

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

MARCH 8, 2013

10:00 A.M.

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

REVISED AGENDA

ITEM	PAGE
* Approve: Revised Agenda	<i>i</i>
1 Approve: Minutes	1, 3, 13 and 16
2 Report: President's Report	<i>Presentation at Meeting</i>
* 2.A Report: Appointment of Nominating Committee	<i>Presentation at Meeting</i>

HEALTH AFFAIRS:

3 Approve: USA Hospitals Credentials for December 2012, and January 2013	1
4 Report: Health System and Health Sciences	<i>Presentation at Meeting</i>
5 Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>
6 Approve: Declaration of Intent between the University of South Alabama and the University of Alabama at Birmingham	8

ACADEMIC AND STUDENT AFFAIRS:

7 Report: Academic Affairs	<i>Presentation at Meeting</i>
8 Report: Student Affairs	<i>Presentation at Meeting</i>

BUDGET AND FINANCE:

9 Report: Monthly Fund Financial Reports for October, November and December 2012 .	1, 16 and 31
Quarterly GASB Financial Statements, Three Months ended December 2012	46
Summary Comparison of Fund Financial Reports to GASB Financial Statements, December 31, 2012 and 2011	80
* 10 Approve: Architect for Professional Office Building at USA Spring Hill Avenue Campus Site ...	84

AUDIT:

11 Report: KPMG Report on USA Intercollegiate Athletics, Year ended September 30, 2012	1
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DEVELOPMENT, ENDOWMENT AND INVESTMENTS:

12 Report: Endowment and Investments	<i>Presentation at Meeting</i>
* 12.A Approve: Affiliation Agreement Between the University of South Alabama and the USA College of Medicine-Medical Alumni Association, Inc.	1
13 Report: Development and Alumni Relations	<i>Presentation at Meeting</i>
* 13.A Approve: Commendation of Dr. and Mrs. Steven H. Stokes for Visionary Leadership	9

OTHER:

14 Approve: Commendation of Dr. J. David Stearns	1
* 15 Approve: Resolution	<i>Presentation at Meeting</i>



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

February 26, 2013

TO: USA Board of Trustees

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

Included herein are the unapproved minutes for the Board meetings held December 5 and 6, 2012, and February 1, 2013. Please review these documents for amendment or approval at the March 8, 2013 Board meeting.

BRM:mgc

Enclosures

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

**February 1, 2013
12:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Friday, February 1, 2013, at 12:05 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present Trustees Tom Corcoran, Cecil Gardner, Sam Jones, Jimmy Shumock and Jim Yance.

Members Participating Trustees Scott Charlton, Steve Furr, Christie Miree, Bryant Mixon,
by Phone John Peek, Ken Simon, and Steve Stokes.

Members Absent: Trustees Robert Bentley, Tommy Bice, Bettye Maye and Arlene Mitchell.

Administration Drs. Mike Boyd, Doug Marshall (Faculty Senate), Joel Erdmann,
and Others: Ron Franks, David Johnson and John Smith; Messrs. Parker Chastain (SGA), Wayne Davis, Stan Hammack, Don Langham, Tom Meyer (Faculty Senate); and Mss. Lynne Chronister and Kristin Daniels.

Press: Messrs. Allen Carter (WKRK), Brian Hulon (WPMI), Marcus Poe (WALA) and Gabriel Tynes (*Lagniappe*); and Mss. Cassie Fambro (*The Vanguard*), Modupe Idowu (WPMI) and Ellen Mitchell (*Press-Register*).

Chairman Yance convened the meeting and, given the involvement of some Trustees by phone and as a matter of record, representation was confirmed via roll call. He thanked everyone for their participation, and reminded the group of legislation allowing USA Trustees to vote by phone, and of quorum requirements. He provided an update on President Moulton's recovery from cancer surgery and aggressive follow-up treatments, which have delayed his return to duty. He reported recent visits with President Moulton, at his request, and announced President Moulton's desire to take a 90-day leave of absence for the purpose of continuing his recovery before returning to work. He said President Moulton recommended the appointment of an Acting President, and further recommended consideration of Dr. John Smith, Special Assistant to the President and Vice President for Student Affairs, to fill the position of Acting President. Upon his call for a motion, Mr. Shumock moved for the acceptance of President Moulton's request for leave. Mr. Gardner seconded and the motion was approved unanimously.

