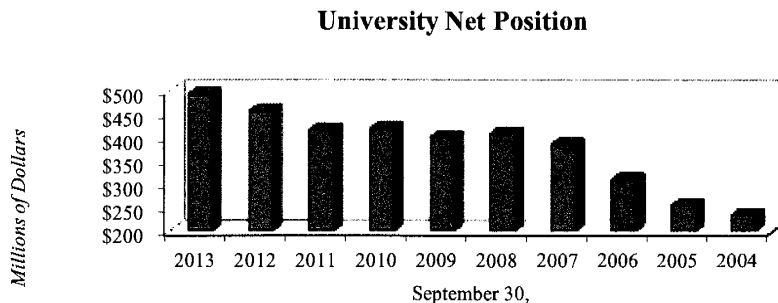
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. While earnings from these funds may be expended, the corpus may not be expended for any reason and must remain intact with the University in perpetuity.

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

Unrestricted net position represents those net assets not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the missions of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including the bookstore, student housing and dining services), student programs, capital projects and general operations.

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



All categories of restricted net position increased by approximately 11.2% between September 30, 2012 and 2013, primarily due to the addition of restricted gifts and grants to the University. Unrestricted net position increased from \$144,456,000 to \$174,298,000 between September 30, 2012 and 2013 reflecting the results of University financial operations during fiscal year 2013.

Statement of Revenues, Expenses, and Changes in Net Position

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

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

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

Nonoperating revenues have the characteristics of nonexchange transactions and are revenues generally earned for which goods and services are not provided, such as investment income, capital appropriations, gifts and other contributions. State appropriations are required by the Governmental Accounting Standards Board to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operation and administration of the University, but not directly incurred to acquire or produce the goods and services provided in return for operating revenues. Such nonoperating expenses include interest on the University's indebtedness and losses related to the disposition of capital assets.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

The Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2013, 2012, and 2011 follows (in thousands):

	2013	2012	2011
Operating revenues:			
Tuition and fees	\$ 95,709	88,299	81,557
Net patient service revenue	258,207	247,802	227,039
Federal, state and private grants and contracts	77,302	76,448	79,780
Other	52,388	56,579	47,790
	<u>483,606</u>	<u>469,128</u>	<u>436,166</u>
Operating expenses:			
Salaries and benefits	401,872	396,170	390,002
Supplies and other services	148,597	134,841	136,749
Other	51,651	51,222	53,224
	<u>602,120</u>	<u>582,233</u>	<u>579,975</u>
Operating loss	<u>(118,514)</u>	<u>(113,105)</u>	<u>(143,809)</u>
Nonoperating revenues (expenses):			
State appropriations	102,585	105,639	96,948
State appropriated – ARRA Funds	—	—	10,769
Investment income (loss)	28,159	14,561	(6,335)
Other, net	11,986	12,197	13,375
Net nonoperating revenues	<u>142,730</u>	<u>132,397</u>	<u>114,757</u>
Income (loss) before capital appropriations, capital contributions and additions to endowment	24,216	19,292	(29,052)
Capital appropriations, capital contributions and additions to endowment	<u>15,263</u>	<u>19,097</u>	<u>26,677</u>
Change in net position	<u>39,479</u>	<u>38,389</u>	<u>(2,375)</u>
Beginning net position, before cumulative effect of change in accounting principle	453,511	416,896	419,271
Cumulative effect of change in accounting principle	<u>—</u>	<u>(1,774)</u>	<u>—</u>
Beginning net position – as adjusted	<u>453,511</u>	<u>415,122</u>	<u>419,271</u>
Ending net position	<u>\$ 492,990</u>	<u>453,511</u>	<u>416,896</u>

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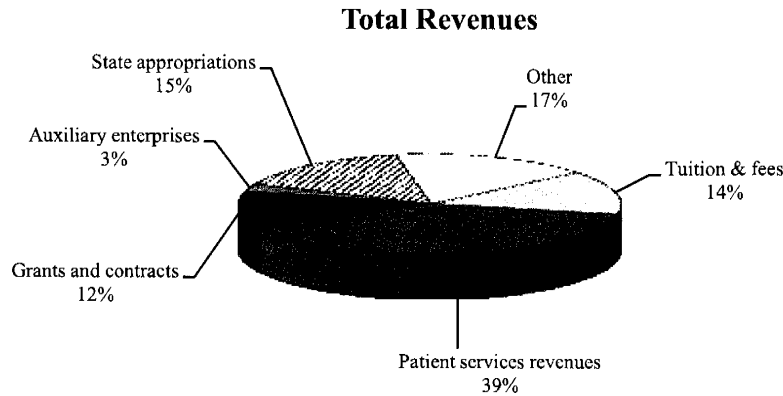
UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

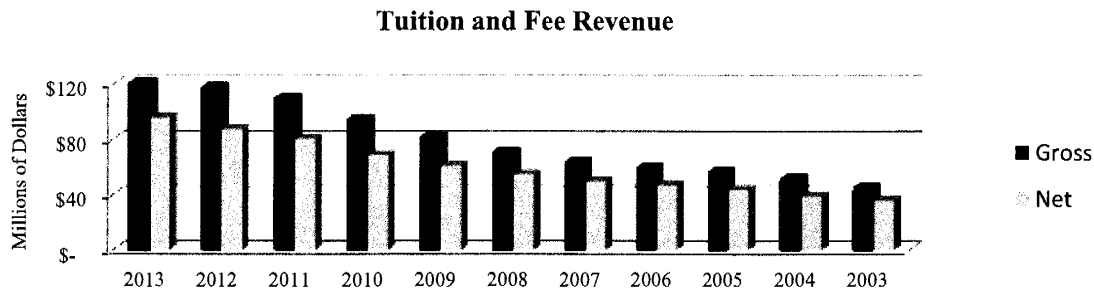
September 30, 2013 and 2012

In 2013, 2012, and 2011, approximately 39%, 39%, and 38%, respectively, of total revenues of the University were net patient service revenue. Excluding net patient service revenue, state appropriations represent the largest component of total university revenues, approximately 15% of total revenues in fiscal 2013. Also in 2013, net tuition and fees charged to students and grants and contracts (federal, state and private) represented approximately 14% and 12% of total revenues, respectively.

A summary of University revenues for the year ended September 30, 2013 is presented below:



Tuition and fees have increased in each of the last ten years. These increases are due primarily to increases in tuition and fee rates charged to students as well as to an increase in the number of students enrolled and credit hours taken by those students. Additionally, net tuition and fees as a percent of total operating revenues continue to increase, from 9.5% of operating revenues in 2002 to 19.8% in 2013. Tuition and fees, gross and net of scholarship allowances, for the past eleven fiscal years are as follows:

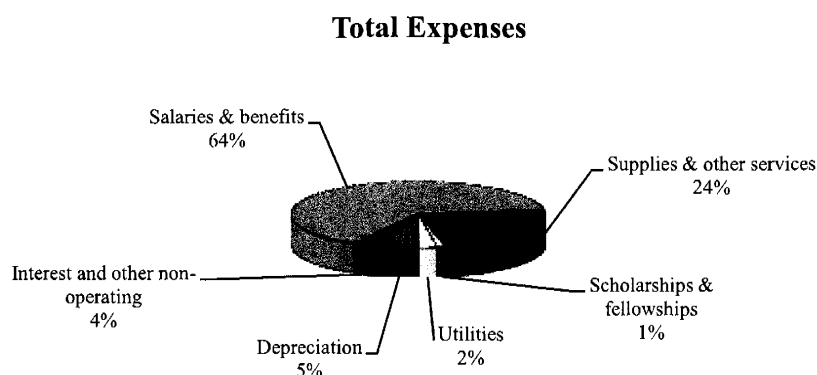


Capital contributions and grants decreased from \$15,103,000 in 2012 to \$10,871,000 in 2013 due to a decrease in grant funds received for construction of Shelby Hall. The University recognized \$1,236,000 in capital appropriations in 2013, compared to \$239,000 in 2012. The 2013 appropriations were utilized in the renovation of the Student Center.

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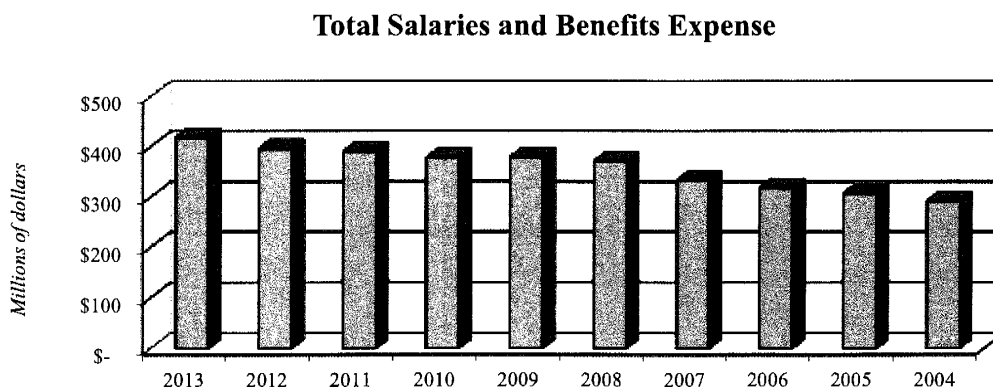
UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2013 is presented below:



While the University reports its expenses on a natural expense classification basis, functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, scholarships, and operation and maintenance of plant. Expenses related to auxiliary enterprise activities and the hospitals are presented separately. Functional expense information is presented in note 15 to the basic financial statements.

In 2013, 2012, and 2011, approximately 67%, 68% and 67%, respectively, of the University's total operating expenses were salaries and benefits. After steady increases from 2004 to 2008, salaries and benefits have been consistent since 2008, as follows:



For the years ended September 30, 2013, 2012, and 2011, the University reported an operating loss of approximately \$118,514,000, \$113,105,000, and \$143,809,000, respectively. Operating losses are offset partially by state appropriations, which are reported as nonoperating revenue. After adding state appropriations and other nonoperating revenues and expenses, (primarily capital appropriations, capital contributions, and additions to

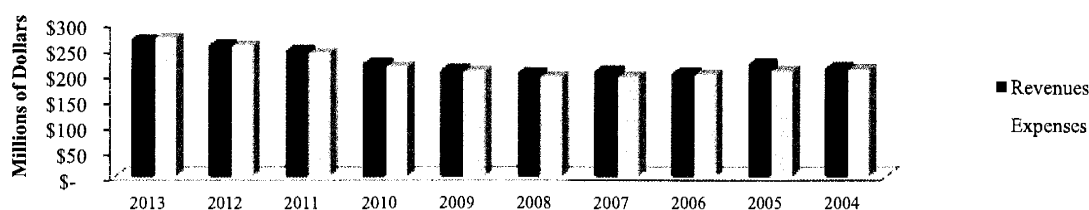
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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

endowment) the total change in net position was approximately \$39,479,000, \$38,389,000, and \$(2,375,000), for the years ended September 30, 2013, 2012, and 2011, respectively.

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

Hospital Operating Revenues and Expenses



Statement of Cash Flows

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

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately \$74,478,000 in 2013. During 2013, the Shelby Building was placed into service. Significant construction projects that remain in progress at September 30, 2013 included the expansion of Children's and Women's Hospital, a major renovation of the Student Center and a new professional medical office building. A new student housing facility was substantially completed in 2013. Major projects completed and placed into service in fiscal 2011 and 2012 included the Campus Entrance Portals, Stokes Hall, a major renovation of the Bookstore, Moulton Tower and the Glass Blowing Studio. At September 30, 2013, the University has outstanding commitments of approximately \$13,918,000 for various capital projects.

In a prior year, the State of Alabama made allocations from state bond issues to the University in the amount of \$21,332,000. During 2013, \$1,236,000 was recognized by the University and is reported as a capital appropriation. \$3,594,000 remains unspent at September 30, 2013.

In January 2012, the University issued the University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, with a face value of \$32,740,000. The net proceeds of these bonds will be used to fund the construction of new student housing as well as other construction and capital projects on the main campus of the University, the Hospitals and the Mitchell Cancer Institute.

In June 2013, the University issued the University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, with a total face value of \$50,000,000. The net proceeds of these bonds will

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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

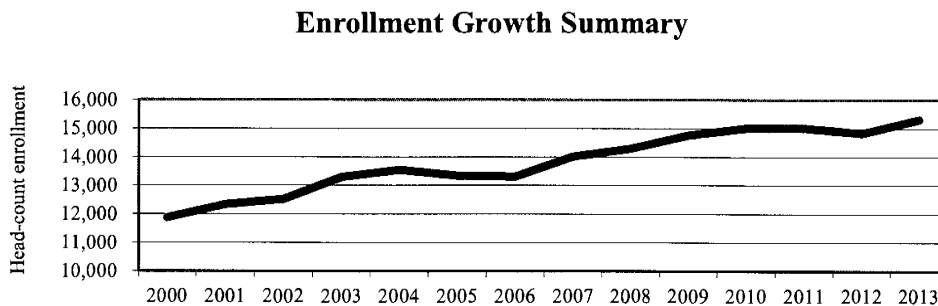
be used to fund the construction of a new professional medical office building as well as other construction and other capital projects on the main campus of the University.

In order to realize debt service savings currently from future debt refunding, in January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to the 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 in 2013, 2012 and 2011.

The University's bond credit rating is A1 as rated by Moody's Investors Services and A+ as rated by Standard and Poor's Rating Services. Neither rate changed during 2013.

Economic Outlook

Student enrollment and tuition and fee rates have both increased over the past thirteen years. The University has experienced an increase in enrollment between 2000 and 2013, from 11,870 in 2000 to 15,311 for the 2013 fall semester. The enrollment trend for the University between 2000 and 2013 is as follows:

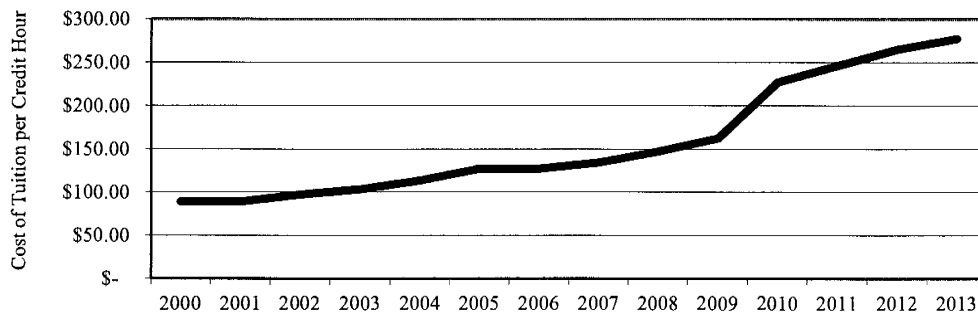


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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

In that same time period, in state tuition per credit hour has increased by approximately 198%. The large increase in 2010 is the result of the University's bundling of tuition and required fees into a single per hour charge. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. The trend of in-state tuition per credit hour between 2000 and 2013 is as follows:

Tuition per Credit Hour



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, or approximately \$19,349,000, \$19,185,000 and \$14,581,000, respectively, in its state appropriation. These increases were unusually high. For the 2009 fiscal year, the University's original state appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008 the Governor of Alabama announced proration of 9%, or approximately \$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

A state appropriation in the amount of approximately \$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, that reduced the amount received to \$96,948,000.

A state appropriation in the amount of approximately \$105,639,000 was authorized and received for the year ended September 30, 2012.

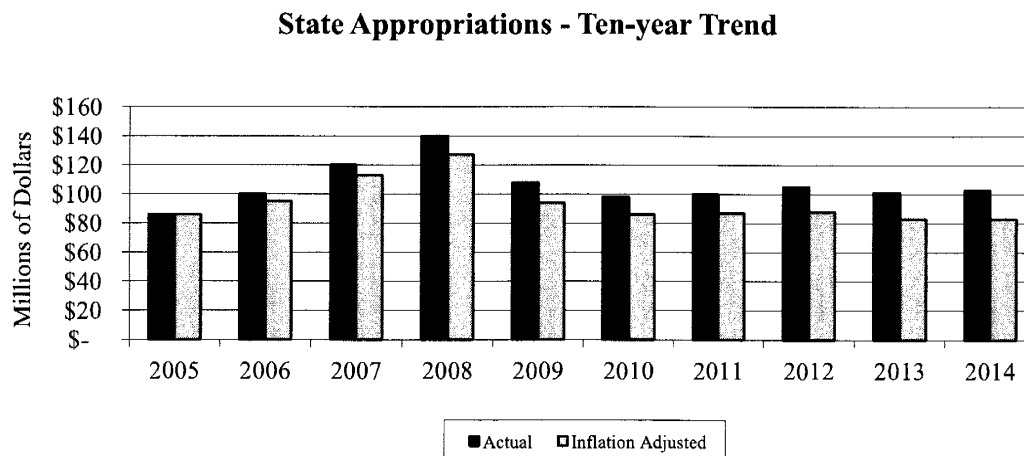
A state appropriation in the amount of approximately \$102,585,000 was authorized and received for the year ended September 30, 2013.

A state appropriation in the amount of approximately \$103,696,000 has been authorized for the year ending September 30, 2014. This represents a \$1,111,000 increase from the fiscal 2013 appropriation received. While no announcement has been made, the University is aware that reductions in its 2014 appropriation are possible.

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012

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



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

In early 2009, the American Recovery and Investment Act (ARRA) was passed by Congress and signed into law by the President. As a result of this legislation, the University was awarded and received approximately \$10,769,000 in both 2010 and 2011 through the U.S. Department of Education's State Fiscal Stabilization Fund Program. No additional ARRA State Fiscal Stabilization funds were received in 2013 or 2012, nor are anticipated in 2014. Additional funding was available through the competitive grant process from various federal agencies. As of September 30, 2013, the University had been awarded ARRA grants totaling approximately \$51,097,000.

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 2013 beyond those unknown variables having a global effect on virtually all types of business operations.

Requests for Information

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



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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2013 and 2012 consolidated financial statements of the University of South Alabama Foundation, which represents 83%, 100%, and 26%, respectively, of the 2013 assets, net assets, and revenues, gains and other support of the aggregate discretely presented component units and 80%, 101%, and 14%, respectively, of the 2012 assets, net assets, and revenues, gains and other support of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Alabama Foundation, the University of South Alabama Health Services Foundation, the USA Research and Technology Corporation, and the Professional and General Liability Trust Funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal



control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of September 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(w) to the basic financial statements, in 2013, the University adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 15, 2013

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

Statements of Net Position
September 30, 2013 and 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 137,610	120,227
Investments	130,694	91,193
Net patient accounts receivable, (net of allowance for doubtful accounts of \$51,159 and \$54,220)	29,053	26,838
Accounts receivable, affiliates	17,283	22,218
Accounts receivable, other	2,147	17,635
Notes receivable, net	6,545	4,630
Prepaid expenses, inventories, and other	10,496	9,300
Total current assets	<u>333,828</u>	<u>292,041</u>
Noncurrent assets:		
Restricted cash and cash equivalents	86,135	95,374
Restricted investments	40,553	39,969
Investments	476	885
Accounts receivable	4,580	5,239
Notes receivable, net	8,529	10,782
Other noncurrent assets	2,414	6,311
Capital assets, net	565,830	533,199
Total noncurrent assets	<u>708,517</u>	<u>691,759</u>
Total assets	<u>1,042,345</u>	<u>983,800</u>
Current liabilities:		
Accounts payable and accrued liabilities	51,056	57,513
Unrecognized revenue	48,332	44,306
Deposits	2,608	2,479
Current portion of long-term debt	13,153	10,790
Total current liabilities	<u>115,149</u>	<u>115,088</u>
Noncurrent liabilities:		
Long-term debt, less current portion	387,737	348,909
Other long-term liabilities	46,469	66,292
Total noncurrent liabilities	<u>434,206</u>	<u>415,201</u>
Total liabilities	<u>549,355</u>	<u>530,289</u>
Net position:		
Net investment in capital assets	227,464	227,029
Restricted, nonexpendable:		
Scholarships	16,118	14,685
Other	20,746	19,140
Restricted, expendable:		
Scholarships	13,346	10,323
Other	41,018	37,878
Unrestricted	174,298	144,456
Total net position	<u>\$ 492,990</u>	<u>453,511</u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit)

Consolidated Statements of Financial Position

June 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Cash and cash equivalents	\$ 900	671
Investments:		
Equity securities	114,193	104,498
Timber and mineral properties	154,332	153,574
Real estate	31,010	31,040
Other	6,040	5,522
Other assets	647	768
Total assets	<u>\$ 307,122</u>	<u>296,073</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 126	182
Note payable – University of South Alabama	7,783	11,493
Other liabilities	677	637
Total liabilities	<u>8,586</u>	<u>12,312</u>
Net assets:		
Unrestricted	64,280	61,628
Temporarily restricted	64,862	52,887
Permanently restricted	169,394	169,246
Total net assets	<u>298,536</u>	<u>283,761</u>
Total liabilities and net assets	<u>\$ 307,122</u>	<u>296,073</u>

See accompanying notes to basic financial statements.

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

Statements of Financial Position

September 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 592	234
Patient accounts receivable (net of allowance for uncollectible accounts of approximately \$4,651 and \$5,873)	12,005	13,969
Other current assets	1,263	1,196
Total current assets	13,860	15,399
Interest in assets of University of South Alabama Professional Liability Trust Fund	14,726	20,218
Property and equipment, net	3,658	4,388
Total assets	\$ 32,244	40,005
Liabilities and Net Deficit		
Current liabilities:		
Accounts payable	\$ 1,656	1,914
Due to affiliates	17,133	21,715
Total current liabilities	18,789	23,629
Estimated professional liability costs	14,726	20,218
Total liabilities	33,515	43,847
Net deficit	(1,271)	(3,842)
Total liabilities and deficit	\$ 32,244	40,005

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit)

Statements of Net Position

September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 1,447	1,487
Restricted cash and cash equivalents	—	253
Rent receivable	167	268
Prepaid expenses and other current assets	10	4
Total current assets	<u>1,624</u>	<u>2,012</u>
Noncurrent assets:		
Intangible assets, net	99	92
Capital assets, net	24,701	25,242
Total noncurrent assets	<u>24,800</u>	<u>25,334</u>
Deferred outflows	<u>3,225</u>	<u>4,889</u>
Total assets and deferred outflows	<u>29,649</u>	<u>32,235</u>
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses	356	195
Payable to University of South Alabama	7	12
Unrecognized rent revenue	431	400
Current portion of notes payable	1,002	946
Total current liabilities	<u>1,796</u>	<u>1,553</u>
Noncurrent liabilities:		
Notes payable, excluding current portion	23,285	24,287
Interest rate swap	3,225	4,889
Total noncurrent liabilities	<u>26,510</u>	<u>29,176</u>
Total liabilities	<u>28,306</u>	<u>30,729</u>
Net position:		
Net investment in capital assets	284	258
Unrestricted	1,059	1,248
Total net position	<u>\$ 1,343</u>	<u>1,506</u>

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2013 and 2012

(In thousands)

	2013	2012
Operating revenues:		
Tuition and fees (net of scholarship allowances of \$32,457 and \$29,770)	\$ 95,709	88,299
Net patient service revenue	258,207	247,802
Federal grants and contracts	18,010	20,573
State grants and contracts	7,897	6,292
Private grants and contracts	51,395	49,583
Auxiliary enterprises (net of scholarship allowances of \$974 and \$873)	18,354	17,878
Other operating revenues	34,034	38,701
Total operating revenues	<u>483,606</u>	<u>469,128</u>
Operating expenses:		
Salaries and benefits	401,872	396,170
Supplies and other services	148,597	134,841
Scholarships and fellowships	7,099	6,272
Utilities	14,703	14,554
Depreciation and amortization	29,849	30,396
Total operating expenses	<u>602,120</u>	<u>582,233</u>
Operating loss	<u>(118,514)</u>	<u>(113,105)</u>
Nonoperating revenues (expenses):		
State appropriations	102,585	105,639
Investment income	28,159	14,561
Interest expense	(13,093)	(13,775)
Other nonoperating revenues	34,299	32,996
Other nonoperating expenses	(9,220)	(7,024)
Net nonoperating revenues	<u>142,730</u>	<u>132,397</u>
Income before capital appropriations, capital contributions and grants, and additions to endowment	24,216	19,292
Capital appropriations	1,236	239
Capital contributions and grants	10,871	15,103
Additions to endowment	3,156	3,755
Change in net position	<u>39,479</u>	<u>38,389</u>
Net position:		
Beginning of year, before cumulative effect of change in accounting principle	453,511	416,896
Cumulative effect of change in accounting principle	<u>—</u>	<u>(1,774)</u>
Beginning balance – as adjusted	<u>453,511</u>	<u>415,122</u>
End of year	<u><u>\$ 492,990</u></u>	<u><u>453,511</u></u>

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2013

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Net realized and unrealized gains on investments	\$ 9,182	11,758	—	20,940
Rents, royalties and timber sales	3,501	—	16	3,517
Interest and dividends	485	1,474	6	1,965
Gifts	—	1	15	16
Other income	70	—	—	70
Required match of donor contributions	(111)	—	111	—
Interfund interest	(118)	118	—	—
Net assets released from program restrictions	1,376	(1,376)	—	—
Total revenues, gains, and other support	14,385	11,975	148	26,508
Expenditures:				
Program services:				
Faculty support	2,379	—	—	2,379
Scholarships	982	—	—	982
Other	1,088	—	—	1,088
Total program service expenditures	4,449	—	—	4,449
Management and general	1,724	—	—	1,724
Other investment expense	1,796	—	—	1,796
Depletion expense	3,391	—	—	3,391
Depreciation expense	83	—	—	83
Interest expense	290	—	—	290
Total expenditures	11,733	—	—	11,733
Increase in net assets	2,652	11,975	148	14,775
Net assets – beginning of year	61,628	52,887	169,246	283,761
Net assets – end of year	\$ 64,280	64,862	169,394	298,536

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2012

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Net realized and unrealized gains on investments	\$ 5,513	768	—	6,281
Rents, royalties and timber sales	4,255	—	18	4,273
Interest and dividends	611	1,230	7	1,848
Gifts	—	—	195	195
Other income	5	—	—	5
Required match of donor contributions	(100)	—	100	—
Interfund interest	(88)	88	—	—
Transfer	(864)	864	—	—
Net assets released from program restrictions	1,456	(1,456)	—	—
Total revenues, gains, and other support	10,788	1,494	320	12,602
Expenditures:				
Program services:				
Faculty support	2,307	—	—	2,307
Scholarships	1,023	—	—	1,023
Other	1,096	—	—	1,096
Total program service expenditures	4,426	—	—	4,426
Management and general	1,653	—	—	1,653
Other investment expense	1,638	—	—	1,638
Depletion expense	4,135	—	—	4,135
Depreciation expense	77	—	—	77
Interest expense	408	—	—	408
Total expenditures	12,337	—	—	12,337
Increase (decrease) in net assets	(1,549)	1,494	320	265
Net assets – beginning of year	63,177	51,393	168,926	283,496
Net assets – end of year	\$ 61,628	52,887	169,246	283,761

See accompanying notes to basic financial statements.

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

Statements of Operations and Changes in Net Deficit

Years ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 63,298	66,026
Provision for uncollectible accounts	<u>(12,057)</u>	<u>(11,670)</u>
Net patient service revenue less provision for uncollectible accounts	51,241	54,356
Other revenue	<u>8,701</u>	<u>8,410</u>
Total unrestricted revenues, gains, and other support	<u>59,942</u>	<u>62,766</u>
Expenses:		
Salaries and benefits	48,433	48,328
General and administrative	5,864	7,064
Depreciation and amortization	<u>1,465</u>	<u>1,270</u>
Total expenses	<u>55,762</u>	<u>56,662</u>
Operating income	4,180	6,104
Nonoperating gains	<u>3,491</u>	<u>2,173</u>
Revenues over expenses	7,671	8,277
Transfer of capital to University of South Alabama, College of Medicine	<u>(5,100)</u>	<u>(4,200)</u>
Change in deficit	2,571	4,077
Net deficit at beginning of year	<u>(3,842)</u>	<u>(7,919)</u>
Net deficit at end of year	<u><u>\$ (1,271)</u></u>	<u><u>(3,842)</u></u>

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2013 and 2012

(In thousands)

	2013	2012
Operating revenues	\$ 4,011	4,003
Total operating revenues	4,011	4,003
Operating expenses:		
Building management and operating expenses	1,427	1,367
Depreciation and amortization	981	1,133
Legal and administrative fees	222	222
Insurance	150	120
Total operating expenses	2,780	2,842
Operating income	1,231	1,161
Nonoperating revenues (expenses):		
Investment income	8	9
Interest expense	(1,409)	(1,458)
Abandoned development and tenant improvement costs	—	(158)
Donation revenue	2	—
Other	5	5
Net nonoperating expenses	(1,394)	(1,602)
Capital grant	—	183
Change in net position	(163)	(258)
Net position:		
Beginning of year, before cumulative effect of change in accounting principle	1,506	1,821
Cumulative effect of change in accounting principle	—	(57)
Beginning of year, as adjusted	1,506	1,764
End of year	\$ 1,343	1,506

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 99,546	89,347
Receipts from and on behalf of patients and third-party payers	255,918	253,766
Receipts from grants and contracts	86,927	73,694
Receipts related to auxiliary enterprises	18,507	17,995
Payments to suppliers and vendors	(149,010)	(161,308)
Payments to employees and related benefits	(396,311)	(383,158)
Payments for scholarships and fellowships	(7,099)	(6,272)
Other operating receipts	33,007	46,995
Net cash used in operating activities	<u>(58,515)</u>	<u>(68,941)</u>
Cash flows from noncapital financing activities:		
State appropriations	102,585	105,639
Endowment gifts	3,156	3,755
Agency funds received	1,040	1,361
Agency funds disbursed	(904)	(1,007)
Student loan program receipts	126,410	115,253
Student loan program disbursements	(126,936)	(115,884)
Other nonoperating revenues	34,729	27,569
Other nonoperating expenses	(9,206)	(7,339)
Net cash provided by noncapital financing activities	<u>130,874</u>	<u>129,347</u>
Cash flows from capital and related financing activities:		
Capital contributions and grants	13,464	15,718
Purchases of capital assets	(72,680)	(71,804)
Proceeds from sale of capital assets	6,030	3,419
Proceeds from issuance of capital debt	50,000	32,740
Principal payments on capital debt	(10,552)	(8,033)
Interest payments on capital debt	(14,324)	(13,951)
Net cash used in capital and related financing activities	<u>(28,062)</u>	<u>(41,911)</u>
Cash flows from investing activities:		
Interest and dividends on investments	5,030	2,946
Purchases of investments	(90,855)	(22,330)
Proceeds from sales of investments	49,672	37,605
Net cash provided by (used in) investing activities	<u>(36,153)</u>	<u>18,221</u>
Net increase in cash and cash equivalents	8,144	36,716
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	215,601	178,885
End of year	<u>\$ 223,745</u>	<u>215,601</u>

(Continued)

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

Statements of Cash Flows

Years ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (118,514)	(113,105)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	29,849	30,396
Changes in assets and liabilities, net:		
Student receivables	1,350	(1,182)
Net patient accounts receivables	(2,215)	6,868
Grants and contracts receivables	7,706	(5,378)
Other receivables	9,513	3,201
Prepaid expenses, inventories, and other	5,302	(15,458)
Accounts payable and accrued liabilities	9,630	15,555
Unrecognized revenue	(1,136)	10,162
Net cash used in operating activities	<u>\$ (58,515)</u>	<u>(68,941)</u>
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of investment income	\$ 24,692	11,490
Additional maturity on capital appreciation on bonds payable and other borrowings recorded as interest expense	1,981	2,086
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital assets	124	239
Gifts of capital and other assets	42	513
Pledges of operating and capital gifts	1,961	1,064
Capitalization of construction period interest	2,934	2,466
Increase (decrease) in accounts payable related to capital assets	(3,856)	3,516

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying basic financial statements present the financial position and activities of the University of South Alabama (the University), which is a component unit of the State of Alabama. The financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

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

During 2013, the University adopted GASB Statement No. 61, *The Financial Reports Entity: Omnibus*, which amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2013 and 2012, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF). This entity is not considered a component unit of the University under the provisions of GASB Statements No. 14, 39 and 61 because the University does not consider SAMSF significant enough to warrant inclusion in the University's reporting entity (see note 13 for further discussion of this entity).

GASB Statement No. 61 requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 61. Based on these criteria, the University reports the Professional Liability Trust Fund, the General Liability Trust Fund

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

and the USA HealthCare Management, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

(b) *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 LLC was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of the LLC. The LLC commenced operations in October 2010 and is reported as a blended component unit (see note 16 for further discussion of, and disclosure for, this entity).

(c) *Professional Liability and General Liability Trust Funds*

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, LLC and SAMSF 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, USAHSF, LLC, SAMSF and the Corporation is maintained and managed in a general liability trust fund (the GLTF) for which the University, as defined by GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units (see note 16 for further discussion of, and disclosure for, these entities).

(d) *University of South Alabama Foundation*

The USA Foundation is a not-for-profit foundation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. Total distributions received or accrued by the University for the years ended September 30, 2013 and 2012 were \$4,392,000 and \$4,258,000, respectively, and are primarily included in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 14, this discretely presented unit has been included with the most recent fiscal year. The consolidated statements of financial position and the consolidated statements of activities and changes in net assets for the USA Foundation as of and for the years

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

ended June 30, 2013 and 2012 are discretely presented following the statements of net assets and statements of revenues, expenses, and changes in net assets of the University.

(e) *University of South Alabama Health Services Foundation*

The USAHSF is a not-for-profit corporation that exists to provide a group medical practice for physicians who are faculty members of the University and to further medical education and research at the University. Because of the significance of the relationship between the University and USAHSF, USAHSF is considered a component unit of the University. The USAHSF reimburses the University for salaries, certain administrative expenses, dean's clinical assessment and other support services. Total amounts received and accrued for such expenses were approximately \$44,786,000 and \$43,621,000 for the years ended September 30, 2013 and 2012, respectively, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net position of the University. The USAHSF presents its financial statements in accordance with standards issued by the FASB. The statements of financial position and the statements of operations and changes in unrestricted net assets for the USAHSF for the years ended September 30, 2013 and 2012 are discretely presented following the statements of net assets and statements of revenues, expenses, and changes in net assets of the University.

(f) *USA Research and Technology Corporation*

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

(g) *Measurement Focus and Basis of Accounting*

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The University prepares its basic financial statements in accordance with U.S. generally accepted accounting principles, as prescribed by GASB, including all applicable effective statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

(h) 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.

(i) Cash and Cash Equivalents

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

(j) Investments and Investment Income

Investments are recorded at fair value. The fair value of alternative investments (low-volatility multi-strategy funds, private placement fund-of-funds, relative value arbitrage funds, and other) do not have readily ascertainable market values and the University values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or companies. Because these investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income (loss).

(k) Derivatives

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

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 September 30, 2013 and 2012, 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 change in net position.

The fair values of the derivatives were \$(13,333,000) and \$(23,609,000) at September 30, 2013 and 2012, respectively. At September 30, 2013 and 2012, the fair values of the derivatives were included in other long-term liabilities in the accompanying statements of net position. The change in fair value

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

for the years ended September 30, 2013 and 2012 was \$10,276,000 and \$(2,948,000) and was included in investment income in the accompanying statements of revenues, expenses, and changes in net position for the periods ended September 30, 2013 and 2012. See note 5 for further discussion.

(l) 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.

(m) Inventories

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

(n) Capital Assets

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain assets constructed are capitalized as a component of the cost of acquiring those assets.

(Continued)

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2013 and 2012, no impairments were recorded.

(o) *Unrecognized Revenue*

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenue and then recognized over the applicable portion of each school term.

Operating lease rental payments related to the University's lease of USA Knollwood Hospital to the Infirmary Health System, Inc. (see note 10) are initially recorded as unrecognized revenue and then recognized as revenue over the term of the lease using the straight-line method.

(p) *Classification of Net Position*

The University's net position is classified as follows:

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

Restricted, nonexpendable net position consists of endowment and similar type funds 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 position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, 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 position may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board, to meet current expenses for any purpose. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital programs.

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

(q) *Scholarship Allowances and Student Financial Aid*

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and

(Continued)

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

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.

(r) Donor Restricted Endowments

The University is subject to the "Uniform Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 5% of the three-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net position.

(s) Classification of Revenues

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

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

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

(t) Gifts and Pledges

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

(Continued)

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

Notes to Basic Financial Statements

September 30, 2013 and 2012

(u) 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.

(v) Net Patient Service Revenue and Electronic Health Records Incentive Program

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.

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

USA Medical Center met the meaningful use objectives for Medicare during 2013, and recognized \$725,000 in revenue. USA Children's and Women's Hospital expects meaningful use objectives for Medicare will be met for the federal fiscal year ended September 30, 2014. The Hospitals recognized Medicaid EHR incentive revenues of \$4,673,000 for the year ended September 30, 2012. The Hospitals next receipt of Medicaid EHR revenues is expected to occur during the federal fiscal year ended September 30, 2014. EHR incentive revenues are included in other operating revenues in the accompanying consolidated statements of revenues, expenses and changes in net position.

(w) Recently Adopted Accounting Pronouncements

In 2013, the University adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 amends GASB Statements No. 14 and 39 and modifies

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certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 61 requires that for organizations that previously were included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Statement No. 61 also establishes criteria to require inclusion based on other additional factors, such as organization board appointment, financial benefit or burden and operational management of the organization. The adoption of this statement had no financial reporting entity impact on the University's component units; however, it did require additional disclosures for blended component units.

In 2013, the University also adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2013. Retroactive application of the standards was required for all prior periods presented.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 establishes accounting and 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. The University had historically deferred certain debt financing costs related to its bond issues and was amortizing those costs over the term of the related bond issue. GASB Statement 65 requires that debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. The adoption of the provisions of GASB Statement No. 65 decreased beginning net position at October 1, 2011 by \$1,774,000. The University's statement of net position has been restated to reflect a decrease in other noncurrent position and unrestricted net assets of \$1,774,000.

(x) Compensated Absences

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

(y) Reclassifications

Certain amounts in the 2012 basic financial statements have been reclassified in order to conform to 2013 classification.

(2) Income Taxes

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

In addition, the University's discretely presented component units are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Consistent

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with that designation, no provision for income taxes has been made in the accompanying discretely presented financial statements.

(3) Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2013, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$9,778,000,000. The University had cash and cash equivalents totaling \$223,745,000 and \$215,601,000 at September 30, 2013 and 2012, respectively.

At September 30, 2013, restricted cash and cash equivalents consist of \$28,547,000 related to swaption collateral obligations, \$2,621,000 related to cash included in the PLTF and GLTF to pay insurance liability claims and \$54,967,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture. At September 30, 2012, restricted cash and cash equivalents consist of \$36,753,000 related to swaption collateral obligations, \$12,246,000 related to cash included in the PLTF and GLTF to pay insurance liability claims and \$46,375,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture.

(4) Investments

(a) *University of South Alabama*

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

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

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

Investments of the University, by type, at fair value, are as follows at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
U.S. Treasury notes	\$ 8,496	8,404
U.S. federal agency notes	19,676	14,981
Pooled equity mutual funds	71,406	57,464
Pooled debt mutual funds	30,594	24,619
Managed income alternative investments (low-volatility multi-strategy funds, private placement fund-of-funds, relative value arbitrage funds, and other)	27,791	17,777
State agency obligations	394	462
Other	13,366	8,340
	<u>\$ 171,723</u>	<u>132,047</u>

At September 30, 2013 and 2012, \$10,272,000 and \$6,938,000, respectively, of appreciation in fair value of investments of donor-restricted endowments was recognized and are included in restricted expendable net position in the accompanying statements of net position.

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.