Chairman Yance, having confirmed receipt of a proposed resolution by all Trustees, called for presentation of the resolution by Mr. Corcoran. Upon the distribution of copies, Mr. Corcoran read the resolution authorizing the appointment of Dr. John Smith as Acting President, and moved approval. Mr. Gardner seconded and Chairman Yance called for further discussion. Judge Simon asked if the resolution should address the matter of pay. With inference to the terms of employment and to contractual provisions, Chairman Yance stated the addition of a provision for pay is not necessary, and acknowledged, for the record, that President Moulton's leave would include pay. To dispel any question on the matter, Mr. Gardner offered a motion to amend Mr. Shumock's original

motion to include the specification of leave with pay. Chairman Yance suggested that Trustees first consider the resolution, and called for the vote. The resolution was approved unanimously:

**RESOLUTION
TEMPORARY APPOINTMENT OF ACTING PRESIDENT**

WHEREAS, President Moulton will be taking a leave of absence of up to ninety days to continue his recovery from surgery, and

WHEREAS, President Moulton has requested that the Board of Trustees of the University temporarily appoint an Acting President, and

WHEREAS, President Moulton recommended Dr. John W. Smith for the appointment to this temporary position of Acting President, and

WHEREAS, Dr. Smith has considerable experience in all aspects of higher education administration, as indicated on the attached, and came to the University of South Alabama as Vice President for Student Affairs in 2008, as a result of a national search, and

WHEREAS, in addition to his position as Vice President for Student Affairs, Dr. Smith has also been the Special Assistant to the President since 2010,

THEREFORE, BE IT RESOLVED, that based on the foregoing, the Board of Trustees of the University of South Alabama hereby appoints Dr. John W. Smith as Acting President of the University of South Alabama until President Moulton's return to work or further action is taken by the Board of Trustees.

Mr. Gardner moved to amend the motion accepting President Moulton's leave to stipulate leave with pay. Mr. Corcoran seconded and the motion to amend as stated was approved unanimously.

Chairman Yance asked Dr. Smith if he would like to make remarks. Dr. Smith expressed gratitude for everyone's confidence in him to serve as Acting President. He stated the Administration is a strong, cohesive body that will continue to move the University forward pending President Moulton's return.

There being no further business, the meeting was adjourned at 12:14 p.m.

Attest to:

Respectfully Submitted:

E. Thomas Corcoran

James A. Yance, Chair *Pro Tempore*

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

**December 6, 2012
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Thursday, December 6, 2012, at 10:33 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Cecil Gardner.

Administration and Others: Drs. Mike Boyd, Joe Busta, Phil Carr/Julie Estis/Doug Marshall (Faculty Senate), Joel Erdmann, Ron Franks, David Johnson, John Smith, David Stearns and Sam Strada; Messrs. Terry Albano, Keith Ayers, Owen Bailey, Parker Chastain (SGA), Wayne Davis, Stan Hammack, Mark Hoffman (NAA), Don Langham, Tom Meyer (Faculty Senate), Abe Mitchell, Norman Pitman and Steve Simmons; and Mss. Vanessa Brown, Lynne Chronister and Jean Tucker.

Press: Messrs. Evan Belanger (*Birmingham News*), Steve Alexander and Michael Reedy (WALA), Chad Pietri (WKRG), and Brian Hulon (WPMI); and Mss. Cassie Fambro (*The Vanguard*) and Christian Jennings (WPMI).

Chairman Yance convened the meeting and called for adoption of the revised agenda. On motion by Mr. Corcoran and seconded by Ms. Miree, the revised agenda was approved unanimously. Chairman Yance called for consideration of **ITEM 1**, the minutes of the September 10, 2012, meetings of the Audit Committee, Committee of the Whole and Board of Trustees. On motion by Dr. Stokes, seconded by Mr. Peek, the minutes were adopted by unanimous vote.

Chairman Yance presented **ITEM 2**, the President's Report. He gave an update on President Moulton's recovery, and talked about Fall Commencement taking place on December 15. Governor Robert Bentley will serve as Commencement Speaker and 1,614 degrees are expected to be conferred, bringing the University's historical total of degrees awarded to 73,900. Mr. Yance recognized Trustee Emeritus Don Langham, and made note of the number of alumni serving on the Board. He said the next Board meeting will be held on March 8, 2013, in conjunction with the Distinguished Alumni and Service Awards banquet on March 7.

Mr. Ayers detailed 50th anniversary events as photos were shown. Among the festivities featured were the dedication of Shelby Hall on September 9, USA Arts and History Day on October 14, and Homecoming events, including the dedication of the Moulton Tower murals and the unveiling of Wall of Honor plaques at Alumni Plaza on October 19. Trustees and guests were encouraged to attend the Holiday Concert set to follow the Board meeting at 6:30 p.m. at the Mitchell Center. Fiftieth anniversary celebrations will culminate with a gala on Friday, May 3, 2013. Mr. Ayers

reported on the commemorative 50th anniversary book in production, and a promotional video showcasing the University's history and growth was shown. The video will be used as a marketing tool in the community. Chairman Yance thanked the Administration for advancing the University's presence among local businesses and agencies. Mayor Jones added that USA plays a key role in attracting new industry. Chairman Yance recognized Mr. Mark Hoffman, NAA President.