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The University's exposure to credit risk and concentration of credit risk at September 30, 2013 is as follows:

	Credit rating	Percentage of total investments
Federal Home Loan Mortgage Corporation	Aaa	4.9%
Federal Home Loan Bank Corporation	Aaa	2.3
Federal National Mortgage Association	Aaa	1.3
Common Fund Bond Fund	AA	15.2
Various State Agency Obligations	Aaa/A2	0.2
PIMCO Pooled Bond Fund	AA+/NR	2.7
Federal Farm Credit Banks Funding Corporation	Aaa	2.9
Federal Agricultural Mortgage Corporation	Aaa	0.1

The University's exposure to credit risk and concentration of credit risk at September 30, 2012 is as follows:

	Credit rating	Percentage of total investments
Federal Home Loan Mortgage Corporation	Aaa	1.3%
Federal Home Loan Bank Corporation	Aaa	4.1
Federal National Mortgage Association	Aaa	4.3
Common Fund Bond Fund	AA	16.7
Various State Agency Obligations	Aaa/A2	0.4
PIMCO Pooled Bond Fund	AA+/NR	2.0
Federal Farm Credit Banks Funding Corporation	Aaa	1.7
Federal Agricultural Mortgage Corporation	Aaa	0.1

Interest Rate Risk

At September 30, 2013, the maturity dates of the University's debt investments were as follows (in thousands):

	Fair value	Years to maturity			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes	\$ 8,496	808	7,688	—	—
U.S. federal agency notes	19,676	664	18,930	—	82
Pooled debt mutual funds	30,594	1,183	—	29,411	—
State agency obligations	394	—	—	—	394
	<u>\$ 59,160</u>	<u>2,655</u>	<u>26,618</u>	<u>29,411</u>	<u>476</u>

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At September 30, 2012, the maturity dates of the University's debt investments were as follows (in thousands):

	Fair value	Years to maturity			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes	\$ 8,404	4,497	3,907	—	—
U.S. federal agency notes	14,981	5,180	9,378	—	423
Pooled debt mutual funds	24,619	892	—	21,986	1,741
State agency obligations	462	—	42	—	420
	<u>\$ 48,466</u>	<u>10,569</u>	<u>13,327</u>	<u>21,986</u>	<u>2,584</u>

Pooled debt mutual funds are classified based on the weighted average maturity of the individual investment instruments within each fund.

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

Mortgage-Backed Securities

The University, from time to time, invests in mortgage backed securities issued by the Government National Mortgage Association (GNMA) and the Federal National Mortgage Association (FNMA), agencies of the United States government. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

The fair value of mortgage-backed securities is generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities include collateralized mortgage obligations (CMOs). In CMOs, the cash flow from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meets its risk and return objectives. CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets. There were no CMOs in the University's investment portfolio at September 30, 2013 or 2012.

At September 30, 2013, restricted investments consist of \$40,553,000 related to investments included in the PLTF and GLTF to pay insurance liability claims. At September 30, 2012, restricted investments consist of \$39,969,000 related to investments included in the PLTF and GLTF to pay insurance liability claims.

(b) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling \$114,193,000 and \$104,498,000, at June 30, 2013 and 2012, respectively.

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Investment income was comprised of the following for the years ended June 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Unrealized gains	\$ 18,296	5,840
Realized gains	2,644	441
Timber sales	2,764	3,473
Interest and dividends	1,965	1,848
Rents	605	602
Royalties	148	198
	<u>\$ 26,422</u>	<u>12,402</u>

Investment related expenses in the amount of \$259,000 and \$244,000, respectively, are included in the USA Foundation's management and general expenses in the accompanying 2013 and 2012 consolidated statements of activities and changes in net assets.

Real estate at June 30, 2013 and 2012 consisted of the following property held (in thousands):

	<u>2013</u>	<u>2012</u>
Land and land improvements – held for investment	\$ 29,910	29,913
Building and building improvements – held for investment, net of depreciation	1,100	1,127
	<u>\$ 31,010</u>	<u>31,040</u>

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

Investments at June 30, 2013 and 2012, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation of the trustee responsible for the management of the company and the timber valuation.

The Foundation has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, (formally FASB Statement No. 157, *Fair Value Measurements*). ASC 820 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery

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by substantially all market participants (Level 1). The Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices (Level 2). Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable (Level 3). The Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The Foundation's investment assets at June 30, 2013 and 2012, respectively, are summarized based on the criteria of ASC 820 as follows (in thousands):

Description	Fair value measurements at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 57,870	56,323	—	114,193
Timber and mineral properties	—	—	154,332	154,332
Real estate	—	—	31,010	31,010
Other investments	—	—	6,040	6,040
	<u>\$ 57,870</u>	<u>56,323</u>	<u>191,382</u>	<u>305,575</u>

Description	Fair value measurements at June 30, 2012			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 51,461	53,037	—	104,498
Timber and mineral properties	—	—	153,574	153,574
Real estate	—	—	31,040	31,040
Other investments	—	—	5,522	5,522
	<u>\$ 51,461</u>	<u>53,037</u>	<u>190,136</u>	<u>294,634</u>

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For the year ended June 30, 2013, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

Description	Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	\$ 153,574	31,040	5,522	190,136
Total gains (losses) (realized/unrealized)	3,876	—	518	4,394
Acquisitions	—	3	—	3
Reforestation	273	—	—	273
Depreciation/depletion	(3,391)	(33)	—	(3,424)
Ending balance	<u>\$ 154,332</u>	<u>31,010</u>	<u>6,040</u>	<u>191,382</u>

For the year ended June 30, 2012, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

Description	Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	\$ 153,432	27,973	5,531	186,936
Total gains (losses) (realized/unrealized)	3,793	3,100	(9)	6,884
Reforestation	484	—	—	484
Depreciation/depletion	(4,135)	(33)	—	(4,168)
Ending balance	<u>\$ 153,574</u>	<u>31,040</u>	<u>5,522</u>	<u>190,136</u>

As of June 30, 2013, the Foundation has no outstanding commitments to purchase securities or other investments. Additionally, substantially all of the Foundation's equity securities at June 30, 2013 and 2012 are considered readily liquid. Timber and mineral properties, real estate, and other investments are generally considered illiquid.

(5) Derivative Transactions

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

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Objective of the Derivative Transaction

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

Terms

A summary of the transactions is as follows:

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 options are exercised, the University would begin to make payments on the notional amount, currently \$41,125,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contracts, 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's 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 options, the swaptions would be canceled and the University would have no further obligation under these agreements.

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 values of the derivatives 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 2013 and 2012 statements of net position. Interest is being accreted on, and added to, the borrowings through the expiration date of the option. For the years ended September 30, 2013 and 2012, \$400,000 and \$378,000, respectively, was accreted and is included in interest expense in the statements of revenues, expenses, and changes in net position.

The fair values of the embedded investment derivatives are reported as investment assets if the derivatives are assets or other noncurrent liabilities, depending on the fair values of the derivatives. The change in the fair market values of the derivatives is reported as a component of investment income (loss) in the statements of revenues, expenses and changes in net position. At September 30, 2013 and 2012, the negative fair values of the derivatives are approximately \$(13,333,000) and \$(23,609,000) and are included in other long-term liabilities in the accompanying statements of net position. For the years ended September 30, 2013 and 2012, the changes in the fair value of the derivatives were \$10,276,000 and \$(2,948,000), respectively.

Fair Value

At September 30, 2013 and 2012, the embedded derivatives had negative fair values of \$(13,333,000) and \$(23,609,000), respectively. The fair values of the embedded derivatives were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the instruments, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Risks Associated with 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.

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Credit risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of September 30, 2013 and 2012, 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 substantial amount of money to terminate the contracts. At September 30, 2013 and 2012, no events of termination have occurred.

(6) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the year ended September 30, 2013 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated:					
Land and other	\$ 25,528	445	—	(3,457)	22,516
Construction-in-progress	119,763	59,104	(41,189)	—	137,678
	<u>145,291</u>	<u>59,549</u>	<u>(41,189)</u>	<u>(3,457)</u>	<u>160,194</u>
Capital assets being depreciated:					
Land improvements	31,256	244	—	(566)	30,934
Buildings, fixed equipment, and infrastructure	539,118	3,442	40,922	(27,821)	555,661
Other equipment	133,090	8,291	267	(10,669)	130,979
Library materials	54,656	2,952	—	—	57,608
	<u>758,120</u>	<u>14,929</u>	<u>41,189</u>	<u>(39,056)</u>	<u>775,182</u>

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Less accumulated depreciation for:					
Land improvements	\$ (16,588)	(1,194)	—	566	(17,216)
Buildings, fixed equipment, and infrastructure	(208,499)	(15,954)	—	19,298	(205,155)
Other equipment	(104,084)	(10,012)	—	10,550	(103,546)
Library materials	(41,041)	(2,588)	—	—	(43,629)
	<u>(370,212)</u>	<u>(29,748)</u>	<u>—</u>	<u>30,414</u>	<u>(369,546)</u>
Capital assets being depreciated, net	<u>387,908</u>	<u>(14,819)</u>	<u>41,189</u>	<u>(8,642)</u>	<u>405,636</u>
Capital assets, net	<u>\$ 533,199</u>	<u>44,730</u>	<u>—</u>	<u>(12,099)</u>	<u>565,830</u>

At September 30, 2013, the University had commitments of approximately \$13,918,000 related to various construction projects.

A summary of the University's capital asset activity for the year ended September 30, 2012 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets not being depreciated:					
Land and other	\$ 25,341	188	—	(1)	25,528
Construction-in-progress	<u>88,128</u>	<u>61,556</u>	<u>(29,921)</u>	<u>—</u>	<u>119,763</u>
	<u>113,469</u>	<u>61,744</u>	<u>(29,921)</u>	<u>(1)</u>	<u>145,291</u>
Capital assets being depreciated:					
Land improvements	27,112	426	3,728	(10)	31,256
Buildings, fixed equipment, and infrastructure	512,428	3,375	25,313	(1,998)	539,118
Other equipment	129,741	6,458	880	(3,989)	133,090
Library materials	<u>51,687</u>	<u>2,969</u>	<u>—</u>	<u>—</u>	<u>54,656</u>
	<u>720,968</u>	<u>13,228</u>	<u>29,921</u>	<u>(5,997)</u>	<u>758,120</u>

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Less accumulated depreciation for:					
Land improvements	\$ (15,372)	(1,226)	—	10	(16,588)
Buildings, fixed equipment, and infrastructure	(194,925)	(15,082)	—	1,508	(208,499)
Other equipment	(96,577)	(11,366)	—	3,859	(104,084)
Library materials	(38,532)	(2,509)	—	—	(41,041)
	<u>(345,406)</u>	<u>(30,183)</u>	<u>—</u>	<u>5,377</u>	<u>(370,212)</u>
Capital assets being depreciated, net	<u>375,562</u>	<u>(16,955)</u>	<u>29,921</u>	<u>(620)</u>	<u>387,908</u>
Capital assets, net \$	<u><u>489,031</u></u>	<u><u>44,789</u></u>	<u><u>—</u></u>	<u><u>(621)</u></u>	<u><u>533,199</u></u>

At September 30, 2012, the University had commitments of approximately \$39,618,000 related to various construction projects.

(b) USA Research and Technology Corporation

Changes in capital assets for the years ended September 30, 2013 and 2012 are as follows (in thousands):

	2013				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending balance</u>
Land improvements	\$ 2,201	—	(2)	—	2,199
Buildings	27,669	235	(6)	—	27,898
Tenant improvements	742	164	8	(46)	868
Construction in progress	—	—	—	—	—
Other equipment	256	—	—	—	256
	<u>30,868</u>	<u>399</u>	<u>—</u>	<u>(46)</u>	<u>31,221</u>
Less accumulated depreciation for:					
Land improvements	(748)	(94)	—	—	(842)
Buildings	(4,261)	(702)	(183)	—	(5,146)
Tenant improvements	(528)	(118)	183	46	(417)
Other equipment	(89)	(26)	—	—	(115)
	<u>(5,626)</u>	<u>(940)</u>	<u>—</u>	<u>46</u>	<u>(6,520)</u>
Capital assets, net \$	<u><u>25,242</u></u>	<u><u>(541)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>24,701</u></u>

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	2012				Ending balance
	Beginning balance	Additions	Transfers	Reductions	
Land improvements	\$ 2,326	14	7	(146)	2,201
Buildings	27,145	25	499	—	27,669
Tenant improvements	801	14	150	(223)	742
Construction in progress	277	379	(656)	—	—
Other equipment	250	6	—	—	256
	<u>30,799</u>	<u>438</u>	<u>—</u>	<u>(369)</u>	<u>30,868</u>
Less accumulated depreciation for:					
Land improvements	(654)	(94)	—	—	(748)
Buildings	(3,746)	(727)	—	212	(4,261)
Tenant improvements	(280)	(248)	—	—	(528)
Other equipment	(64)	(25)	—	—	(89)
	<u>(4,744)</u>	<u>(1,094)</u>	<u>—</u>	<u>212</u>	<u>(5,626)</u>
Capital assets, net	\$ <u>26,055</u>	<u>(656)</u>	<u>—</u>	<u>(157)</u>	<u>25,242</u>

(7) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the years ended September 30, 2013 and 2012 follows (in thousands):

	2013					Noncurrent liabilities
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	
Long-term debt:						
Bonds payable and other	\$ 359,699	51,981	(10,790)	400,890	13,153	387,737
Total long-term debt	359,699	51,981	(10,790)	400,890	13,153	387,737
Other long-term liabilities	80,065	32,392	(53,355)	59,102	12,633	46,469
Total noncurrent liabilities	\$ <u>439,764</u>	<u>84,373</u>	<u>(64,145)</u>	<u>459,992</u>	<u>25,786</u>	<u>434,206</u>

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	2012					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable and other	\$ 333,144	34,826	(8,271)	359,699	10,790	348,909
Total long-term debt	333,144	34,826	(8,271)	359,699	10,790	348,909
Other long-term liabilities	96,379	34,179	(50,493)	80,065	13,773	66,292
Total noncurrent liabilities	<u>\$ 429,523</u>	<u>69,005</u>	<u>(58,764)</u>	<u>439,764</u>	<u>24,563</u>	<u>415,201</u>

Other long-term liabilities primarily consist of self-insurance liabilities, liabilities related to compensated absences, and the fair value of derivatives. Amounts due within one year are included in accounts payable, accrued liabilities and unrecognized revenue.

(8) Bonds Payable

Bonds payable consisted of the following at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
University Tuition Revenue Bonds, Series 1999		
Capital Appreciation, 4.70% to 5.25%, payable		
November 2011 through November 2018	\$ 31,530	34,398
University Tuition Revenue Refunding and Capital		
Improvement Bonds, Series 2004, 2.00% to 5.00%,		
payable through March 2024	41,690	42,250
University Tuition Revenue Refunding and Capital		
Improvement Bonds, Series 2006, 5.00%, payable		
through December 2036	100,000	100,000
University Facilities Revenue and Capital Improvement		
Bonds, Series 2008, 3.00% to 5.00%, payable through		
August 2038	106,565	108,850
University Facilities Revenue and Capital Improvement		
Bond, Series 2010, 3.81%, payable through August 2030	26,636	27,718
University Facilities Revenue Capital Improvement Bond,		
Series 2012-A, 2.92% payable through August 2032	24,050	25,000
University Facilities Revenue Capital Improvement Bond,		
Series 2012-B, 2.14% payable through August 2018	6,515	7,740
University Facilities Revenue Capital Improvement Bond,		
Series 2013-A, 2.83% payable through August 2033	32,000	—

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	<u>2013</u>	<u>2012</u>
University Facilities Revenue Capital Improvement Bond, Series 2013-B, 2.83% payable through August 2033	\$ 10,000	—
University Facilities Revenue Capital Improvement Bond, Series 2013-C, 2.78% payable through August 2025	8,000	—
Borrowing arising from swaption, Series 2004 Bonds	1,653	1,571
Borrowing arising from swaption, Series 2006 Bonds	5,904	5,587
	<u>394,543</u>	<u>353,114</u>
Plus unamortized premium	6,609	6,958
Less unaccreted discount	(36)	(42)
Less unamortized debt extinguishment costs	<u>(226)</u>	<u>(331)</u>
	<u>\$ 400,890</u>	<u>359,699</u>

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds includes Children's and Women's Hospital revenues in an amount not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and Capital Appreciation Bonds began maturing in November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2004 Bonds began maturing in March 2005 and are redeemable beginning in March 2014. Series 2006 Bonds begin maturing in December 2024 and are redeemable beginning in December 2016. Series 2008 Bonds began maturing in August 2009 and are redeemable beginning in August 2018. The Series 2010 Bond began maturing in August 2011 and is redeemable beginning in February 2020. The 2012-A and 2012-B Bonds began maturing in August 2013. The 2012-A Bond is redeemable beginning in August 2021. The 2012-B Bond is redeemable beginning in January 2015. The 2013-A, 2013-B and 2013-C Bonds begin maturing in August 2014 and are redeemable beginning in June 2023.

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

During the years ended September 30, 2013 and 2012, the maturity value of the Capital Appreciation Bonds increased \$1,581,000 and \$1,708,000, respectively, over the original principal amount of \$19,810,000, reflecting accretion of interest.

Approximately \$6,716,000 of proceeds from the issuance of the Series 2012-A and 2012-B bonds remained unspent at September 30, 2013 and is included in restricted cash and cash equivalents in the 2013 statement of net position. These funds are restricted for capital purposes as outlined in the indenture.

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Approximately \$48,251,000 of proceeds from the issuance of the Series 2013-A, 2013-B and 2013-C Bonds remained unspent at September 30, 2013 and is included in restricted cash and cash equivalents in the 2013 statement of net position. These funds are restricted for capital purposes as outlined in the indenture.

The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U. S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statement for any expected arbitrage liabilities. At September 30, 2013 and 2012, no amounts were due or recorded in the financial statements.

The University is subject to restrictive covenants related to its bonds payable. At September 30, 2013, management believes the University was in compliance with such financial covenants.

Debt Service on Long-Term Obligations

Total debt service by fiscal year is as follows as of September 30, 2013 (in thousands):

	Debt service on bonds			
	Principal	Interest	Additional maturity	Total
2014	\$ 12,915	15,483	(1,854)	26,544
2015	13,279	15,279	(1,626)	26,932
2016	13,607	14,957	(1,474)	27,090
2017	16,968	15,065	(782)	31,251
2018	17,386	14,961	(427)	31,920
2019 – 2023	82,201	66,862	(49)	149,014
2024 – 2028	84,963	48,723	—	133,686
2029 – 2033	86,905	29,313	—	116,218
2034 – 2038	72,531	9,120	—	81,651
Subtotal	400,755	229,763	(6,212)	624,306
Plus (less):				
Additional maturity	(6,212)			
Unamortized bond premium	6,609			
Unaccreted bond discount	(36)			
Unamortized debt extinguishment costs	(226)			
Total	\$ 400,890			

The principal amount of debt service due on bonds at September 30, 2013 includes \$5,060,000 representing additional maturity value on Series 1999 Capital Appreciation Bonds. These bonds mature through 2019. Also included in the principal amount of debt service due on bonds at September 30, 2013, is \$1,152,000 representing additional maturity value of the borrowing resulting from the Series 2004 and Series 2006 swaption. As described in note 5, additional maturity will continue to accrue until the swaption

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option period in 2014 and 2016. Although this additional maturity is presented as principal on the debt service schedule above, it is also recognized as interest expense on an annual basis in the University's basic financial statements as it accretes.

(a) USA Research and Technology Corporation

Notes Payable

Notes payable consisted of the following at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Wells Fargo, N.A. promissory note, one-month LIBOR plus 0.85% (1.02885% at September 30, 2013) payable through 2028	\$ 15,128	15,746
PNC Bank promissory note, 4.88%, payable through 2021	9,159	9,487
	<u>\$ 24,287</u>	<u>25,233</u>

The note payable to Wells Fargo Bank, N.A. was incurred by the Corporation to acquire Buildings II and III in the USA Technology & Research Park and to provide funds for renovations and tenant finishing costs. The loan is a fully amortizing promissory note with a 20-year term. As is more fully described below, the Corporation entered into a "receive-variable, pay-fixed" type of interest rate swap on the promissory note, which will yield a synthetic fixed interest rate of 6.1%. The promissory note payable is secured by an interest in the ground lease with respect to the parcels of land on which Buildings II and III stand, an interest in Buildings II and III, an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The University also entered into an agreement with Wells Fargo Bank, N.A. providing that, for a year in which the Corporation's debt service coverage ratio is less than one to one, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to one to one.

The promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. PNC Bank acquired the promissory note as part of its acquisition of RBC Bank (USA) on March 20, 2012. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand. The promissory note payable is secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the dialysis services building. The University also entered into an agreement with PNC Bank providing that, for a year in which the Corporations' debt service coverage ratio is less than one to one, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to one to one.

Proceeds of \$0 and \$253,000 from the issuance of notes payable remain unspent at September 30, 2013 and 2012, respectively, and are restricted for capital purposes. These amounts are included in restricted cash and cash equivalents.

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At September 30, 2013, the Corporation's management believes the Corporation was in compliance with its debt covenants.

Debt Service on Long-Term Obligations

At September 30, 2013, total debt service by fiscal year is as follows (in thousands):

Debt service on note and loan			
	Principal	Interest	Total
2014	\$ 1,002	1,354	2,356
2015	1,060	1,295	2,355
2016	1,118	1,238	2,356
2017	1,186	1,169	2,355
2018	1,250	1,105	2,355
2019 – 2023	12,316	3,565	15,881
2024 – 2028	6,355	979	7,334
Total	\$ 24,287	10,705	34,992

Derivative Transaction

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

Objective of the derivative transaction. The Corporation utilizes the interest rate swap to convert its variable rate on the promissory note to a synthetic fixed rate.

The swap will terminate on May 1, 2028, when the loan matures. The notional amount of the swap will at all times match the outstanding principal amount of the loan. Under the swap, the Corporation pays the counterparty a fixed payment of 6.10% and receives a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the loan bears interest at the one-month LIBOR rate plus 0.85%. The Corporation paid \$788,738 and \$802,711 under the interest rate swap agreement for the years ended September 30, 2013 and 2012, respectively, which is reflected as an increase in interest expense.

Fair value. The interest rate swap had a negative fair value of \$(3,224,626) and \$(4,888,612) at September 30, 2013 and 2012, respectively.

The changes in fair value are reported as deferred outflows on the Statements of Net Position since the interest rate swap is a hedging derivative instrument.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are

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then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement.

Interest rate risk. On the Corporation's "receive-variable, pay-fixed" interest rate swap, as LIBOR decreases, the net payment on the swap increases.

Credit risk. As of September 30, 2013 and 2012, the Corporation was not exposed to credit risk on the interest rate swap because it had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the Corporation would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterparty was rated Aa3 by Moody's Investors Services and AA – by Standard & Poor's Ratings Services as of September 30, 2013 and 2012.

Termination risk. The interest rate swap contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. At September 30, 2013 and 2012, no events of default or termination had occurred. If the interest rate swap is terminated, interest rate risk associated with the variable rate debt would no longer be hedged. Also, if at the time of termination the interest rate swap had a negative fair value, the Corporation would be liable to the counterparty for a payment equal to the interest rate swap's fair value. To allow the Corporation the maximum flexibility to manage the utilization of Buildings II and III while at the same time providing protection for the counterparty, the Corporation granted the counterparty a \$2,000,000 mortgage secured by an interest in the ground lease with respect to the parcel of land on which Building II stands, an interest in Building II, a security interest in Building II tenant leases, and a security interest in income received from rental of Building II.

Derivative payments and hedged debt. As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2013, debt service requirements by fiscal year of the variable rate debt and net derivative payments, assuming current interest rates remain the same in the future, are as follows (in thousands):

	Variable rate loan		Interest rate	
	Principal	Interest	swap, net	Total
2014	\$ 657	154	760	1,571
2015	698	147	726	1,571
2016	738	141	693	1,572
2017	787	132	652	1,571
2018	832	125	614	1,571
2019 – 2023	5,061	472	2,324	7,857
2024 – 2028	6,355	165	814	7,334
Total	\$ 15,128	1,336	6,583	23,047

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(9) 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 2009. The cost report for USA Children's and Women's Hospital has been audited and settled through 2010. Revenue from the Medicare program accounted for approximately 14% and 13% of the Hospitals' net patient service revenue for the years ended September 30, 2013 and 2012, 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 Hospitals' Blue Cross cost reports have been audited through 2011 and settled for all fiscal years through 2010. Revenue from the Blue Cross program accounted for approximately 20% and 17% of the Hospitals' net patient service revenue for the years ended September 30, 2013 and 2012, 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 22% and 25% of the Hospitals' net patient service revenue for the years ended September 30, 2013 and 2012, respectively.

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

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The composition of net patient service revenue for the years ended September 30, 2013 and 2012 follows (in thousands):

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 575,718	547,824
Less provision for contractual and other adjustments	(250,047)	(221,339)
Less provision for bad debts	(67,464)	(78,683)
	<u>\$ 258,207</u>	<u>247,802</u>

Changes in estimates related to prior cost reporting periods resulted in an increase of approximately \$1,279,000 and \$2,272,000 in net patient service revenue for the years ended September 30, 2013 and 2012, respectively.

(10) Hospital Lease

In 2006, the University and Infirmiry Health System, Inc. (the Infirmiry) entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operating of its USA Knollwood Hospital campus to the Infirmiry. The original lease was effective through March 2056. The lease provided for its termination, at the option of the Infirmiry, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body was deemed by the Infirmiry as significant, as defined by the lease. The hospital was operated as Mobile Infirmiry West.

The total amount of the 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 land and buildings and \$3,048,000 for medical equipment, office furnishings and other equipment. In addition to an up-front payment, the lease agreement required monthly lease payments by the Infirmiry to the University. In order to properly report this transaction, the University bifurcated the lease into an equipment component and a real property component. The equipment component of the lease was considered a capital lease and as such, a lease receivable was reported in the accompanying basic financial statements of the University. At September 30, 2012, \$295,000 was reported as other current assets. The component of the lease attributable to land and buildings was considered an operating lease. As such, lease revenue was recorded and being earned over the life of the lease. Lease revenue in the amounts of approximately \$164,000 and \$485,000 was reported as other operating revenue in the accompanying basic financial statements for the years ended September 30, 2013 and 2012, respectively. Payments received in excess of the amount recognized as lease revenue were unrecognized and amortized over the term of the lease. At September 30, 2012, \$5,602,000 was reported as other noncurrent liabilities.

In October 2012, officials of the Infirmiry publically announced the closing of the Mobile Infirmiry West effective October 31, 2012.

As a result of the closing of the hospital, in May 2013, the University Board of Trustees determined that it was in the best interest of the University to sell Knollwood Hospitals, all related furniture and equipment, adjacent medical office buildings and land. As such, the Board approved a resolution authorizing

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University management to seek proposals for the sale of Knollwood and proceed with negotiations with potential buyers. Subsequent to a public advertisement and negotiation period, the University and the Infirmary entered into a Purchase and Sale Agreement (the Agreement), dated June 5, 2013. The Agreement called for the sale of all land, buildings, furniture and equipment at Knollwood to the Infirmary for a purchase price of \$5,000,000 and effectively canceled the original 2006 lease agreement. Following a period of due diligence the transaction was closed on July 19, 2013. At closing, the Infirmary made a payment of \$2,500,000 to the University and issued a promissory note, dated July 19, 2013, for the remaining \$2,500,000. The promissory note is backed by an irrevocable standby letter of credit for \$2,500,000 naming the University as the beneficiary.

At the time of the closing, the University wrote off capital assets with a cost of approximately \$31,597,000 and accumulated depreciation of approximately \$19,601,000. Unrecognized revenue related to the original lease of approximately \$5,692,000 was also written off. A note receivable in the amount of \$2,500,000, due July 19, 2014, was recognized and is reported as a current note receivable in the University's 2013 statement of net position. As a result of the transaction, the University recognized a loss on the sale of \$1,304,000 which is reported as an other nonoperating expense in the 2013 statement of revenues, expenses and changes in net position.

(11) Employee Benefits

(a) Retirement and Pension Plans

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

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

Prior to October 1, 2011, all employees covered by this retirement plan were required to contribute 5% of their eligible earnings to TRS. Effective October 1, 2011 and 2012, the required employee contribution was increased to 7.25% and 7.5%, respectively, of their eligible earnings. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually. During 2013, 2012 and 2011, the University made total contributions of \$21,879,000, \$23,381,000, and \$31,420,000 (100% of the required contributions), respectively, to TRS on behalf of participants. For employees that were hired before January 1, 2013, the University contribution rate was 10%, 10%,

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and 12.51% in 2013, 2012 and 2011, respectively, of each participant's gross earnings. For employees hired after January 1, 2013, the University contribution rate is 9.44% of each participant's gross earnings. The University's payroll for all employees was approximately \$254,249,000 and \$268,684,000 in 2013 and 2012, respectively. The LLC's payroll for all employees was approximately \$61,645,000 and \$43,479,000 in 2013 and 2012, respectively. Total payroll for University employees participating in the Teachers' Retirement System of Alabama was approximately \$217,164,000 and \$233,806,000 in 2013 and 2012, respectively.

The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. Under this plan, administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University and the employees each contributed \$928,000 and \$984,000 in 2013 and 2012, respectively, representing 436 and 469 employees participating in this Plan.

All employees of the LLC working at least half time are eligible to participate in a defined contribution pension plan. Under this plan, contributions by eligible employees are matched equally by the LLC up to a maximum of 5% of current annual pay. The LLC and the employees contributed \$1,885,000 and \$1,272,000, respectively in 2013 and 2012 representing 679 and 531, employees participating in this plan. University employees as of September 30, 2011 who later transfer to the LLC are immediately vested in the plan. All other employees do not vest until they have held employment with the LLC for thirty-six months; at which time they become 100% vested in the plan.

(b) *Compensated Absences*

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position includes accruals for vacation pay and paid time off of approximately \$15,763,000 and \$15,990,000 at September 30, 2013 and 2012, respectively. The current portion of the accrual is included in accounts payable and accrued liabilities and the noncurrent portion is included in other long term liabilities in the accompanying basic financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(c) *Other Postretirement Employee Benefits*

As the provider of postretirement benefits to state retirees, the state is responsible for implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University was assessed a monthly premium by the Public Education Employees'

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Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium. During the years ended September 30, 2013 and 2012, the University's expense related to PEEHIP was \$7,130,000 and \$7,318,000, respectively.

(12) Risk Management

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

As discussed in note 1, the PLTF and GLTF are blended component units of the University, as defined by GASB Statement No. 14, and as such are included in the basic financial statements of the University for the years ended September 30, 2013 and 2012. 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 LLC participate in a self-insured health plan, administered by an unaffiliated entity. Administrative fees paid by the University for such services were approximately \$1,697,000 and \$1,712,000 in 2013 and 2012, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self insurance liabilities for the years ended September 30, 2013 and 2012 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 22,747	38,568
Liabilities incurred and other additions	60,804	51,937
Claims, administrative fees paid and other reductions	<u>(62,254)</u>	<u>(67,758)</u>
Balance, end of year	<u>\$ 21,297</u>	<u>22,747</u>

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

(13) Other Related Party

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2013 and 2012, SAMSF had total assets of \$12,235,000 and \$11,506,000, net assets of \$9,501,000 and \$8,933,000, and total revenues of \$3,474,000 and \$3,175,000, respectively.

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SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$711,000 and \$521,000 in 2013 and 2012, respectively, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net position.

(14) Commitments and Contingencies

(a) *Grants and Contracts*

At September 30, 2013 and 2012, the University had been awarded approximately \$24,175,000 and \$35,987,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

(b) *Letter of Credit*

In connection with the Hospitals' participation in the State of Alabama Medicaid Program, the University has established a \$77,000 irrevocable standby letter of credit with Wells Fargo, N.A. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds were advanced under this letter during the years ended September 30, 2013 and 2012.

(c) *Litigation*

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

(d) *Rent Supplement Agreements*

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 8). As of September 30, 2013 and 2012, no amounts were payable pursuant to these agreements.

(e) *State Bond Issues*

The State of Alabama has made allocations to the University from bond issues in prior years. Pursuant to these allocations, at September 30, 2013, approximately \$3,594,000 is unspent and

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remains available to the University for certain future construction costs. The allocations have not been reflected in the accompanying basic financial statements.

(f) *Sale of Brookley Campus*

On September 29, 2010, the University and the USA Foundation executed purchase and sale agreement calling for the University to sell approximately 327 acres on Mobile Bay, known as the Brookley campus, to the Foundation. The terms of the agreement required the Foundation to pay the University \$20,000,000; \$4,000,000 at closing and \$4,000,000 annually thereafter through the 2015 fiscal year. The sale closed on November 10, 2010 and the initial payment was received by the University at that point. The transaction is recorded as an installment sale. As such, during the years ended September 30, 2013 and 2012, the University reported a gain on the sale of \$2,116,000 and \$2,035,000, respectively, which is reported as other nonoperating revenues in the statements of revenues, expenses and changes in net position. At September 30, 2013, the University is reporting a note receivable from the Foundation in the amount of \$7,544,000 (\$3,698,000 is reported as a current asset in notes receivable and \$3,846,000 is reported as a noncurrent asset in noncurrent notes receivable) and unrecognized revenue in the amount of \$4,489,000 (\$2,201,000 is reported as current unrecognized revenue and \$2,288,000 as other noncurrent liabilities). At September 30, 2012, the University is reporting a note receivable from the Foundation in the amount of \$11,100,000 (\$3,556,000 is reported as a current asset in notes receivable and \$7,544,000 is reported as a noncurrent asset in noncurrent notes receivable) and unrecognized revenue in the amount of \$6,605,000 (\$2,116,000 is reported as current unrecognized revenue and \$4,489,000 as other noncurrent liabilities). The unrecognized revenue will be amortized as an installment gain as payments are received through 2015.

(g) *USA Research and Technology Corporations Leases*

The Corporation leases space in Building I to three tenants under operating leases. One lease has a 5-year initial term expiring in October 2018 with two 5-year renewal options. Another lease has a 10-year initial term expiring in March 2021, an option to cancel at the end of 6 years, and two 5-year renewal options. The third lease has a 67-month initial term expiring in December 2018 with no renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. Space under lease to the University was 48,900 and 53,000 square feet at September 30, 2013 and 2012, respectively.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, property taxes, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (the Corporation's fiscal year beginning after the date the lease is signed). The leases have terms varying from one to ten years.

The Corporation owns a building located on the premises of the USA Medical Center which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease has a ten year initial

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term with three five-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2013 and 2012. One lease is for a 40-year initial term with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term with four 5-year renewal options. The third lease has a 38.5-year initial term with 20-year and 15-year renewal options.

In connection with one of the ground leases discussed above, the lessee agreed to construct a building as additional rent under the ground lease agreement. This building was constructed by the lessee during the year ended September 30, 2011. The building was then transferred to the Corporation. The fair value of the building was approximately \$363,000 and this amount will be amortized as rental income by the Corporation over the ground lease term.

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

2014	\$	2,336
2015		1,774
2016		1,629
2017		1,367
2018		1,170
2019 – 2046		<u>6,967</u>
Total	\$	<u><u>15,243</u></u>

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(15) Functional Information

Operating expenses by functional classification for the years ended September 30, 2013 and 2012 are listed below (in thousands). In preparing the basic financial statements, all significant transactions and balances among accounts have been eliminated.

	<u>2013</u>	<u>2012</u>
Instruction	\$ 118,254	115,526
Research	21,095	20,860
Public service	46,723	48,110
Academic support	15,999	16,184
Student services	28,673	26,831
Institutional support	28,528	24,837
Operation and maintenance of plant	26,459	29,901
Scholarships	6,532	5,290
Hospital	265,775	251,196
Auxiliary enterprises	14,233	13,102
Depreciation and amortization	29,849	30,396
	<u>\$ 602,120</u>	<u>582,233</u>

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(16) Blended Component Units

As more fully described in notes 1(b) and 1(c), the LLC, PLTF and GLTF are considered component units pursuant to the provisions of GASB Statement No. 61. In accordance with that statement, the LLC, PLTF and GLTF are reported as blended component units. Required combining financial information is presented below (in thousands):

	2013	2012
Current assets	\$ 23,641	44,824
Noncurrent assets	27,133	13,286
Total assets	50,774	58,110
Current liabilities	34,187	39,305
Noncurrent liabilities	16,301	18,606
Total liabilities	50,488	57,911
Net position	\$ 286	199
Operating revenues	\$ 83,710	59,943
Operating expenses	(86,948)	(64,461)
Operating loss	(3,238)	(4,518)
Nonoperating revenues	3,325	4,620
Change in net position	\$ 87	102

(17) Significant New (Future) Accounting Pronouncements

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. In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 changes accounting and financial reporting for entities participating in certain pension plans and will be effective for the year ending September 30, 2015. In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations and will be effective for the year ending September 30, 2015.

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Also in January 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 requires that governments that extend financial guarantees for the obligation of another government recognize and record a liability arising out of that guarantee when it comes reasonably more than likely that the government will be required to make a payment on the guarantee and will be effective for the year ending September 30, 2014.

The effect of the implementation of GASB Statements Nos. 66, 68, 69 and 70 on the University has not yet been determined.