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

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR SEPTEMBER AND OCTOBER 2012

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

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

Dr. Furr presented **ITEM 4** as follows (for copies of policies and other authorized documents, refer to **APPENDIX A**). On motion by Mr. Shumock, seconded by Dr. Charlton, the resolution was approved unanimously:

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

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

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

Chairman Yance called upon Mr. Owen Bailey to present **ITEM 5**, a report on the activities of the USA Health System and the Division of Health Sciences. Mr. Bailey discussed progress toward completion of the Children's and Women's Hospital expansion, as photos were shown of the building exterior and interior. He thanked the Board for its support of the project and discussed features of the addition and the relocation of services as detailed in a fact sheet distributed. He stated that Ronald McDonald services will be provided in-house, and gave information about the Class Act program, whereby pediatric patients can maintain their school studies.

Dr. Furr called upon Dr. Boyd for presentation of **ITEM 6**, a report on the Mitchell Cancer Institute (MCI). He stated MCI's Executive Advisory Council, chaired by Dr. Bruce Chabner, conducted an intensive, first annual review of MCI operations October 24-26. An analysis of the site visit is expected in March 2013. Dr. Boyd introduced Dr. Busta to report on *Celebrate Hope*, the MCI's

premier annual fundraising event held November 15. Dr. Busta stated that Craig and Kelly Fowler served as chairs for the event, which has netted \$1.1 million in proceeds in its four-year history. Seven hundred tickets were distributed this year, with net proceeds projected to exceed \$335,000, making possible the purchase of a Nikon confocal super-resolution microscope, one of approximately 10 used nationwide. He said the University community can be proud of the benefits *Celebrate Hope* facilitates for the MCI and the community.

Chairman Yance called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, called upon Dr. Johnson for presentation of **ITEM 7** as follows. On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously:

**RESOLUTION
PROFESSOR EMERITUS**

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

Lary M. Dilsaver, Ph.D., Professor of Earth Sciences
Paul A. Helminger, Ph.D., Professor of Physics

and,

WHEREAS, in recognition of their contributions to the University through exemplary accomplishments in teaching and in the generation of new knowledge through research and scholarship, and for serving as an inspiring influence to students, and

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

NOW THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama in a seated meeting held on December 6, 2012, hereby appoints the aforementioned individuals to the rank of Professor Emeritus with the rights and privileges thereunto appertaining, and

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

Ms. Miree addressed **ITEM 8** as follows, noting that the resolution had been revised and distributed. She asked for comments from Dr. Johnson. On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously:

**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, 2012, for the 2013-2014 academic year.

<u>NAME</u>	<u>DISCIPLINE</u>	<u>TIME PERIOD</u>
Dr. Scott L. Douglass	Civil Engineering	Fall 2013
Dr. Sytske K. Kimball	Earth Sciences	Fall 2013
Dr. Cornelius Pillen	Mathematics and Statistics	Spring 2014
Dr. Ted L. Poston	Philosophy	Fall 2013
Dr. Christopher T. Raczkowski	English	Spring 2014
Mr. R. Tony Wright	Visual Arts	Fall 2013

Ms. Miree called for a report on the activities of the Division of Academic Affairs, **ITEM 9**. Dr. Johnson gave an update on the University's reaffirmation process with the Southern Association of Colleges and Schools (SACS), the University's primary accrediting agency. Dr. Johnson stated the process is one-third complete and on-track, with most compliance standards satisfied. An external panel has completed its review of USA's Compliance Certification Report, and has made recommendations, to which the University will respond by providing further documentation and policy adjustments to the SACS Commission on Colleges (SACSCOC) in February 2013. A SACSCOC site visit will follow in April.

Dr. Johnson reported on work by the University's Committee for Planning, Assessment and Finances to update the Institution's strategic initiatives previously set forth in the University's Long-Range Planning Goals and Objectives document for the period 2008-2013. The document, which incorporates the University's mission and vision statements, will be submitted to the Board of Trustees Long-Range Planning Committee for review and a recommendation to the Board of Trustees in June 2013.