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Schedule of Expenditures of Federal Awards
Year ended September 30, 2013

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
Student Financial Aid Cluster*:						
U.S. Department of Education:				\$		
Federal Pell Grant Program	84.063			19,232,175	—	19,232,175
Federal Supplemental Educational Opportunity Grant Program	84.007			319,419	—	319,419
Federal Direct Student Loan Program	84.268			105,433,020	—	105,433,020
Federal Work Study Program	84.033			434,795	—	434,795
Teacher Education Assistance for College and Higher Education	84.379			38,313	—	38,313
Nurse Faculty Loan Program	93.264			202,853	—	202,853
Total Student Financial Aid Cluster				125,660,575	—	125,660,575
Research and Development Cluster*:						
U.S. Department of Agriculture:				65,224	—	65,224
Wetlands Reserve Program	10.072			38,027	—	38,027
Forestry Research	10.652			—	—	—
Total U.S. Department of Agriculture				103,251	—	103,251
U.S. Department of Commerce:				—	23,348	23,348
Sea Grant Support	11.417	GR0375MC	Dauphin Island Sea Lab	—	37,840	37,840
Sea Grant Support	11.417	USM-GRO3925CCD-33-PP	University of Southern Mississippi	—	61,188	61,188
Total CFDA				11,467	—	11,467
Marine Fisheries Initiative	11.433			72,981	—	72,981
Unalied Management Projects	11.454			3,090	—	3,090
Habitat Conservation	11.463			—	13,636	13,636
Coastal Alabama Economic Recovery	11.463	GMT-USA-111711	The Nature Conservancy	—	—	—
Total CFDA				3,090	13,636	16,726
Congressionally Identified Award and Projects	11.469	10-02-08-A1	Exxon Valdez Oil Spill Trustee	—	47,803	47,803
Alabama Coastal Pelagic Fisheries	11.472	TASK ORDER D-4	Dauphin Island Sea Lab (MESC)	—	108,286	108,286
Center for Sponsored Coastal Ocean Research - Coastal Ocean	11.478			12,898	—	12,898
Total U.S. Department of Commerce				100,416	230,913	331,329
U.S. Department of Defense:				128,095	—	128,095
Military Medical Research and Development	12.420			41,035	—	41,035
Basic Scientific Research	12.431			104,373	—	104,373
Air Force Defense Research Sciences Program	12.800			72,503	—	72,503
Information Security Grant Program	12.902			—	—	—
Total U.S. Department of Defense				346,006	—	346,006
U.S. Department of Interior:				—	50,065	50,065
Mineral Management Services Environmental Studies Program	15.423	50065.13	University of New Orleans	—	175,437	175,437
Sport Fish Restoration Program	15.605	1300331200711130032	Alabama Department of Conservation and Natural Resources	5,754	—	5,754
Endangered Species Conservation - Recovery Implementation Funds	15.657	130293	The Jefferson Davis Home & Presidential Library	—	14,203	14,203
Historic Preservations Funds	15.904	130449	J O Collins Contractor, Inc.	—	2,348	2,348
Historic Preservations Funds	15.904			—	16,551	16,551
Total CFDA				—	6,626	6,626
Technical Preservation Services	15.915	P11AC000159	National Park Service	—	10,241	10,241
American Battlefield Protection	15.926			15,995	248,679	264,674
Total U.S. Department of Interior				—	531,115	531,115
U.S. Department of Transportation:				—	17,893	17,893
Highway Planning and Construction	20.205	930-839R	Alabama Department of Transportation	—	549,008	549,008
Highway Planning and Construction	20.205	130073	University of Alabama	—	—	—
Total CFDA				—	4,719	4,719
University Transportation Centers Program	20.701	USM-GRO47531-01	University of Southern Mississippi	—	553,727	553,727
Total U.S. Department of Transportation				—	—	—

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Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
National Aeronautics and Space Administration:						\$
Aerospace Education Services Program	43.001	SUB2010-2006	University of Alabama in Huntsville	—	141,065	141,065
Technology Transfer	43.002	SUB2010-176-A2-02	University of Alabama in Huntsville	—	4,960	4,960
Education	43.008	XHAB 2014-02	National Space Grant Foundation	—	2,962	2,962
Education	43.008	2013-067	University of Alabama in Huntsville	—	8,138	8,138
Education	43.008	USM GRO4613-001	University of Southern Mississippi	—	95,121	95,121
Total CFDA				—	106,221	106,221
Total National Aeronautics and Space Administration				—	252,246	252,246
National Science Foundation:				200,939	—	200,939
Engineering Grants	47.041			141,575	—	141,575
Mathematical and Physical Sciences	47.049			62,872	—	62,872
Geosciences	47.050		Dauphin Island Sea Lab	—	13,096	13,096
Total CFDA		TASK ORDER D-9		62,872	13,096	75,968
Biological Sciences	47.074			16,667	—	16,667
Biological Sciences	47.074	NYBG-120619710-USAM	New York Botanical Gardens	—	1,054	1,054
Total CFDA				16,667	1,054	17,721
Social, Behavioral, and Economic Sciences	47.075			27,246	—	27,246
Education and Human Resources	47.076			187,631	—	187,631
Education and Human Resources	47.076	12-120333	Mobile Area Education Foundation Inc.	—	56,108	56,108
Total CFDA				187,631	56,108	243,739
Polar Programs	47.078			76,798	—	76,798
Office of Experimental Programs	47.081	34-21530-200-76190	Tuskegee University	—	96,951	96,951
Office of Experimental Programs	47.081	SUB2011-026	University of Alabama in Huntsville	—	156,787	156,787
Total CFDA				—	253,738	253,738
ARRA - NSF Recovery Act Research Support	47.082			11,985	—	11,985
ARRA - NSF Recovery Act Research Support	47.082	AA-5-1980	Oklahoma State University	—	34,042	34,042
ARRA - NSF Recovery Act Research Support	47.082	1328-206-2087448	Clemson University	—	6,774	6,774
Total CFDA				11,985	40,816	52,801
Total National Science Foundation				725,713	364,812	1,090,525
U.S. Environmental Protection Agency:				—	—	—
Dandritic Polymers as Biocompatible	66.509	1614-218-2008962	Clemson University	—	51,530	51,530
U.S. Department of Energy:				8,444	—	8,444
Basic Energy Sciences University and Science	81.049	10-ENG-246590-USA	Auburn University	—	23,519	23,519
Basic Energy Sciences University and Science	81.049			8,444	23,519	31,963
Total CFDA				8,444	23,519	31,963
Total U. S. Department of Energy				124,293	—	124,293
U.S. Department of Education:				—	46,070	46,070
Research in Special Education	84.324		Information Transport Solutions, Inc.	—	46,070	46,070
Project C. A. R. E.	84.377	110347		124,293	—	124,293
Total U. S. Department of Education				124,293	46,070	170,363
U.S. Department of Health and Human Services:				—	—	—
National Institute of Health	93.004	130119	National USA Foundation, Inc.	—	10,147	10,147
Birth Defects and Development Disabilities	93.073	NOI-A1-30025-01	University of Alabama in Birmingham	—	63,705	63,705
Environmental Health	93.113	100,340	Excision	231,120	76,551	307,671
Environmental Health	93.113			231,120	—	231,120
Total CFDA				231,120	76,551	307,671
Oral Diseases and Disorders Research	93.121	R 548086-03	State University of New York - Buffalo	—	11,681	11,681
Minority Health and Health Disparities Research	93.307			1,255,009	—	1,255,009
Minority Health and Health Disparities Research	93.307	30021805113	University of Michigan	—	1,771	1,771
Total CFDA				1,255,009	1,771	1,256,780
National Center for Research Resources	93.389			456,537	—	456,537

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Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
Cancer Cause and Prevention Research	93.393			\$		
Cancer Cause and Prevention Research	93.393	S12001	Southern Research Institute	955,538	—	955,538
Total CFDA				955,538	66,042	1,021,580
Cancer Detection and Diagnosis Research	93.394			393,393	—	393,393
Cancer Treatment Research	93.395			7,923	—	7,923
Cancer Treatment Research	93.395	7U10CA76001-4	Duke University Medical Center	—	6,277	6,277
Cancer Treatment Research	93.395	98343-1234	National Childhood Cancer Foundation	—	10,205	10,205
Cancer Treatment Research	93.395	27469-02	Brigham and Women's Hospital University of Alabama	—	53	53
Total CFDA				7,923	7,913	7,913
Cancer Biology Research	93.396			24,448	—	24,448
Cancer Centers Support	93.397			275,123	5,494	275,123
NIH Recovery Act Research Support	93.701	000402714-001 12-7921-2009-8-A	University of Alabama at Birmingham Children's Hospital of Oakland	—	(65)	(65)
ARRA-National Center for Research Resources Recovery Act Construction Support	93.702			8,137,168	—	8,137,168
Cardiovascular Diseases Research	93.837	PS#107223	Brigham and Women's Hospital	1,674,886	1,785	1,676,471
Cardiovascular Diseases Research	93.837	SR00001589	University of Maryland	—	(3,594)	(3,594)
Total CFDA				1,674,886	(1,809)	1,672,877
Lung Diseases Research	93.838			3,293,077	—	3,293,077
Blood Diseases and Resources Research	93.839	130317	Cincinnati Children's Hospital Medical Center	—	12,339	12,339
Blood Diseases and Resources Research	93.839	101524623	Baylor College of Medicine	—	20,398	20,398
Total CFDA				—	32,737	32,737
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			(895)	—	(895)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	VUMC37157	Vanderbilt University	(895)	16,621	15,726
Total CFDA				(895)	16,621	15,726
Allergy/Immunology and Transplantation Research	93.853	A08580	Yale University	—	46,895	46,895
Allergy/Immunology and Transplantation Research	93.853	126155-03	University of British Columbia	—	(9,577)	(9,577)
Allergy/Immunology and Transplantation Research	93.853			(2,378)	—	(2,378)
Total CFDA				(2,378)	37,318	34,940
Allergy/Immunology and Transplantation Research	93.855			708,102	204,836	912,938
Pharmacology Physiology and Biological Chemistry	93.859		The Regents of the University of California	452,476	30,199	482,675
Vision Research	93.867		Social and Scientific Systems, Inc.	252,113	—	252,113
Total U.S. Department of Health and Human Services				18,088,992	512,266	18,601,258
Total Research and Development Cluster				19,513,110	2,283,762	21,796,872
Other federal assistance:						
U.S. Department of Commerce:						
Sea Grant Support	11.417	USM-GR04867-01	Mississippi-Alabama Sea Grant Consortium	—	1,923	1,923
Coastal Zone Management Estuarine Research	11.420			979	—	979
NIST Summer Undergrad Research Fellowship	11.609			8,736	—	8,736
Congressionally Identified Projects*	11.617			414,465	—	414,465
Total U.S. Department of Commerce				424,180	1,923	426,103
U.S. Department of Defense:						
Procurement Technical Assistance for Business Firms	12.002	PTAC-USA-10-067/U/A 11-062	University of Alabama	—	6,874	6,874
Total U. S. Department of Defense				—	6,874	6,874
U. S. Department of Justice						
Bulletproof Vest Partnership	16.607	11BPBPV005	Alabama Department of Economic and Community Affairs	—	(103)	(103)
U.S. Department of Transportation:						
Highway Research and Development Program	20.200	TASK ORDER 12005	Kilgore Consulting and Management	—	16,608	16,608
Highway Planning and Construction	20.205	DP1-0030 (005)	Alabama Department of Public Transportation	—	(226)	(226)
Total U. S. Department of Transportation				—	16,382	16,382

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Year ended September 30, 2013

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
National Aeronautics and Space Administration: Aerospace Education Services Program Aerospace Education Services Program Total CFDA	43.001 43.001	SUB2010-176-A3	University of Alabama in Huntsville	\$ 273 —	— 23,185	273 23,185
Technology Transfer Education	43.002 43.008	SUB2010-176 USN-GR04613-001	University of Alabama in Huntsville University of Southern Mississippi	— —	44,150 (150)	44,150 (150)
Total National Aeronautics and Space Administration				273	67,185	67,458
National Science Foundation: Therophysical and Solvent Properties Biological Sciences	47.041 47.074			29,278 97,817	— —	29,278 97,817
Education and Human Resources	47.076			339,968	—	339,968
Education and Human Resources	47.076	000398033-006	University of Alabama at Birmingham	—	41,717	41,717
Education and Human Resources	47.076	062900-362475	Mississippi State University	—	23,495	23,495
Education and Human Resources	47.076	120,282	Stevens Institute of Technology	—	2,500	2,500
Education and Human Resources	47.076	100390	Mobile Area Education Foundation Inc.	—	12,307	12,307
Total CFDA				339,968	80,019	419,987
ARRA-Pathway to Science	47.082			116,925	—	116,925
Total National Science Foundation				583,988	80,019	664,007
U.S. Small Business Administration: Small Business Development Centers Small Business Development Centers	59.037 59.037	SBA-USA-UA13-028 SBAUA12-023	US Small Business Association University of Alabama	— —	47,392 1,487	47,392 1,487
Total U.S. Small Business Administration				—	48,879	48,879
U. S. Environmental Protection Agency Science to Achieve Results	66.514			6,357	—	6,357
U.S. Department of Energy: Basic Energy Sciences University and Science Education	81.049	DE-SC0002470	University of Alabama	—	13,023	13,023
Total U. S. Department of Energy				—	13,023	13,023
U.S. Department of Education: State Education Grants to States TRIO Cluster TRIO Talent Search TRIO Upward Bound	84.027 84.044 84.047	100383/110373	Alabama State Department of Education	— 309,981 242,420	— — —	— 309,981 242,420
Total TRIO Cluster				552,401	—	552,401
Special Education - State Personnel Development Transition to Teaching	84.323 84.350	CU00473	Alabama State Department of Education	— (2,000)	25,400 —	25,400 (2,000)
Mathematics and Science Partnerships	84.366	U100606	Alabama Department of Education	—	488,386	488,386
Improving Teacher Quality State Grants	84.367	100406/110312	Alabama Commission of Higher Education	—	18,535	18,535
Improving Teacher Quality State Grants	84.367	13-130338	Alabama State Department of Education	—	19,136	19,136
Total CFDA				—	205,671	205,671
Total U.S. Department of Education				550,401	754,457	1,304,858

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Schedule of Expenditures of Federal Awards
Year ended September 30, 2013

Federal sponsor / Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through expenditures	Total expenditures
U.S. Department of Health and Human Services:						
Alzheimer's Disease Demonstration Grants to States	93.051	12-120267	South Alabama Regional Planning Commission	—	8,525	8,525
Personal Responsibility Education Program	93.092	C30117158	State of Alabama Department of Public Health	—	29,906	29,906
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153					
Advanced Education Nursing Grant Programs	93.247			344,616	—	344,616
Universal Newborn Hearing Study	93.251	C20119022	State of Alabama Department of Public Health	2,597,481	—	2,597,481
Centers for Disease Control	93.283	C10114277	State of Alabama Department of Public Health	—	37,000	37,000
Basic Nurse Education and Practice Grants	93.359			—	120,525	120,525
Patient Protection and Affordable Act	93.541	000305851-021		332,527	—	332,527
Strong Start for Mothers and Newborns	93.611	120334	University of Alabama at Birmingham	—	107	107
ARRA-Health Information Technology Regional Extension Centers Program*	93.718					
Lung Disease Research	93.838			47,563	—	47,563
Grants for Residency Training for General Pediatrics	93.884			1,356,761	—	1,356,761
Health Care and Other Facilities	93.887			55,490	—	55,490
Specially Selected Health Projects	93.888			484,032	—	484,032
National Bio-terrorism Hospital Preparedness Program	93.889			1,032,051	—	1,032,051
HIV Care Formula Grants	93.917	C10114292(EEP-13-QW2-12)	Alabama Department of Public Health	52,803	—	52,803
Cooperative Agreements to Support State-Based Infant	93.946	RW-USAF-1112	United Way of Central Alabama	—	872,225	872,225
Maternal and Child Health Services Block Grant	93.994	120025	Mobile County Health Department	—	53,871	53,871
National Network for Libraries of Medicine	93.994	8278	State of Alabama Department of Public Health	—	123,724	123,724
			University of Maryland	—	12,068	12,068
				—	161	161
Total U.S. Department of Health and Human Services				6,303,324	1,258,112	7,561,436
Corporation for National and Community Service:						
AmeriCorps	94.006			26,898	—	26,898
Total other federal assistance				7,895,421	2,246,751	10,142,172
Total federal expenditures				\$ 153,069,106	\$ 4,530,513	\$ 157,599,619

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

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2013

(1) Basis of Presentation

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

(2) Campus-Based Loan Programs

Outstanding loans made by the University are included in notes receivable in the University's 2013 statement of net position and consist of the following loan programs:

	CFDA #	Outstanding amount at September 30, 2013	Amount advanced in 2013
Federal Perkins Loan Program	84.038	\$ 3,932,101	596,247
Loans for Disadvantaged Students	93.342	623	—
Health Professions Student Loans	93.342	3,162	—
Nurse Faculty Loan Program	93.264	346,217	202,853
Nurse Faculty Loan Program ARRA	93.408	42,115	—
		<u>\$ 4,324,218</u>	<u>799,100</u>

There were no loans advanced related to Loans for Disadvantaged Students and Health Professions Student Loans for the year ended September 30, 2013.

(3) Contingencies

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

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

The University's Federal Direct Student Loan Program (Direct Loan) included in the Schedule represents loans received by students of the University during fiscal year 2013 which were not made by the University. Accordingly, Direct Loan amounts are not reflected in the University's basic financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of September 30, 2013.

(Continued)

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

Notes to Schedule of Expenditures of Federal Awards
September 30, 2013

During fiscal year ended September 30, 2013, the University advanced to students the following amounts of new loans under Direct Loan Programs:

	Amount advanced
Stafford loans	\$ 23,467,555
Unsubsidized Stafford loans	69,388,132
Parent Loans for Undergraduate Students	12,577,333
Total	<u>\$ 105,433,020</u>

(5) Subrecipients

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

	Federal CFDA #	Amounts expended
Aerospace Education Services Program	43.001	\$ 42,681
Biological Sciences	47.074	16,667
Education and Human Resources	47.076	20,814
Mathematics and Science Partnerships	84.366	18,376
Improving Teacher Quality State Grants on Higher Education	84.367	92,740
Environmental Health	93.113	28,154
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	11,071
Minority Health and Health Disparities Research	93.307	48,080
National Center for Research Resources	93.389	134,973
Cancer Causes and Prevention Research	93.393	56,989
Cardiovascular Diseases Research	93.837	41,559
Lung Diseases Research	93.838	133,147
Health Information Technology Regional Extension Centers Program	93.718	498,943
Vision Research	93.867	14,000
Allergy, Immunology and Transplantation Research	93.855	43,194
Grants for Residency Training for General Pediatrics	93.884	9,758
		<u>\$ 1,211,146</u>

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Notes to Schedule of Expenditures of Federal Awards
September 30, 2013

(6) Matching

Under the Federal Supplemental Education Opportunity Grant Program, the University matched \$140,646 in funds awarded to students for the year ended September 30, 2013 in addition to the Federal share of expenditures included in the Schedule.



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

The Board of Trustees
University of South Alabama:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2013. Our report includes a reference to other auditors who audited the financial statements of the University of South Alabama Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of South Alabama Foundation, the University of South Alabama Health Services Foundation, the USA Research and Technology Corporation, and the Professional and General Liability Trust Funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Jackson, Mississippi
November 15, 2013



KPMG LLP
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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Trustees
University of South Alabama:

Report on Compliance for Each Major Federal Program

We have audited the University of South Alabama's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.



Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University and its aggregate discretely presented component units as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 15, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance



with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Jackson, Mississippi
November 15, 2013

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

Schedule of Findings and Questioned Costs

Year ended September 30, 2013

I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> x </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> x </u> none reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes <u> x </u> no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program/Cluster</u>
84.063, 84.007, 84.268, 84.033, 84.379, 84.038, 93.342, 93.264, 93.408	Student Financial Aid Cluster
Various	Research and Development Cluster
11.617	U.S. Department of Commerce/ Congressionally Identified Projects
93.718	U.S. Department of Health and Human Services/ARRA - Health Information Technology Regional Extension Centers Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 958,167
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Auditee qualified as low-risk auditee?	_____ yes <u> x </u> no
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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Findings and Questioned Costs

Year ended September 30, 2013

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

There were no findings related to the financial statements reported in accordance with *Government Auditing Standards* for the year ended September 30, 2013.

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

There were no findings related to the federal awards for the year ended September 30, 2013.



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November 15, 2013

Budget and Finance Committee
of the Board of Trustees
University of South Alabama

Ladies and Gentlemen:

In planning and performing our audit of the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University), as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

Information and Technology Recommendations

With respect to the University's information and technology systems, we identified weaknesses in internal controls surrounding user access rights. Control deficiencies were identified for both general information and technology controls and specific application controls related to users with inappropriate administrator access, terminated employees with user access, and users with access rights over multiple functions which are not in line with best practices with respect to segregation of duties. Access rights reviews should be conducted periodically and properly



Budget and Finance Committee
of the Board of Trustees
University of South Alabama
November 15, 2013
Page 2 of 2

documented in order to ensure that access rights are appropriate and segregation of duties is maintained.

We also identified general information and technology control deficiencies related to program changes. Documentation should be maintained for all program changes which details the testing performed on the change prior to being placed in production and the necessary approvals obtained prior to implementation.

Our audit procedures are designed primarily to enable us to form an opinion on the basic financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the University's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

University of South Alabama
Management Response to KPMG Management Letter
September 30, 2013

User Access Rights

KPMG Comment: With respect to the University's information and technology systems, we identified weaknesses in internal controls surrounding user access rights. Control deficiencies were identified for both general information and technology controls and specific application controls related to users with inappropriate administrator access, terminated employees with user access, and users with access rights over multiple functions which are not in line with best practices with respect to segregation of duties. Access rights reviews should be conducted periodically and properly documented in order to ensure that access rights are appropriate and segregation of duties is maintained.

University Response (from Mr. Cannon): We concur with this comment and will work with Human Resources, University departments and Health Systems information Technology to implement the recommendations in the current fiscal year.

Program Changes

We also identified general information and technology control deficiencies related to program changes. Documentation should be maintained for all program changes which details the testing performed on the change prior to being placed in production and the necessary approvals obtained prior to implementation.

University Response (from Mr. Cannon): We concur with this comment and will immediately implement the recommended processes and procedures.

University of South Alabama
Summary Comparison of Fund Financial Reports to
GASB Statement 34 Financial Statements
September 30, 2004 through September 30, 2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net increase (decrease) in current unrestricted operating funds (fund accounting)	\$ 4,883,356	\$ 1,221,088	\$ (7,689,241)	\$ (8,518,637)	\$ (29,056,974)	\$ 1,302,243	\$ 3,721,883	\$ 10,190,822	\$ 639,470	\$ 4,805,701
Transfer from University reserves to fund 11% proration in 2009, 9.5% proration in 2010 and 3% proration proration in 2011	-	-	2,998,417	6,558,280	6,499,033					
Net Increase (Decrease)	\$ 4,883,356	\$ 1,221,088	\$ (4,690,824)	\$ (1,960,357)	\$ (22,557,941)					
Add:										
Debt service	9,894,424	7,280,153	6,418,725	7,758,256	6,575,231	4,590,345	3,030,444	5,944,273	6,892,511	3,868,513
Equipment	15,444,490	20,856,151	23,493,814	18,669,897	7,259,482	22,674,581	21,018,457	11,456,341	10,556,620	8,088,299
Depreciation	(26,824,479)	(22,811,188)	(31,566,358)	(17,839,484)	(21,615,731)	(15,885,756)	6,407,336	(4,338,964)	(8,240,308)	(8,499,925)
Other funds, net	36,081,209	31,842,796	3,969,643	12,330,688	24,532,959	11,129,587	38,979,880	32,149,528	11,997,707	7,655,412
Net increase (decrease) in net assets - GASB Statement 34 format	\$ 39,479,000	\$ 38,389,000	\$ (2,375,000)	\$ 18,959,000	\$ (5,806,000)	\$ 23,811,000	\$ 73,158,000	\$ 55,402,000	\$ 21,846,000	\$ 15,918,000

**Detailed Reconciliation of Fund Financial Reports
to GASB 34 Financial Statements**

Year Ended September 30, 2013

Net increase from operating (current unrestricted) funds - fund format	\$	4,883,356
Add back:		
Debt service:		
Principal payment on long term debt	\$	10,552,000
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>(657,576)</u>
		9,894,424
Equipment purchases		15,444,490
Depreciation of buildings and equipment:		
Computed depreciation		(29,748,749)
Non-capitalized plant fund expenditures		(3,275,730)
Transfers of funded depreciation		<u>6,200,000</u>
		(26,824,479)
		3,397,791
Add:		
Plant fund income/transfers (net) not previously combined with operating:		11,255,254
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net		25,724,242
Loan fund		430,819
Restricted fund		<u>(1,329,106)</u>
		24,825,955
Net decrease in net assets - GASB Statement No. 34 Format	\$	<u><u>39,479,000</u></u>

**Detailed Reconciliation of Fund Financial Reports
to GASB 34 Financial Statements**

Year Ended September 30, 2012

Net increase from operating (current unrestricted) funds - fund format		\$	1,221,088
Add back:			
Debt service:			
Principal payment on long term debt	\$	8,033,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>(752,847)</u>	7,280,153
Equipment purchases			20,856,151
Depreciation of buildings and equipment:			
Computed depreciation		(30,182,684)	
Non-capitalized plant fund expenditures		(4,134,025)	
Transfers of funded depreciation		<u>11,505,521</u>	<u>(22,811,188)</u>
			6,546,204
Add:			
Plant fund income/transfers (net) not previously combined with operating:			20,787,496
Other fund income not previously combined with operating:			
Endowment fund gifts, investment gain and other, net		11,278,352	
Loan fund		530,733	
Restricted fund		<u>(753,785)</u>	<u>11,055,300</u>
Net decrease in net assets - GASB Statement No. 34 Format		\$	<u><u>38,389,000</u></u>

**Detailed Reconciliation of Fund Financial Reports
to GASB 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 Increase (Decrease)		(4,690,824)
Add back:		
Debt service:		
Principal payment on long term debt	\$	6,404,000
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>14,725</u>
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>(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>(4,681,054)</u>
Net decrease in net assets - GASB Statement No. 34 Format	\$	<u><u>(2,375,000)</u></u>

**Detailed Reconciliation of Fund Financial Reports
to GASB 34 Financial Statements**

Year Ended September 30, 2009

****Restated to reflect impact of implementation of GAS 53****

Net decrease from operating (current unrestricted) funds - fund format		\$ (29,056,974)
Transfer from University reserves to fund 11% proration		<u>6,499,033</u>
Net decrease		(22,557,941)
Add back:		
Debt service:		
Principal payment on long term debt	\$ 4,868,073	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>1,707,158</u>	6,575,231
Equipment purchases		7,259,482
Depreciation of buildings and equipment:		
Computed depreciation	(25,183,157)	
Non-capitalized plant fund expenditures	(3,415,010)	
Transfers of funded depreciation	<u>6,982,436</u>	(21,615,731)
		(30,338,959)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		14,712,823
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	8,561,833	
Loan fund	(752)	
Restricted fund	<u>1,259,055</u>	9,820,136
Net decrease in net assets - GASB Statement No. 34 Format		<u>\$ (5,806,000)</u>

**Detailed Reconciliation of Fund Financial Reports
to GASB 34 Financial Statements**

Year Ended September 30, 2009

Restated to reflect impact of implementation of GAS 53

Net decrease from operating (current unrestricted) funds - fund format		\$ (29,056,974)
Transfer from University reserves to fund 11% proration		<u>6,499,033</u>
Net decrease		(22,557,941)
Add back:		
Debt service:		
Principal payment on long term debt	\$ 4,868,073	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>1,707,158</u>	6,575,231
Equipment purchases		7,259,482
Depreciation of buildings and equipment:		
Computed depreciation	(25,183,157)	
Non-capitalized plant fund expenditures	(3,415,010)	
Transfers of funded depreciation	<u>6,982,436</u>	(21,615,731)
		(30,338,959)
Add:		
Plant fund income/transfers (net) not previously combined with operating:		14,712,823
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	8,561,833	
Loan fund	(752)	
Restricted fund	<u>1,259,055</u>	9,820,136
Net decrease in net assets - GASB Statement No. 34 Format		<u>\$ (5,806,000)</u>

**Detailed Reconciliation of Fund Financial Reports
to GASB 34 Financial Statements**

Year Ended September 30, 2008

Net increase from operating (current unrestricted) funds - fund format	\$	1,302,243
Add back:		
Debt service:		
Principal payment on long term debt	\$	5,287,134
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>4,590,345</u>
Equipment purchases		22,674,581
Depreciation of buildings and equipment:		
Computed depreciation		(20,167,588)
Non-capitalized plant fund expenditures		(4,418,392)
Transfers of funded depreciation		<u>8,700,224</u>
		(15,885,756)
Add:		12,681,413
Plant fund income/transfers (net) not previously combined with operating:		8,085,346
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net		4,058,697
Loan fund		25,883
Restricted fund		<u>(1,040,339)</u>
		3,044,241
Net increase in net assets - GASB Statement No. 34 Format	\$	<u><u>23,811,000</u></u>

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

Year Ended September 30, 2007

Net increase from operating (current unrestricted) funds - fund format	\$	3,721,883
Add back:		
Debt service:		
Principal payment on long term debt	\$	6,899,969
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>3,030,444</u>
Equipment purchases		21,018,457
Depreciation of buildings and equipment:		
Computed depreciation		(19,058,759)
Non-capitalized plant fund expenditures		(4,213,969)
Transfers of funded depreciation		<u>6,407,336</u>
		34,178,120
Add:		
Plant fund income/transfers (net) not previously combined with operating:		24,425,341
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net		13,444,313
Loan fund		42,935
Restricted fund		<u>1,067,291</u>
		14,554,539
Net increase in net assets - GASB Statement No. 34 Format	\$	<u><u>73,158,000</u></u>

Net increase from operating (current unrestricted) funds - fund format		\$ 10,190,822
Add back:		
Debt service:		
Principal payment on long term debt	\$ 6,263,751	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>(319,478)</u>	5,944,273
Equipment purchases		11,456,341
Depreciation of buildings and equipment:		
Computed depreciation	(18,459,716)	
Non-capitalized plant fund expenditures	(4,969,131)	
Transfers of funded depreciation	<u>19,089,883</u>	(4,338,964)
		23,252,472
Add:		
Plant fund income/transfers (net) not previously combined with operating:		15,171,089
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	5,746,046	
Loan fund	(22,285)	
Restricted fund	<u>11,254,678</u>	16,978,439
Net increase in net assets - GASB Statement No. 34 Format	\$ 55,402,000	

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

Year Ended September 30, 2005

Net increase from operating (current unrestricted) funds - fund format	\$	639,470
Add back:		
Debt service:		
Principal payment on long term debt	\$	5,922,085
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>970,426</u>
		6,892,511
Equipment purchases		10,556,620
Depreciation of buildings and equipment:		
Computed depreciation		(18,660,569)
Non-capitalized plant fund expenditures		(5,744,883)
Transfers of funded depreciation		<u>16,165,144</u>
		(8,240,308)
		9,848,293
Add:		
Plant fund income/transfers (net) not previously combined with operating:		6,293,990
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net		2,346,229
Loan fund		(104,245)
Restricted fund		3,543,207
Other transfers, net		<u>(81,474)</u>
		5,703,717
Net increase in net assets - GASB Statement No. 34 Format	\$	<u><u>21,846,000</u></u>

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

Year Ended September 30, 2004

Net increase from operating (current unrestricted) funds - fund format	\$	4,805,701
Add back:		
Debt service:		
Principal payment on long term debt - (except 1993 bond payoff)	\$	6,273,812
Actual payment of principal and interest in excess of amounts transferred (timing issue)		<u>(2,405,299)</u>
		3,868,513
Equipment purchases		8,088,299
Depreciation of buildings and equipment:		
Computed depreciation		(17,934,421)
Non-capitalized plant fund expenditures		(5,768,359)
Transfers of funded depreciation		<u>15,202,855</u>
		(8,499,925)
		8,262,588
Add:		
Plant fund income/transfers (net) not previously combined with operating:		8,191,189
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net		3,840,675
Loan fund balance reclassification		(4,779,278)
Loan fund		(46,217)
Restricted fund		41,357
Other transfers, net		<u>407,686</u>
		(535,777)
Net increase in net assets - GASB Statement No. 34 Format	\$	<u><u>15,918,000</u></u>



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

November 15, 2013

Budget and Finance Committee
of the Board of Trustees
University of South Alabama

Members of the Committee:

We have audited the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of September 30, 2013 and issued our report thereon under date of November 15, 2013. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the basic financial statements that have been prepared by management with the oversight of the Budget and Finance Committee of the Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Budget and Finance Committee of the Board of Trustees of their responsibilities.

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

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



Budget and Finance Committee
of the Board of Trustees
University of South Alabama
November 15, 2013
Page 2 of 4

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, Management's Discussion and Analysis of Financial Condition and Results of Operations. We have, however, read the other information included in the University's basic financial statements, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the University are described in note 1 to the basic financial statements. As described in note 1(w), in order to comply with the requirements of U.S. generally accepted accounting principles, the University adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Unusual Transactions

There were no transactions entered into by the University during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of Accounting Practices

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

Management Judgments and Accounting Estimates

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



Budget and Finance Committee
of the Board of Trustees
University of South Alabama
November 15, 2013
Page 3 of 4

Management's estimates of the allowances for uncollectible accounts and contractual adjustments are based on, among other things, analyses of historical trends, the aging and mix of accounts receivable at year-end and expected third-party payor payment rates. Estimated professional and general liability costs and self-insurance reserves for employee health insurance are based on, among other things, reviews of occurrences accumulated by incident reporting systems, discussions with risk management professionals, actuarial valuations and consideration of recent developments. Additionally, the fair value of the University's derivatives is based on calculating future net settlement payments utilizing forward rates implied by the yield curve based on future spot interest rates. The payments are discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of future settlement.

We evaluated the key factors and assumptions used in developing these accounting estimates to determine that they are reasonable in relation to the financial statements of the University taken as a whole.

Uncorrected Misstatements

There were no uncorrected misstatements related to the University's basic financial statements.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the University's basic financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2013.

Material Written Communications

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

1. Engagement letter
2. Management representation letters and
3. Management letter

* * * * *



Budget and Finance Committee
of the Board of Trustees
University of South Alabama
November 15, 2013
Page 4 of 4

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

Very truly yours,

KPMG LLP



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

Telephone +1 601 354 3701
Fax +1 601 354 3745
Internet www.us.kpmg.com

C 104992

4/8/13
ACF

March 20, 2013

Mr. M. Wayne Davis
Vice President for Financial Affairs
University of South Alabama
307 University Boulevard North, AD 170
Mobile, Alabama 36688-0002

Dear Wayne:

This letter amends our engagement letter dated January 25, 2012, confirming our understanding to provide professional audit services to the University of South Alabama (the University) by substituting the attached Appendix I for the Appendix I originally attached to our engagement letter.

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

While our reports may be sent to the University electronically for your convenience, only the hard copy reports are to be relied upon as our work product.

The University agrees to provide prompt notification if the University or any of its subsidiaries currently are or become subject to the laws of a foreign jurisdiction that require regulation of any securities issued by the University or such subsidiary.

KPMG uses the services of KPMG controlled entities, KPMG member firms and/or third party service providers to provide professional services and administrative, analytical and clerical support. These parties may have access to certain of your information with the understanding that the confidential information will be maintained under information controls providing equivalent protection as our own. You also understand and agree that KPMG aggregates your information with information from other sources for the purpose of improving audit quality and service, and for use in presentations to clients and non-clients in a form where it is sufficiently de-identified so as not to be attributable to the University or where the University could be identified as a source of the information.

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



Mr. M. Wayne Davis
March 20, 2013
Page 2 of 2

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

Very truly yours,

KPMG LLP

Mark P. Peach
Partner

MPP:jm

Enclosures

ACCEPTED

University of South Alabama

Mr. M. Wayne Davis
Vice President for Financial Affairs

4/2/13

Date

Appendix I

Fees for Services

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

	<u>2013</u>	<u>2014</u>
Audits of financial statements of University of South Alabama as of and for the years ended September 30, 2013 and 2014 and other reports detailed below	\$455,000	\$465,000

Other Reports:

The reports that we will issue as part of this engagement are as follows:

Report

Reports issued in connection with OMB Circular A-133
Debt covenant compliance report
Debt agreed upon procedures report
University of South Alabama Health Services Foundation
South Alabama Medical Science Foundation
USA Research and Technology Corporation
USA Professional Liability Trust Fund
USA General Liability Trust Fund
NCAA agreed upon procedures report

The above estimate is based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of 1,400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations, no significant increase in the purchase of additional alternative investments, and that we will only have to audit two major programs associated with OMB Circular A-133. Progress billings will be sent every two weeks and are due within thirty days upon receipt.

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



System Review Report

To the Partners of KPMG LLP
and the National Peer Review Committee of the AICPA Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the Firm), applicable to non-SEC issuers, in effect for the year ended March 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, an audit performed under FDICIA, and an audit of a carrying broker-dealer.

In our opinion, the system of quality control for the accounting and auditing practice of KPMG LLP, applicable to non-SEC issuers, in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. KPMG LLP has received a peer review rating of *pass*.

PricewaterhouseCoopers LLP

December 2, 2011



American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

December 8, 2011

John B. Veihmeyer, CPA
KPMG LLP
345 Park Ave Bsmnt LB6
New York, NY 10154

Dear Mr. Veihmeyer:

It is my pleasure to notify you that on December 8, 2011 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2014. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink, reading "James W. Brackens, Jr.". The signature is fluid and cursive, with the first name "James" being the most prominent.

James W. Brackens, Jr.
Vice President—Ethics and Quality Practice
+1.919.402.4502
nprc@aicpa.org

cc: Betty Jo Charles, CPA

Firm Number: 10054128

Review Number: 320334

*Administered by the
National Peer Review Committee*



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November 7, 2013

PRIVATE

University of South Alabama
Attn: Mr. Stephen H. Simmons
Vice President for Financial Affairs
307 University Boulevard North, AD 170
Mobile, Alabama 36688-0002

Dear Mr. Simmons:

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

We will apply the following agreed-upon procedures related to assist The Board of Trustees and Management of the University of South Alabama (the University) in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Tuition Revenue Bonds, Series 1999, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, University Facilities Revenue Capital Improvement Bonds, Series 2008, University Facilities Revenue Capital Improvement Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, and University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B, and Series 2013-C as of September 30, 2013 and for the year then ended.

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

We will compare the amounts shown on the Statement of Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and ensure that they agree.

We will obtain a schedule of general student fees (tuition) collected during the year ended September 30, 2013, and compare that amount to the general student fees recorded in the University's general ledger and ensure that they agree.

At the conclusion of the engagement, management agrees to supply us with a representation letter that, among other things, will confirm management's responsibility for the sufficiency of



Mr. Stephen H. Simmons
University of South Alabama
November 7, 2013
Page 2 of 3

the agreed-upon procedures for its purposes and the fair presentation of the specified elements, accounts, or items of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Our engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which our report is being prepared or for any other purpose.

Because the agreed-upon procedures referred to above do not constitute an audit, we will not express an opinion on any of the elements, accounts, or items of management's Statement of Changes in Cash and Investments Held by Trustee. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our report will include a list of the procedures performed (or reference thereto) and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of University management, and is not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the report be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

During the course of our procedures, we may consider it necessary to perform additional procedures in order to accomplish the stated purposes of the procedures described. Any such additional procedures will be outlined in our draft report, which will be reviewed by the University management prior to final issuance, in order to ensure that the procedure were sufficient to accomplish the purposes of the University. If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with University management during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

By approving this engagement, you agree to release KPMG and its personnel from any claims, liabilities, costs, and expenses relating to our service under this letter, except to the extent determined to have resulted from the intentional or deliberate misconduct of KPMG personnel. In the event KPMG is required pursuant to subpoena or other legal process to produce its documents relating to engagements for the University in judicial or administrative proceedings



Mr. Stephen H. Simmons
University of South Alabama
November 7, 2013
Page 3 of 3

to which KPMG is not a party, the University shall reimburse KPMG for its professional time and expense, including reasonable attorney's fees, incurred in responding to such requests.

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

Very truly yours,

KPMG LLP

Partner

MPP:jm

Enclosures

ACCEPTED:

University of South Alabama

Mr. Stephen H. Simmons
Vice President for Financial Affairs

Date

UNIVERSITY OF SOUTH ALABAMA



VICE PRESIDENT
FOR FINANCIAL AFFAIRS

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

November 15, 2013

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

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University), and its aggregate discretely presented component units as of and for the years ended September 30, 2013 and 2012, for the purpose of expressing opinions as to whether the basic financial statements and its aggregate discretely presented component units present fairly, in all material respects, the respective financial positions, and the changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University's federal programs (A-133 audit) was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of November 15, 2013, the following representations made to you during your audits:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 20, 2013 for the preparation and fair presentation of the basic financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.
 - b. Additional information that you have requested from us for the purpose of the audits.
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of the meetings of the Board of Trustees and other appropriate committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There are no:
 - a. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Anti-Kickback Statute, Limitations on Certain Physical Referrals (commonly referred to as the "Stark Law"), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

- d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
 - e. Events that have occurred subsequent to the date of the statement of the statement of financial position and through the date of this letter that would require adjustment to or disclosure in the basic financial statements, except as disclosed in the basic financial statements.
- 5. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.
 - 6. We acknowledge our responsibility for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud.

Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

- 8. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the entity's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.
- 9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 10. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management

- b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
- 11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 12. We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
- 13. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
- 14. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, The Financial Reporting Entity, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.
 - b. Guarantees, whether written or oral, under which the University is contingently liable.

- c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.
 - d. Agreements to repurchase assets previously sold, including sales with recourse.
 - e. Changes in accounting principle affecting consistency.
 - f. Significant affiliation relationships requiring disclosure.
 - g. All assets and liabilities under the University's control.
 - h. Significant relationships with affiliated organizations, and the financial statements of those organizations, where required.
- 15. The University has identified and properly accounted for all non-exchange transactions.
- 16. The University has complied with all aspects of laws, regulations, contractual agreements, donor restrictions, and grants that may affect the financial statements, including noncompliance.
- 17. The University is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the University. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
- 18. There have been no:
 - a. Instances of fraud that could have a material effect on the adjustments.
 - b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the University's adjustments that have not been disclosed to you in writing.
 - c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the University's adjustments that have not been disclosed to you in writing.

- d. False statements affecting the University's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.
- 19. There are no material transactions that have not been properly recorded in the accounting records underlying the adjustments.
- 20. The University's reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete. The basic financial statements disclose all other joint ventures and other related organizations.
- 21. The basic financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- 22. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
- 23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 24. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g., ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.
- 25. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.
- 26. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.
- 27. Deposits and investment securities are properly classified and reported.