Relative to funding challenges and shortfalls in state support, Dr. Johnson said efforts are under way to identify alternative revenue sources. He said a recommendation would be presented in the future on tactics and strategies to increase enrollment, with a focus on expanding recruitment areas. For the near future, Dr. Johnson discussed implementation of an enrollment growth strategy that calls for adding to the recruiting force; a Communication Center for student outreach to prospective students; improved communications with students and alumni via installation of CRM tracking software; and an expanded scholarship program to include students with ACT scores of 23. The goal is to increase the freshman class size by at least 10 percent, thus generating additional tuition revenue. Dr. Stearns said the effort thus far has reaped benefits, with 225 students having ACT scores of 30 or above admitted for fall, an increase over last year. With these efforts, he said an increase in higher-achieving students is to be expected as well. Chairman Yance remarked on USA's far-reaching student and alumni presence.

Ms. Miree called upon Dr. Smith for presentation of **ITEM 10**, a report on the activities of the Division of Student Affairs. As Board members viewed photos and drawings, Dr. Smith provided an update on construction projects. He said construction of the newest residence hall, set to open for the 2013 fall semester as a *Living Learning Community*, is slightly behind schedule. He discussed the interior renovation of the Student Center, noting that bids received in July were over-budget. With prior authorization by the Board for the President to award the contract, the specifications were modified and new bids ranging between \$6 and \$7 million were opened last week. The low bid was submitted by a Pensacola firm. Dr. Smith said improvements to this space for student activities is much needed, and the project will move forward soon.

Dr. Erdmann reported on the football program, noting completion of the fourth season in 2012 – the official second season in transition to the NCAA football bowl subdivision. As per regulations, this spring, USA will resubmit its football business plan to an NCAA peer review team, who will examine the University's capabilities to fully support a Division I football program. Notification of USA's satisfactory completion of the process to be bowl and NCAA championship eligible is expected as early as late spring. Dr. Erdmann discussed changes to the Sun Belt Conference membership, and stated the Sun Belt commissioner is exploring ways to expand the league. He announced that senior athlete Trey Clark, football center, was named *Academic All-American* by the College Sports Information Directors of America (CoSIDA).

Chairman Yance called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, presented **ITEMS 11 and 12**, noting compliance with SACS standards. He moved approval of **ITEM 11** as follows, Mr. Peek seconded and the resolution was approved unanimously:

RESOLUTION
AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA JAGUAR ATHLETIC FUND, INC.

WHEREAS, the University of South Alabama Jaguar Athletic Fund, Inc., ("USAJAF") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") and supports University and promotes its mission by, among other things, providing support to University's educational and athletic functions, including its athletic programs, and

WHEREAS, University and USAJAF have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and USAJAF anticipate that University will provide USAJAF with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance USAJAF shall provide University, and

WHEREAS, the Board of Directors of USAJAF have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and USAJAF, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with USAJAF as well,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and the University of South Alabama Jaguar Athletic Fund, Inc., as attached hereto.

Mr. Corcoran moved approval of **ITEM 12** as follows, Ms. Miree seconded and the resolution was approved unanimously:

RESOLUTION
AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA NATIONAL ALUMNI ASSOCIATION

WHEREAS, The University of South Alabama National Alumni Association ("Association") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") and has as its mission "to support and positively influence the goals of the University through an active relationship with the University, its alumni, students and friends[, and] to provide comprehensive programs, services and resources to benefit the University, its alumni, students and friends," and

WHEREAS, University and Association have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and Association anticipate that University will provide Association with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance Association shall provide University, and

WHEREAS, the Board of Directors of Association have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and Association, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with Association as well,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and The University of South Alabama National Alumni Association as attached hereto.

Mr. Corcoran presented **ITEM 13** as follows, noting the modifications outlined would result in cost savings for the University. He moved approval, Judge Simon seconded and the resolution was approved unanimously:

RESOLUTION
RESTATEMENT OF UNIVERSITY OF SOUTH ALABAMA
SUPPLEMENTARY RETIREMENT PLANS

WHEREAS, the University of South Alabama currently has two 403(b) retirement plans, the University of South Alabama Tax Deferred Annuity Plan, last amended in 2010, and the University of South Alabama Matching Plan, last restated in 2008, and

WHEREAS, merging the two 403(b) plans into one plan will allow for administrative economy with no adverse impact on the purpose of such a retirement plan, and

WHEREAS, the University of South Alabama, in 2004, authorized the establishment of a 401(a) Money Purchase Pension Plan, which was restated to comply with the administrative requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001, said restatement having been submitted to and approved in September of 2012 by the Internal Revenue Service, conditioned upon the adoption of the restated plan,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves the merging of the two aforementioned 403(b) retirement plans into one plan which

is attached hereto and named the University of South Alabama 403(b) Plan and authorizes the President of the entity or other University Contract Officer to sign the plan adoption agreement, and

BE IT FURTHER RESOLVED, the Board of Trustees of the University of South Alabama hereby approves and adopts the attached Restated 401(a) Money Purchase Pension Plan, as submitted to and approved by the Internal Revenue Service, and authorizes the President of the University or other University Contract Officer to sign the plan document.