28. The University is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the University's best estimate of fair value of investments required to be reported under the Statement. The University also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.
29. The University has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
30. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the University has disclosed the methods and significant assumptions used to estimate those fair values.
31. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
 - a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;
 - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
 - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
32. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
33. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the basic financial statements.
34. The University has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, including those related to the

recognition of outlays associated with the development of internally generated computer software.

35. The University has no:
- a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.
 - b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.
 - c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
36. The University has complied with all tax and debt limits and with all debt related covenants.
37. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
38. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with professional and general self-reserves and to determine information related to the University's funding progress related to such liabilities for financial reporting purposes are appropriate in the University's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
39. The University has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
40. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.
41. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

42. The University has identified and properly accounted for all non-exchange transactions.
43. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
44. Special and extraordinary items are appropriately classified and reported.
45. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.
46. We agree with the findings of specialists in evaluating the reserves related to the Professional Liability and General Liability Trust Funds and the fair value calculation of the University's derivative instruments. We have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
47. Provision, when material, has been made for:
 - a. Losses to be sustained from inability to fulfill any sales commitments.
 - b. Estimated loss to be sustained as a result of retroactive adjustments by third-party payors under reimbursement agreements that are subject to examination, including denied claims, changes to Diagnosis-related group (DRG) assignments, or other classification criteria affecting reimbursement.
 - c. Losses to be sustained as a result of adjustments resulting from review of Medicare or other payor claim data by the Professional Review Organization (PRO) or other payors' reviewers with which the University has agreements.
 - d. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 - e. Losses to be sustained as a result of other-than-temporary declines in the fair value of investments.

- f. Liabilities for physician and medical services provided to members covered under capitation arrangements. The recorded liability includes both claims received and unpaid as well as an estimate of the claims incurred but not reported and loss to be sustained for commitments to provide medical services to enrollees under capitation agreements.
- 48. Management has taken steps to timely and appropriately remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that we have reported.
- 49. We have evaluated all related organizations to determine that the accounting for such organizations is in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*.
- 50. We acknowledge our responsibility for the presentation of all required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
 - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
- 51. The University has complied with all applicable laws and regulations in adopting, approving, and amending budgets.
- 52. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
- 53. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors. The reimbursement methodologies and principles employed in accordance with applicable rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report. Recorded third party settlements include differences between filed (and to be

filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

54. For investments in alternative investments (including hedge funds, real estate ventures, private equity funds, etc.), management has performed an evaluation to determine whether the investment should be consolidated or accounted for under the equity, fair value, or cost method. Such evaluation included the consideration of various factors, including the legal form of the investment (limited partnership, limited liability corporation, limited liability partnership, trust arrangements, etc.), the level of ownership in the investment, and the frequency with which the unit value is published and purchase and sale transactions are permitted.
55. The University properly implemented GASB Statement No. 61, *The Financial Reporting Entity, Omnibus*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Reported as Assets and Liabilities* in 2013.

Additionally, we confirm, to the best of our knowledge and belief, the following representations made to you during your A-133 audit:

56. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.
57. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of its federal programs.
58. We are responsible for taking corrective action on audit findings of the compliance audit.
59. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
 - a. Management, including management involved in the administration of federal programs.

- b. Employees who have significant roles in internal control over the administration of federal programs.
 - c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.
- 60. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133 and:
 - a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
 - b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
- 61. The University is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
- 62. The University has prepared the SEFA in accordance with the requirements of OMB Circular A-133 and :
 - a. Has included all expenditures made during the year ended September 30, 2013 for all awards provided by federal agencies in the form of grants, American Recovery and Reinvestment Act (ARRA) awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - b. Appropriately identified and separated all ARRA awards, if any, within the SEFA.
- 63. The University has complied with requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
- 64. The University has disclosed to you any interpretations of any compliance requirements that have varying interpretations.

65. The University established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.
66. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
67. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
 - a. Management, including management involved in the administration of federal programs.
 - b. Employees who have significant roles in internal control over the administration of federal programs.
 - c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.
68. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

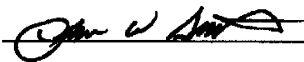
69. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.
70. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.
71. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
72. The University is in compliance with documentation requirements contained in the requirements promulgated by the sponsoring Federal agencies (e.g., the Department of Health and Human Services' 45 CFR part 74, appendix E) for all costs charged to federal awards, including both direct costs and indirect costs charged through indirect cost proposals. Costs charged to Federal awards, are considered allowable under these same requirements.
73. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.
74. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
75. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. If applicable, we have issued management decisions on a timely basis after receipt of subrecipient audit reports that identified non-compliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that subrecipients have taken appropriate and timely corrective action on such findings.
76. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to the University accounting records.
77. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.

- 78. If applicable, the University has provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- 79. The University has accurately completed Part I of the data collection form.
- 80. The University has advised you of all contracts or other agreements with service organizations.
- 81. If applicable, the University has disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.
- 82. The University has disclosed any known noncompliance occurring subsequent to the September 30, 2013.
- 83. The University has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to September 30, 2013.
- 84. There are no material unrecorded environmental remediation liabilities that must be recorded and/or disclosed in the University's financial statements.
- 85. We believe that the amount recorded as due from the Health Service Foundation is fully collectible.

Further we confirm that we are responsible for the fair presentation in the financial statements and the related notes to the financial statements, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

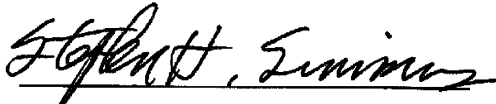
Very truly yours,

University of South Alabama



John W. Smith

Interim President



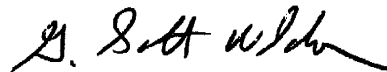
Stephen H. Simmons

Vice President for Financial Affairs



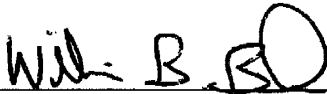
Robert K. Davis

*University Treasurer, Associate
Vice President for Financial Affairs, &
Director of Tax Accounting*



G. Scott Weldon

*Assistant Vice President for
Financial Affairs*



William B. Bush

*Assistant Vice President for Hospital
Affairs/CFO*



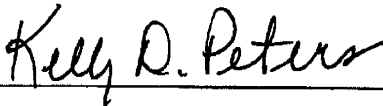
Emily K. Johnston

Director, Financial Aid



Donna Robinson

*Associate Vice President for Financial
Affairs*



Kelly D. Peters

Controller

UNIVERSITY OF SOUTH ALABAMA

VICE PRESIDENT
FOR FINANCIAL AFFAIRS



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

November 15, 2013

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

Ladies and Gentlemen:

In connection with your engagement to apply agreed-upon procedures, which were agreed to by the management of the University of South Alabama, a component unit of the State of Alabama, (the University), solely to assist us in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Tuition Revenue Bonds, Series 1999, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, University Facilities Revenue Capital Improvement Bonds, Series 2008, University Facilities Revenue Capital Improvement Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and Series 2012-B and University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B and Series 2013-C as of September 30, 2013 and for the year then ended, we confirm:

1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.

Further, we confirm that, to the best of our knowledge and belief, the following representations made to you during your agreed-upon procedures engagement:

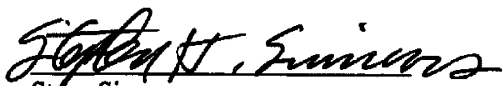
2. We are responsible for the subject matter and, when applicable, the assertion.
3. We are responsible for the fair presentation of the subject matter referred to above as of September 30, 2013 and for the year then ended
4. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.

5. We have made available to you all related financial records and data.
6. We have advised you of all actions taken at meetings of the board of trustees, and committees of the board of trustees (or other similar bodies as applicable) that may affect the subject matter.
7. We have reviewed a draft of your report of findings dated November 15, 2013, and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.
8. We take responsibility for the sufficiency (nature, timing and extent) of the agreed-upon procedures for our purposes.
9. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.
10. Your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.
11. We have responded fully to all inquiries made to us by you during your engagement.
12. We have communicated to you all known matters contradicting the subject matter or the assertion.
13. No procedures have been performed since the date of your report and you have no responsibility to update your procedures.
14. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.
15. The University has complied with all aspects of contractual agreements that would have a material effect on the subject matter or the assertion in the event of noncompliance.
16. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.

Page

Very truly yours,

University of South Alabama



Steve Simmons

Vice President for Financial Affairs



G. Scott Weldon

Assistant Vice President for Financial Affairs



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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the University of South Alabama, a component unit of the State of Alabama (the University), and the related notes to the financial statements, and its aggregate discretely presented component units as of and for the year ended September 30, 2013, and have issued our report thereon dated November 15, 2013. We did not audit the 2013 consolidated financial statements of the University of South Alabama Foundation, which represents 83%, 100%, and 26%, respectively, of the 2013 assets, net assets, and revenues, gains, and other support of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based on the report of the other auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions of Article X of the Trust Indenture, dated February 15, 1996, with The Bank of New York Trust Company, N.A. (the Bank), authorizing the issuance of \$40,130,000 of University Tuition Revenue Bonds, Series 1999, on March 15, 2004, authorizing the issuance of \$51,080,000 of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, on December 1, 2006, authorizing the issuance of \$100,000,000 of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, on September 25, 2008, authorizing the issuance of \$112,885,000 University Facilities Revenue Capital Improvement Bonds, Series 2008, on June 16, 2010, authorizing the issuance of \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, on January 4, 2012, authorizing the issuance of \$32,740,000 University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, and on June 28, 2013 authorizing the issuance of \$50,000,000 University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, insofar as they relate to accounting matters.

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

KPMG LLP

Jackson, Mississippi
November 15, 2013



UNIVERSITY OF SOUTH ALABAMA

Independent Accountants' Report on Applying Agreed-Upon
Procedures in Connection with, University Tuition
Revenue Bonds, Series 1999, University Tuition Revenue Refunding
and Capital Improvement Bonds, Series 2004, University Tuition Revenue Refunding
and Capital Improvement Bonds, Series 2006, University Facilities Revenue Capital
Improvement Bonds, Series 2008, University Facilities Revenue Capital Improvement
Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series
2012-A and 2012-B, and University Facilities Revenue Capital Improvement Bonds,
Series 2013-A, 2013-B, and 2013-C

September 30, 2013



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

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

The Board of Trustees and Management
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by members of management of the University of South Alabama (the University), solely to assist you in evaluating the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Tuition Revenue Bonds, Series 1999, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, University Facilities Revenue Capital Improvement Bonds, Series 2008, University Facilities Revenue Capital Improvement Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, and University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C as of September 30, 2013, and for the year then ended. The University's management is responsible for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- a. We compared the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.
- b. We compared the amounts shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.
- c. We obtained from University management a schedule of general student fees (tuition) earned during the year ended September 30, 2013 (not included herein), which approximated \$111 million and compared that amount to the general student fees recorded in the University's general ledger and found them to be in agreement.



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

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

KPMG LLP

November 15, 2013

UNIVERSITY OF SOUTH ALABAMAStatement of Changes in Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions

University Tuition Revenue Bonds, Series 1999,
 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004,
 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006,
 University Facilities Revenue Capital Improvement Bonds, Series 2008,
 University Facilities Revenue Capital Improvement Bond, Series 2010,
 University Facilities Revenue Capital Improvement Bonds Series 2012-A and 2012-B, and
 University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C

Year ended September 30, 2013

(In thousands)

Cash and investment transactions:

Cash receipts:

Deposits from University of South Alabama for interest and retirement of bonds	\$	24,852
Proceeds from sale of investments		7,636
		<u>32,488</u>

Cash disbursements:

Principal payments		10,552
Interest payments		14,300
Purchases of investments		7,636
		<u>32,488</u>

Net change in cash and investments during the year

—

Total cash and investments held by trustee:

Beginning of year		<u>3</u>
End of year	\$	<u><u>3</u></u>

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

UNIVERSITY OF SOUTH ALABAMA

Statement of Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions

University Tuition Revenue Bonds, Series 1999,
University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004,
University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006,
University Facilities Revenue Capital Improvement Bonds, Series 2008,
University Facilities Revenue Capital Improvement Bond, Series 2010,
University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, and
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C

September 30, 2013
(In thousands)

Cash and investments, at cost:

Total cash and investments	\$ <u> 3 </u>
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See accompanying independent accountants' report on applying agreed-upon procedures.

RESOLUTION

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

WHEREAS, the Southern Association of Colleges and Schools (SACS) requires that investment policies must be evaluated regularly, and

WHEREAS, the Board of Trustees has previously approved the University's endowment funds policies and guidelines and the University's non-endowment cash pool investment policy,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby acknowledges the current year annual evaluation of both policies by the Endowment and Investments Committee.

Endowment Funds Investment Policies and Guidelines

The Endowment Committee of the Board of Trustees of the University of South Alabama shall be responsible for recommending investment policies and guidelines for approval by the Board of Trustees, implementation of such policies and guidelines and selection of qualified investment professionals including Investment Consultant(s), Investment Manager(s), and Funds Custodian(s). The Endowment Committee will oversee investment activities, monitor investment performance and ensure the prudent control of the Endowment Funds of the University. The Endowment Committee will make periodic reports to the Board of Trustees.

I. Purpose of the Endowment Funds

The University of South Alabama Endowment Funds exist to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes, i.e., scholarships, professorships, program enhancements, student loans, etc.

II. Purpose of the Investment Policy

This investment policy is set forth by the board of Trustees of the University of South Alabama in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding of all involved parties of the investment goals and objectives of Endowment Funds assets.
3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Endowment Funds assets.
4. Establish a basis of evaluating investment results.
5. Manage Endowment Funds assets according to prudent standards as established in the laws of the State of Alabama.
6. Establish the relevant investment horizon for which the Endowment Funds assets will be managed.

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

III. Delegation of Authority

The Board of Trustees of the University of South Alabama is responsible for directing and monitoring the investment management of the University's Endowment Funds assets. As such, the Board of Trustees is authorized to delegate certain authority to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant(s). The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager(s). The investment manager has discretion to purchase or sell, in the University's name, the specific securities that will be used to meet the Endowment Funds investment objectives.
3. Funds Custodian(s). The custodian will physically (or through securities owned by the Fund) collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets, owned, purchased or sold as well as movement of assets into and out of the Endowment Funds accounts.

With the exception of specific limitations described in these statements, managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate. All expenses for such experts must be customary and reasonable, and will be borne by the Endowment Funds as deemed appropriate and necessary.

IV. Assignment of Responsibility

A. Responsibility of the Board of Trustees of the University of South Alabama

The Board of Trustees is responsible for the management of the assets of the Endowment Funds. The Board of Trustees shall discharge its duties in good faith like an ordinary prudent person in a like position would exercise under similar circumstances and in a manner the Trustees reasonably believe to be in the best interest of the University. The Board of Trustees will supervise the Endowment Committee and assigns the following authority and responsibilities to the Endowment Committee on behalf of the Board of Trustees.

B. Responsibility of the Endowment Committee

The specific authority and responsibilities of the Endowment Committee relating to the

investment management of Endowment Funds assets include:

1. Projecting the Endowment Funds financial needs, and communicating such needs to the Investment Manager(s) on a timely basis.
2. Determining the Endowment Funds risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies, time frames and guidelines which will direct the investment of the Endowment Funds assets.
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objectives progress.
6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental changes in the investment management process, or failure to comply with established guidelines.
7. Making direct investments in cases in which selection of an investment manager is not appropriate.
8. Recommending an endowment spending policy to the Board of Trustees for approval.
9. Reporting periodically to the Board of Trustees Endowment Committee actions and recommendations and investment performance of the Endowment Funds.

C. Responsibility of the Investment Manager(s)

The Endowment Funds will be managed primarily by external investment advisory organizations; both commingled vehicles and separate accounts may be used. The investment manager(s) have discretion, within the guidelines set forth in this policy statement and any additional guidelines provided them, to manage the assets in each portfolio to achieve the investment objectives. Managers will normally manage only one type of investment in each fund. For example, equities and fixed income will not be combined in a balanced fund with one manager.

Each Investment Manager must acknowledge, in writing, their acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under their jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Each Investment Manager will be provided with a copy of this statement of investment objectives and policies. In turn, as part of the investment management contract that will govern their

portfolio, the Investment Manager is expected to provide a written statement of the firm's expectations, stated in terms of the objectives and comparative benchmarks that will be used to evaluate performance and the allowable securities that can be used to achieve these objectives. These statements will be consistent with the statement of investment objectives and policies and will be incorporated as appendices. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation with the annual guidelines established by the Endowment Committee.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Providing monthly valuation of the investment portfolio based on the previous month's closing prices.
4. Communicating any major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objectives progress of the Endowment Funds investment management.
5. Informing the Endowment Committee regarding any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
6. Providing the Endowment Committee with proof of liability and fiduciary insurance coverage.
7. Acknowledging in writing an ability and agreement to invest within the guidelines set forth in the investment policy.
8. Meeting with the Endowment Committee at least annually.
9. Voting proxies on behalf of the Endowment Funds and communicating such voting records on a timely basis. In cases in which the University desires to vote proxies related to specific topics, it will so notify Manager(s).
10. The Board of Trustees may from time to time request that the Investment Manager(s) allocate commissions to those brokerage firms providing other investment management services to the University. Good execution and commission prices are primary considerations in routing business to the said brokerage firms. If at any time any Investment Manager believes that any policy guideline inhibits investment performance, it is their responsibility to communicate this to the Endowment Committee.

V. General Investment Principles

1. Investments shall be made solely in the interest of the purposes of the University of South Alabama.
2. The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances in a manner the Board of Trustees reasonably believe to be in the best interest of the University.
3. Investment of the Endowment Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Endowment Funds objectives.
5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

VI. Investment Objectives

In order to meet its needs, the investment strategy of the University of South Alabama Endowment Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The total Endowment Funds shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk. The Endowment Funds results shall be evaluated on a rolling five-year basis against a market benchmark weighted 55 percent in favor of the MSCI World (US Dollar) Index, 25 percent toward the Barclay's Capital US Aggregate Bond Index and 20 percent Treasury-bill rate plus 3 percent.

VII. Portfolio Composition and Risk

- A. To achieve its investment objective, the Endowment Funds assets are considered as divided into three parts a fixed income component, a fixed income alternative component, and an equity component. The Endowment Funds long-term commitment to these funds shall be as follows:

	<u>Range</u>	<u>Long-term neutral</u>
Fixed Income	15-35%	25%
Equity	35-75%	55%
Fixed Income Alternative	10-30%	20%
Cash	0-5%	0%

The purpose of dividing the Endowment Funds in this manner is to ensure that the overall asset allocation among major asset classes remains under the regular scrutiny of the Endowment Committee and is not allowed to become the residual

of separate manager decisions. Over the long run, the allocation among the major asset classes may be the single most important determinant of the endowment funds investment performance.