Mr. Corcoran called upon Ms. Chronister to report on the reorganization of the USA Research and Technology Corporation (RTC), **ITEM 14**. Referring to a printed summary, Ms. Chronister discussed grant activity for the 2012 fiscal year, noting 421 proposals from faculty and 198 awards totaling nearly \$57 million; invention disclosure, patent and license activity for the 2012 fiscal year resulting in \$1.85 million in gross royalty revenue; and changes in structure affecting the Office of Research, the RTC and the Office of Technology Transfer. Among the recommendations are renaming the Office of Research as Office of Research and Economic Development, reassignment of the South Alabama Medical Sciences Foundation to the RTC, and splitting the Office of Technology Transfer into separate entities: (1) the Intellectual Property Management Office and (2) the Center for Commercialization and Industry Collaboration, as a function under USA's Technology and Research Park. Ms. Chronister talked about collaborative efforts among the colleges, and addressed questions and comments.

With respect to **ITEM 13**, Mr. Corcoran called upon Mr. Peek to share remarks. Mr. Peek expressed gratitude for the contributions of USA employees – the backbone of the University. He acknowledged the vital role of Health System employees to the University's mission, while also asserting the Board's duty of maintaining the stability of the Institution, and a healthcare system that is sustainable. He said employee compensation should be given when fiscally responsible, and without risk to jobs. He noted that the budgets and revenue sources for the Health System and general University sectors are independent of one another, and each are regularly evaluated. Stressing the Board's and Administration's dedication to the long- and short-term financial health of the University, he moved approval of **ITEM 13** as follows, and Mr. Corcoran seconded. Chairman Yance expressed empathy for the disappointment of Health System employees, reiterating that the condition of the Health System budget, coupled with the uncertainties of state Medicaid and national healthcare reform, does not support a supplement for hospital employees at this time. He called for further comments. Ms. Vanessa Brown, Residency Program Specialist in the Radiology Department, was recognized, and she shared heartfelt words, urging Board members to reconsider a salary supplement for Health System employees. Chairman Yance shared understanding, as did Judge Simon, and he restated the Board's position to act in good conscience and in the University's best interest. He thanked Ms. Brown for sharing her perspective and called for the vote. The resolution was approved unanimously:

**RESOLUTION
ONE-TIME SALARY SUPPLEMENT
(UNIVERSITY GENERAL DIVISION)**

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

WHEREAS, through the successful approach by the University General Division and the employees of that Division in the management of its resources, the University is in a position to give a one-time salary supplement to employees in the University General Division of the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves a one-time salary supplement in the University General Division for all current salaried or hourly regular faculty, staff and administrative employees of that Division, as defined by USA human resources policies, who were employed prior to June 1, 2012, in a lump sum of three percent of each employee's current annual base salary, with a minimum supplement of \$1,500 (of which permanent part-time employees will receive a prorated amount based on their full-time equivalent status) to be paid on December 14, 2012, through the payroll system by direct deposit, after mandatory deductions, including taxes and retirement, are made.

Mr. Corcoran stated that **ITEM 16** reports titled *Monthly Fund Financial Reports for July, August and September 2012*; *Quarterly GASB Financial Statement for the Twelve Months Ended September 2012*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, September 30, 2012 and 2011*, were addressed during the Audit Committee/Committee of the Whole meeting held December 5. There was no further discussion.

With respect to the dual role served by the Budget and Finance Committee as Audit Committee of the Board, Mr. Corcoran, Committee Chair, presented **ITEM 17**, the KPMG audit reports for the year ended September 30, 2012. He stated the results were positive and that KPMG partners had delivered the required communications at the Audit Committee/Committee of the Whole meeting. He noted the process was completed more quickly than expected for an institution of USA's size. He thanked Mr. Wayne Davis and the staff involved for their efforts.

As Chair of the Development, Endowment and Investments Committee, Chairman Yance called upon Messrs. Albano and Pitman to report on endowment and investment performance, **ITEM 18**. Mr. Albano reported that the return for the 2012 fiscal year out-performed the relative index by .58 percent. The return from October 1, 2011, through September 30, 2012, was 14.72 percent vs. a relative index of 14.14 percent. Mr. Albano reviewed the asset allocation for the 2012 fiscal year and stated the specific allocations were in compliance with the University's investment policy. He discussed endowment performance since inception, noting a 4.22 percent return vs. the index of 3.48 percent, an out-performance of .74 percent.

Mr. Albano addressed **ITEM 19** as follows, which meets SACS requirements. On motion by Judge Simon, seconded by Mr. Corcoran, the resolution was approved unanimously.

**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.

Chairman Yance called upon Dr. Busta to discuss **ITEM 20** as follows, which was reviewed and recommended by the Development, Endowment and Audit Committee at its meeting on December 5. Dr. Busta stated the recommended change follows best practices and benchmarks. The average endowment management fee is one percent and can be as much as two percent. The fee will help fund development activities. On motion by Mr. Corcoran, seconded by Mr. Peek, the resolution was approved unanimously with the proviso that overall economic and market conditions be conducive with the fee increase:

**RESOLUTION
ADJUSTMENT OF ENDOWMENT MANAGEMENT FEE**

WHEREAS, the University of South Alabama has an ongoing responsibility to build endowment assets to the financial benefit of the University, thereby strengthening its ability to enhance the quality of university programs, and

WHEREAS, the activities necessary to build and maintain the University's endowment require expenditures for costs associated with engaging financial management services; support for fundraising activities; management of the endowed gift process; liquidating of real property accepted as gifts where appropriate; and other such business-related expenditures, and

WHEREAS, the University has used the mechanism of a management fee on endowment assets to provide a stable source of funding for all such business activities related to acquisition of new assets and management for the growth of assets through prudent and strategic investment, and

WHEREAS, increasing the management fee assessed against the endowment assets from its current rate of 7/10 of one percent to one percent would provide a means of maintaining the momentum of development and alumni relations programming in the face of continuing declines in state appropriations, and be consistent with best practices among universities nationally,

THEREFORE, BE IT RESOLVED, the Board of Trustees, on the recommendation of its Development, Endowment and Investment Committee, authorizes the University to assess an annual management fee of up to one percent of total assets held in the endowment as of September 30 of each year and retroactive to September 30, 2012, and

BE IT FURTHER RESOLVED, the President is authorized to set the fee on various funds and designate the expenditure of resources generated by this management fee as appropriate through the University budgeting process for the purpose of supporting the university's development function.

Dr. Busta reported on development and alumni activities **ITEM 21**. He discussed the University's 2012 United Way Campaign led by Chair Dr. Richard Hayes, Dean - College of Education, and Vice Chair Ms. Carol Druckenmiller, Assistant Hospital Administrator - Children's and Women's Hospital, noting USA's drive as the largest of United Way's employee campaigns within three counties. Contributions from 2,400 University employees and retirees totaled \$266,679. Dr. Busta recognized Mss. Becky Tate and Jean Tucker, co-chairs of USA's United Way Women's Initiative.

Dr. Busta reported that the 50th Anniversary Campaign has been active for two years and two groups are driving the campaign's third year forward – the Alumni Leadership Council and the Business Leadership Circle. The latter, formed this year, includes 50 business leaders in the Mobile Bay area, whose charge is to encourage corporate birthday gifts. As of October 31, 37,589 gifts have been secured toward the campaign goal of 50,000, and 6,092 alumni have joined USA's National Alumni Association, exceeding the campaign goal of 5,000 new members.

Dr. Busta updated the Board on the “Made at the USA” direct mail campaign designed to encourage gifts from individuals who have benefitted from the University of South Alabama. Board members viewed the promotional piece, which will be mailed next week. Dr. Busta reported giving results for the 2011-2012 fiscal year. Eight-thousand, four-hundred and eleven donors made 13,177 gifts totaling \$12.9 million.

Returning to the topic of a one-time salary supplement and a suggestion from Ms. Brown that money used to construct buildings could be diverted to fund a supplement for Health System employees, Chairman Yance and Mr. Davis explained that money allotted for capital projects is subject to government restrictions on use, and cannot be expended for anything other than construction. Chairman Yance added that the economic limitations in this regard are frustrating.

Chairman Yance thanked Ms. Maye for participating by phone. Mr. Ayers recapped details of the Holiday Concert taking place at 6:30 p.m. at the Mitchell Center and urged Trustees and guests to attend.

There being no further business, the meeting was adjourned at 12:09 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**AUDIT COMMITTEE
COMMITTEE OF THE WHOLE**

**December 5, 2012
2:30 p.m.**

A combined meeting of the Audit Committee and the Committee of the Whole of the USA Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Wednesday, December 5, 2012, at 2:45 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice, Sam Jones and Bettye Maye.

Administration and Others: Drs. Joe Busta, Phil Carr/Julie Estis/Doug Marshall (Faculty Senate), Ron Franks, David Johnson, John Smith and David Stearns; Messrs. Ken Davis, Wayne Davis, Stan Hammack, Mark Peach (KPMG) and Steve Simmons; and Mss. Lynne Chronister, Jean Tucker and Ashley Willson (KPMG).