- B. The purpose of the fixed income fund is to provide a hedge against deflation, to reduce the overall volatility of returns of the Endowment Funds, in order to produce current income in support of spending needs.
- C. The percentage of total Endowment Funds assets allocated to the fixed-income fund at any time should be sufficient to provide that neither the current income nor the capital value or the total Endowment Funds declines by an intolerable amount during an extended period of deflation. The fixed-income fund should normally represent approximately 15-35 percent of total Endowment Funds assets at market value. Although the actual percentage will fluctuate with market conditions, levels outside this range should be closely monitored by the Endowment Committee.
- D. The purpose of the equity fund is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, venture capital, leveraged buyout investments, equity real estate, reorganization securities, exchange traded index funds, etc.
- E. The purpose of the fixed income alternative component is to provide the Endowment a source of returns with low correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The Fixed Income Alternative should normally represent approximately 10-30 percent of total Endowment Funds.
- F. Any assets not committed to the fixed-income fund or fixed income alternative shall be allocated to the equity fund. The equity fund should normally represent approximately 35-75 percent of total Endowment Funds assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside this range should be closely monitored by the Investment Committee.
- G. The Endowment includes investments in several categories, and the Endowment Committee targets allocations for the following:

	Long-Term Strategic	
Asset Class	Target (%) of Endowed Funds	Range
<i>DOMESTIC EQUITY</i>	47%	30-60%
Large/Mid-Cap	40%	25-55%
Small Cap	5%	3-8%
High Yield Debt	2%	0-5%
<i>INTERNATIONAL STOCKS</i>	10%	5-15%
Developed Markets	6%	3-10%
Emerging Markets	4%	0-6%
<i>TOTAL EQUITY COMPONENT</i>	57%	35-75%
<i>ALTERNATIVE INVESTMENTS</i>	20%	10-30%
Absolute Return	15%	12-20%
Long/Short Equity	5%	0-10%
<i>TOTAL ALTERNATIVE COMPONENT</i>	20%	10-30%
<i>Fixed Income Component</i>	23%	15-35%
U.S. Core Bonds	16%	12-20%
Global Bonds	4%	0-7%
TIPS	2%	0-5%
Emerging Markets Debt	1%	0-2%
<i>TOTAL FIXED INCOME COMPONENT</i>	23%	15-35%
<i>CASH AND EQUIVALENTS</i>	0%	0-5%

- H. Within the equity fund, certain investments can be included, with Endowment Committee approval, to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments. While the Endowment Committee recognizes the argument for having a separate allocation to inflation-hedging assets, at this time, these investments are evaluated primarily as equity-substitutes. The Endowment Committee will periodically review the adoption of an inflation-hedging fund allocation separate from the equity allocation.
- I. Within the equity fund, in addition to cash reserves held by managers, there is normally an investment in cash or short-term instruments. Although the Endowment Committee has not adopted a cash allocation, new gifts to the endowment and endowment income in excess of budgetary distributions generate cash inflow to the Endowment Fund. The level of cash should be closely monitored by the committee.

- J. The Endowment committee may change any of the above ratios; however, it is anticipated that these changes will be infrequent.
- K. The Endowment Funds investments shall be diversified both by asset class (e.g., equities and fixed-income securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

VIII. Spending Policy

It shall be the policy of the University of South Alabama Board of Trustees to preserve and maintain the real purchasing power of the principal of the Endowment Funds. The current spending policy of the University will be determined annually by the President and the Endowment Committee and approved by the Board of Trustees. The spending guideline is based on an expected total return over the long-term less expected inflation.

IX. Volatility of Returns

The Board of Trustees understands that in order to achieve its objectives for Endowment Funds assets, the Funds will experience volatility of returns and fluctuations of market value. The Board will tolerate volatility as measured against the risk/return analysis of the appropriate market indices. The indices used as a measure of an investment manager's performance will be used to measure the allowable volatility (risk).

X. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Vice President for Financial Affairs will periodically provide Investment Manager(s) with an estimate of expected net cash flow. The Vice President will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves. Because of the infrequency of cash outflows and overall marketability of Endowment Funds assets, the Board of Trustees does not require the maintenance of a dedicated cash or cash equivalent reserve.

XI. Marketability of Assets

The Board of Trustees requires that all Endowment Funds allocated to cash equivalents, fixed income securities or equity securities be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment Funds, with minimal impact on market price. The Board of Trustees recognizes that opportunities may exist in illiquid assets and will allow Investment Managers overseeing Fixed Income Alternatives to invest in securities that may be less liquid and could present a risk of illiquidity.

XII. Investment Guidelines

A. Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Common Fund Short Term Investment Fund
- Commercial Paper
- Banker's Acceptance
- Repurchase Agreements
- Certificates of Deposits

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Collateralized Mortgage Obligations

3. Fixed Income Alternatives

- Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
- Event investing (restructurings, spin-offs, etc.)
- Distressed securities
- Long Short equities (U.S., global and sector funds)
- Market neutral equities
- Short-biased equities
- Macro investing

4. Equity Securities

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depositary Receipts (ADRs) of Non-U.S. Companies
- Exchange traded index funds

5. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

Other Assets:

Derivative Securities: options and future contracts

In general, the use of derivative securities by the Investment Manager shall be discouraged, unless such an opportunity presents itself that the use of the sophisticated securities would provide substantial opportunity to increase investment returns at an appropriately equivalent level of risk to the remainder of the total portfolio. Also, derivative securities may be used by the Investment Manager in order to hedge certain risks to the portfolio. The approval and use of derivative securities will not be allowed unless the Endowment Committee is confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of derivatives.

Real Estate: Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed, income producing commercial and residential property. Such investments may not exceed 10% of the total endowment fund. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven track records of superior performance over time.

The Endowment will avoid highly leveraged strategies and managers who provide insufficient transparency of their actions for adequate monitoring of the risks they are taking.

B. Guidelines for Fixed Income Investments and Cash Equivalents

1. Investment in fixed income securities shall be restricted to only investment grade bonds rated BAA or higher.
2. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.
3. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated BAA or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

C. Guidelines for Fixed Income Alternatives

1. Fixed Income alternative investments will be defined as any strategy using a partnership or offshore investment company structure that may or may not be subject to SEC registration, investing primarily in marketable securities and/or subject to a performance fee. These strategies would generally have absolute, as opposed to relative, return objectives driven more by manager skill and market inefficiency than market direction. Use of leverage, short selling and/or derivatives may or may not be employed as part of the investment approach. The endowment will employ a manager of manager's approach to investing in fixed income alternative investments.

D. Limitations on Manager Allocations

1. No more than 5% of the Endowment Fund assets shall be allocated to an individual Investment Manager.
2. No more than 25% of the Endowment Fund assets shall be allocated to a "Fund of Funds" or multi-manager fund.

XIII. Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated, given the discipline employed and risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

XIV. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Trustees will review investment policy at least annually.

Investment Manager Selection

1. The Endowment Committee will decide on guidelines for the desired investment philosophy, asset mix, and performance objectives of the new manager.
2. The Endowment Committee will employ, if appropriate, Investment Consultant(s) to identify potential managers.
3. Potential managers will be reviewed by the Endowment Committee in some or all of the following areas with the importance of each category determined by the Endowment Committee:

Organization

- Experience of firm
- Assets under management
- Ownership
- Number of professionals
- Fees and minimum account size

Performance

- One, three and five-year comparisons
- Up/down market comparisons
- Risk/return graphs

Securities Summary – Equities

- Yield
- Profit/earnings
- Quality
- Growth
- Beta

Securities Summary – Fixed Income

- Quality
- Maturity
- Duration
- Government/non-government
- Investment decision-making process
- Top down/bottom up
- Quantitative/qualitative/traditional
- Expected performance characteristics

Securities Summary – Fixed Income Alternative

- Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
- Event investing (restructurings, spin-offs, etc.)
- Distressed securities
- Long Short equities (U.S., global and sector funds)
- Market neutral equities
- Short-biased equities
- Macro investing

Skill Set Analysis

- Market timing
- Sector diversification
- Security selection
- Security consideration

4. Final selection of a new manager resides with the Endowment Committee.

UNIVERSITY OF SOUTH ALABAMA NON-ENDOWMENT CASH POOL INVESTMENT POLICIES

Purpose

The purpose of this Investment Policy is to provide a guideline by which the pooled funds (the current, loan, agency and plant fund groups) not otherwise needed to meet the daily operational cash flows for the University can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflow of funds from revenues, tuition payments and state appropriations.

The policies and practiced hereinafter set forth separate funds into three investment categories: (1) Short-term funds (2) Intermediate-term funds (3) Long-term funds.

INVESTMENT OBJECTIVES

The investment objectives for Operational Funds Investments are: (1) to maximize current investment returns consistent with the liquidity needs of the University. In keeping with the investment objectives noted above, it is acknowledged that there are Operational Funds which require short-term, intermediate-term and long-term investment strategies.

It is expected that the maturities of the investments in the Operational Funds will be matched against the cash flow needs of each campus to maximize yields consistent with the liquidity needs of the University.

Maintenance of Adequate Liquidity

The investment portfolio must be structured in such a manner that will provide sufficient liquidity to pay obligations such as normal operating expenses and debt service payments as they become due. A liquidity base will be maintained by the use of securities with active secondary markets, certificates of deposit, or repurchase agreements. These investments could be converted to cash prior to their maturities should the need for cash arise.

Return on Investments

The University seeks to optimize return on investments within the constraints of each investment objective. The portfolio strives to provide a return consistent with each investment category. The cash pool portfolio rate of return will be compared with the returns of broad indices representing the investment and maturity structure of the Pool.

DELEGATION OF AUTHORITY

The Board of Trustees is ultimately responsible for investment policy. By Board Resolution the Board of Trustees is delegating investment authority to the President or Vice President for Financial Affairs or other such persons as may be authorized to act on their behalf.

The Investment Policy is established to provide guidance in the management of the University's Non-Endowment Cash Pool to insure compliance with the laws of the State of Alabama and investment objectives. The Vice President for Financial Affairs or his designee is accorded full discretion, within policy limits, to select individual investments and to diversify the portfolio by applying their own judgments concerning relative investment values.

IMPLEMENTATION OF THE INVESTMENT POLICY

The Vice President for Financial Affairs or his designee is authorized to execute security transactions for the University investment portfolio. Reports of investments shall be presented to the Endowment and Investment Committee of the Board of Trustees.

AUTHORIZED INVESTMENT INSTRUMENTS

Short-Term Operational Funds

Safety of Capital

Preservation of capital is regarded as the highest priority in the handling of investments for the University of South Alabama. All other investment objectives are secondary to the safety of capital.

It is assumed that all investments will be suitable to be held to maturity. However, sale prior to maturity is warranted in some cases. For example, investments may be sold if daily operational funds are needed or if the need to change the maturity structure of the portfolio arises.

All investments will be restricted to fixed income securities with the maturity range to be consistent with the liquidity needs of the pooled fund groups. It is essential that cyclical cash flow be offset by liquid investments. Permissible investment instruments may include:

1. Checking and Money Market deposit accounts in banks. These funds are subject to full collateralization for the amounts above the FDIC \$250,000.00 coverage limit, or participation by the Bank in the State of Alabama's Security for Alabama Funds Enforcement Program.
2. Certificates of Deposit issued by banks and fully collateralized for the amounts above the FDIC \$250,000.00 coverage limit or participation by the bank in the State of Alabama's Security for Alabama Funds Enforcement Program. Negotiable Certificates of Deposit or

Deposit Notes issued by credit worthy U.S. Banks in amounts not to exceed the FDIC \$250,000.00 coverage limit.

3. Direct obligations of the United States or obligations unconditionally guaranteed as to principal and interest by the United States.
4. Obligations of a Federal Agency (including mortgage backed securities) or a sponsored instrumentality of the United States including but not limited to the following:
 - Federal Home Loan Bank (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal Farm Credit Banks (FFCB)
 - Government National Mortgage Association (GNMA)
 - Federal National Mortgage Association (FNMA)
 - Student Loan Marketing Association (SLMA)
 - Financing Corp (FICO)
 - Tennessee Valley Authority (TVA)
 - Government Trust Certificates (GTC)
5. Commercial paper of corporate issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 rating by Fitch. Corporate bonds will maintain a minimum "A" rating by both Moody's and Standard and Poor's at the time of purchase. No more than ten percent (10%) of the Total Cash and Investments shall be invested in a single corporation for Commercial Paper/Short-term Corporate Bonds and thirty-five percent (35%) per Federal Agency Obligation as described above. There will be no limit on U.S. Treasury Obligations. All such securities must have an active secondary market.

The maturity range of Short-Term Operational Funds Investments shall be consistent with liquidity requirements of the funds category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Typical maturity will range from 1 year and less.

Intermediate-Term Investment of Operational Funds

Investments for those Operational Funds designated by the Campus President as benefiting from investment over a one- to three-year period.

AUTHORIZED INVESTMENT INSTRUMENTS

Permissible investments are consistent with all investments approved under short-term operational funds within a one and three year investment period. It is expected that the maturities of the investments within the intermediate-term funds will match against the cash flow needs of the University and to maximize yields consistent with the liquidity needs of the University.

Long-Term Investment of Operational Funds

Investments for those Operational Funds designated by the Campus President as benefiting from a longer-term investment strategy will use the same investment and management criteria as those applicable under the University's Endowment Investment Policy.

PASS THROUGH OR DESIGNATED FUNDS

This policy shall also cover pass through funds (endowment funds to be forwarded to external endowment fund managers) and any funds managed by the University and designated for specific purposes and not covered by individual investment restrictions (i.e. endowment funds that may not be co-mingled, bond proceeds during construction, USA Health Plan, etc.)

PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Persons performing the investment functions, acting in accordance with these written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations and appropriate recommendations to control adverse developments are reported in a timely fashion. The "prudent person" standard is understood to mean:

"Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

EFFECTIVE DATE

This policy shall become effective immediately upon its adoption by the Board of Trustees. Further, this policy shall be reviewed at least annually and updated whenever changing market conditions or investment objectives warrant.

RESOLUTION

ACCEPTANCE OF A GIFT OF REAL ESTATE

WHEREAS, the University of South Alabama is actively engaged in a campaign to raise scholarship gifts to meet the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, Mr. and Mrs. Sean Price wish to create an endowed scholarship utilizing the matching gift funds available through the program to endow a scholarship in accounting, and

WHEREAS, in order to fund the scholarship, Mr. and Mrs. Price wish to give to the University of South Alabama a residential lot with a request that it be sold by the University and the proceeds used to fund said scholarship, and

WHEREAS, as outlined on the memorandum attached hereto and incorporated by reference herein, the President of the University believes it to be economically justified and in the best interest of the University and the State of Alabama to place the property with a duly licensed real estate broker as provided for in the Code of Alabama as well as the University's Land Sale/Lease Policy and Procedure,

THEREFORE, BE IT RESOLVED, the University of South Alabama's Board of Trustees, on recommendation of its Development, Endowment and Investment Committee, completion of appropriate due diligence and approval of the President, authorizes the University to accept the gift of real estate for this purpose, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees hereby ratifies the President's approval of the use of a duly licensed real estate broker for the sale of this real estate as being economically justified and in the best interest of the State of Alabama and the University, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees expresses its deep appreciation to Mr. and Mrs. Price for this gift to endow a scholarship to support accounting students in the Mitchell College of Business.



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

Declaration of Best Interest

To: USA Board of Trustees

From: John W. Smith, Ed.D., Acting President

Re: Use of Real Estate Broker in Sale of Land

Date: December 6, 2013

The University of South Alabama (USA) has been offered land by Mr. and Mrs. Sean Price desiring that the proceeds from the sale of same would be used to create an endowed scholarship utilizing the matching funds available through the Mitchell-Moulton Scholarship Initiative to endow a scholarship in accounting. Should the Board of Trustees elect to accept the property and after due diligence and I approve same, given the parcel and its location I further approve the placement of the land with a duly licensed real estate broker as economically justified and in the best interest of the State of Alabama and the University in order to achieve the most economically advantageous and expeditious sale possible. I would, therefore, recommend the Board ratify my approval, as the agent of the Board, of this method of sale.




University of South Alabama
Office of Development and Alumni Relations
5910 USA South Drive, Mobile Townhouse
Mobile, AL 36688
(251) 460-7616 ~ Fax: (251) 460-7647

MEMORANDUM

DATE: November 25, 2013

TO: Dr. John Smith
Acting President

FROM: Dr. Joseph F. Busta, Jr. 
Vice President for Development and Alumni Relations

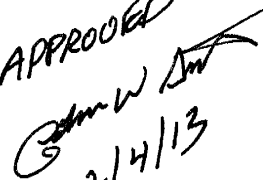
SUBJECT: Agenda Item: Gift of Residential Lot from Mr. and Mrs. Sean Price

Vice President Steve Simmons and I recommend the Board of Trustees accept a gift of residential lot 2 Harbor View Court Mobile, AL 36605 from Mr. and Mrs. Sean Price.

It is the donor's desire the lot be sold at the earliest practical date and the proceeds be used to endow a student scholarship in accounting through the Mitchell-Moulton Scholarship Initiative. In order to expedite such a sale, I recommend the use of a licensed real estate broker as being the most efficient and cost effective method of sale and in the best interest of the State of Alabama and the University.

JFBjr/sd

c: Vice President Steve Simmons
Mrs. Monica Curtis
Mr. Ken Davis
Mrs. Jean Tucker

APPROVED

12/4/13

OTHER

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RESOLUTION

NAMING OF THE USA MEDICAL CENTER REGIONAL BURN CENTER

WHEREAS, Dr. Arnold Luterman has demonstrated servant leadership through his steadfast dedication to the University of South Alabama over the past three decades, and

WHEREAS, Dr. Luterman was instrumental in developing the Level I Trauma Center at the USA Medical Center and served as its first director from 1981-1985, and

WHEREAS, Dr. Luterman served as chief of surgery at USA Medical Center and chair of the Department of Surgery at the USA College of Medicine from 1994-2002, and

WHEREAS, Dr. Luterman played a significant leadership role as surgery post-graduate training program director and assistant dean for graduate medical education in the USA College of Medicine, and

WHEREAS, Dr. Luterman has been honored 20 times with a Red Sash Faculty award, which is given to outstanding faculty members by graduating medical students, and

WHEREAS, Dr. Luterman, a nationally-known expert on the treatment of patients with burn injuries, played a major role in developing the Regional Burn Center and served as its director until 2012, and

WHEREAS, Dr. Luterman has served diligently, contributing in multiple ways to the advancement of the USA College of Medicine and USA Medical Center on a national, regional and community level,

THEREFORE, BE IT RESOLVED that, due to the many achievements and contributions by Dr. Arnold Luterman to the USA Health System and the College of Medicine, and, particularly, the vital role he has played in the care of burn patients in our region, the University of South Alabama's Board of Trustees declares the USA Medical Center's Regional Burn Center will now be known as the *Arnold Luterman Regional Burn Center*, and

BE IT FURTHER RESOLVED that the Board of Trustees, administration, faculty, staff, alumni and students of the University of South Alabama express sincere gratitude to Dr. Arnold Luterman for his devotion to the University's College of Medicine and Health System.

NOV 14 2013

UNIVERSITY OF SOUTH ALABAMA

STANLEY K. HAMMACK
VICE PRESIDENT
HEALTH SYSTEM



UNIVERSITY OF SOUTH ALABAMA

TELEPHONE: (251) 471-7118
2451 FILLINGIM STREET, SUITE 2110
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7751

MEMORANDUM

TO: Dr. John W. Smith
President

FROM: Stan Hammack *SKH*

DATE: November 14, 2013

Attached for review and approval by the Board of Trustees:

Resolution – Naming of the USA Medical Center Regional Burn Center

- Arnold Luterman Regional Burn Center

SKH:eb

Attachment

*APPROVED
Gamm
11/14/13*

RESOLUTION

COMMENDATION OF MR. KEITH AYERS

WHEREAS, the University of South Alabama seeks to honor exceptional administrators who have devoted a substantial part of their careers to serving others and who have distinguished themselves through their professional contributions, and

WHEREAS, Mr. Franklin Keith Ayers has provided nearly 15 years of dedicated service to the University of South Alabama since his appointment as public relations director, and

WHEREAS, Mr. Ayers was appointed to his position in March 1999 by President V. Gordon Moulton, bringing needed stability during a time of transition for the new administration, and

WHEREAS, enhancing the University's public image was instrumental in growing enrollment and increasing USA's community, philanthropic and political support, and

WHEREAS, Mr. Ayers was both passionate and resolute in promoting the University's many accomplishments, including faculty, staff, student, and alumni achievements; building projects; enhanced health care; the formation of the Jaguar NCAA Division I football and marching band programs; enrollment that topped 15,000; the awarding of USA's 75,000th degree; and USA's 50th Anniversary, and

WHEREAS, Mr. Ayers was a trusted advisor to President Moulton and his wife, Geri; faculty; administrators; and members of the Board of Trustees, and

WHEREAS, Mr. Ayers has an impressive 30-year history of raising awareness, appreciation and support for higher education in Alabama, and

WHEREAS, the impressive body of work performed by Mr. Ayers and his staff will benefit the University for years to come,

THEREFORE, BE IT RESOLVED that the Board of Trustees expresses its appreciation to Mr. Keith Ayers for his many contributions to the University of South Alabama and offers its best wishes upon his retirement from the Institution and in all future endeavors.