Chairman Yance called the meeting to order and gave an update on President Moulton's recovery. With regard to the dual role of the Budget and Finance Committee as Audit Committee of the Board of Trustees, he called upon Mr. Corcoran, Committee Chair, to address **ITEM 16** reports titled *Monthly Fund Financial Reports for July, August and September 2012*; *Quarterly GASB Financial Statement for the Twelve Months Ended September 2012*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, September 30, 2012 and 2011*. He said the information reported was routine, and related it to **ITEM 17**, the KPMG audit reports for the year ended September 30, 2012. Stressing that the past eight audits were designated by the auditors as "clean," he advised of one finding for Fiscal Year 2012. Mr. Mark Peach and Ms. Ashley Willson, KPMG partners, were introduced to deliver the required communications to the Audit Committee, as outlined in a printed summary which rendered an unqualified opinion of USA's financial statements. The one material weakness identified pertained to grant spending, and corrective action has since been administered, as has improvement to internal controls. Mr. Peach stated the audit process was smooth, and remarked that completion in six weeks is remarkable. He conveyed appreciation for the cooperation of University Management. Chairman Yance called for additional comments from Mr. Wayne Davis, who presented comparative financial data. A discussion of hospital funding issues began, and Mr. Hammack gave an update on the progress toward Medicaid reform in Alabama.

There being no further business of the Audit Committee, discussion by the Committee of the Whole commenced with Chairman Yance calling upon Mr. Corcoran for presentation of budget and finance items. Mr. Corcoran introduced Ms. Tucker, who addressed **ITEMS 11 and 12**, resolutions to adopt

affiliation agreements between the University and the USA Jaguar Athletic Fund, Inc., and the USA National Alumni Association, respectively (for copies of resolutions, policies and other authorized documents, refer to the USA Board of Trustees meeting minutes dated December 6, 2012). Ms. Tucker stated the agreements validate relationship parameters, meeting the recommendation of the Southern Association of Colleges and Schools (SACS), the University's primary accrediting agency. On motions duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Corcoran called upon Mr. Ken Davis to present **ITEM 13**, a resolution authorizing the merger of two 403(b) retirement plans into one plan; adoption of the Restated 401(a) Money Purchase Pension Plan, as approved by the IRS; and execution of the plan documents by the President or other University contract officer. Mr. Davis explained the changes would reduce administrative costs to the University. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Corcoran asked Mr. Wayne Davis to discuss **ITEM 15**, a resolution authorizing a one-time, three-percent, salary supplement for University general division employees hired prior to June 1, 2012, to be paid on December 14, 2012. Mr. Davis directed attention to pertinent documents and briefed Board members as to the funding mechanisms for the two major components of the Institution – the University general sector and the health sector. Each sector has different revenue streams that fund separate O & M budgets, a practice common at other institutions, such as UAB. He stated the hospitals' financial position, coupled with the uncertainties of state and national healthcare funding, does not support a supplement for Health System employees at this time. Options and viewpoints were discussed. Chairman Yance stated he has worked closely with the Administration on finding a solution. He further credited Health System employees for their efforts and dedication. Hospital closures in the state and nation were cited, a sign of the strained economic healthcare climate. Chairman Yance asserted that the protection of jobs is a top priority. Dr. Stokes suggested some means of encouraging disheartened employees. Chairman Yance said he had personally corresponded with hospital staff who had registered disappointment, and affirmed the Board's intent is to compensate Health System staff as soon as fiscally prudent.

Discussion turned to employee communications and methods for improvement, as well as the possibility of conducting the salary and evaluation processes for the different University sectors at different times. Mr. Wayne Davis discussed improvements to the hospitals' retirement plan that make for a more competitive fringe benefit for Health System employees, who make up 60 percent of the University's workforce. Mr. Davis reviewed cost-cutting measures, and he stated that, with a wide-range of factors causing fluctuation to the budgets, the Administration examines the finances on a regular basis. Mr. Peek echoed appreciation for the employees, and added that hard decisions are sometimes necessary. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Dr. Carr, Faculty Senate President, was recognized to report on a *State of the University* declaration to be prepared annually by the Faculty Senate President and Executive Committee, a provision of the updated Faculty Senate Constitution. He invited the Trustees to give input for the inaugural report expected in January 2013.

There being no further business, the meeting was adjourned at 10:12 a.m.

Attest to:

Respectfully Submitted:

Steven P. Furr, M.D., Vice Chair

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

December 5, 2012

1:30 p.m.

A meeting of the Development, Endowment and Investments Committee of the USA Board of Trustees was duly convened by Chair *Pro Tempore* and Committee Chair Mr. Jim Yance on Wednesday, December 5, 2012, at 1:42 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Stokes and Jim Yance.

Members Absent: Trustees Cecil Gardner and Ken Simon; and President Gordon Moulton.

Other Trustees: Trustees Scott Charlton, Steve Furr, Bryant Mixon, John Peek and Jimmy Shumock.

Administration and Others Drs. Joseph Busta, Phil Carr and Doug Marshall (Faculty Senate), David Johnson and John Smith; Messrs. Terry Albano, Wayne Davis, Brian Horner (Private Advisors), Matt Kinnear (Gerber/Taylor), Christopher Odyniec (CommonFund), Norman Pitman and Matt Vetto (Douglas Lane); and Ms. Jean Tucker.

Chairman Yance called the meeting to order and asked Mr. Albano to introduce the endowment managers for annual performance reports, **ITEM 18**. Mr. Albano recognized investment representatives Messrs. Christopher Odyniec from CommonFund, Matt Kinnear from Gerber/Taylor, Matt Vetto from Douglas C. Lane and Associates, and Brian Horner from Private Advisors. Each was given an opportunity to review performance results; share perspective and give an economic outlook; and address questions and comments from Board members.

Mr. Albano introduced Mr. Pitman to discuss international and small-cap investment performance. Mr. Albano presented endowment performance for Fiscal Year 2012, noting the return outperformed the relative index by .58 percent. The return through September 2012 was 14.72 percent vs. a relative index of 14.14 percent. Mr. Albano gave performance results since inception, stating the endowment outperformed the benchmark by .74 percent, with a return of 4.22 percent vs. 3.48 percent.

Mr. Albano presented **ITEM 19**, a resolution acknowledging the Development, Endowment and Investments Committee's evaluation of USA's endowment and non-endowment investment policies (for copies of resolutions, policies and other authorized documents, refer to the USA Board of Trustees meeting minutes dated December 6, 2012). He stated modification of the policies is not necessary. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Albano recommended ending the University's relationship with Arlington Partners, citing performance and a declining asset base as the primary reasons for dismissal. As recommended, and on motion by Mr. Corcoran, seconded by Dr. Stokes, the motion to release Arlington Partners of its management duties was approved unanimously by the Committee.

Mr. Albano proposed the engagement of PIMCO, and Mr. Pitman shared background about the company and its income fund. On motion by Mr. Corcoran, seconded by Chairman Yance, the motion to add PIMCO as a new endowment manager, with an initial investment of \$1 million, was approved unanimously by the Committee. Mr. Albano stated the investment would come from decreasing the overall weighting of CommonFund's Fixed Income Fund.

Chairman Yance called upon Dr. Busta to present **ITEM 20**, a resolution authorizing the assessment of an annual management fee of up to one percent of total assets held in the endowment as of September 30 of each year and retroactive to September 30, 2012. Further, the resolution authorizes the President to set the fee on various funds and designate the expenditure of resources generated by the management fee as appropriate through the University's budgeting process for the support of USA's development function. Dr. Busta reported that development activities are commonly funded by means of management fees to lessen any financial impact upon institutions. The average management fee is one percent. Chairman Yance stressed that the proposed fee, currently at up to 7/10 of one percent, may, at the President's discretion, be designated at up to one percent, depending upon economic factors and market conditions. He added this action is a positive move for the University. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

There being no further business, the meeting was adjourned at 2:38 p.m.

Respectfully Submitted:

James A. Yance, Chair *Pro Tempore*
Chair, Development, Endowment
and Investments Committee

RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR DECEMBER 2012 AND JANUARY 2013**

WHEREAS, the Medical Staff appointments and reappointments for December 2012 and January 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

STANLEY K. HAMMACK
VICE PRESIDENT
HEALTH SYSTEM



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

MEMORANDUM

REC'D
OFFICE OF THE PRESIDENT

FEB 07 2013

TO: John W. Smith, Ph.D.
Acting President

UNIVERSITY OF SOUTH ALABAMA

FROM: *Stan* Stan Hammack

DATE: February 7, 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 December 2012 and January 2013

- Credentials Report –December 2012 and January 2013

SKH:eb

Attachments



UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
 December 2012
 and January 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	Type/Stat	Category	Dept/Ser
Bailey, Lisa M., CRNP	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Benjamin, Regina M., MD	Reappt.	Refer & Follow	Family Med.	Reappt.	Refer & Follow	Family Med.	N/A	N/A	N/A
Beverly, Brenda L., CCCSLP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Bhowmick, Samar K., M.D.	Reappt.	Active	Pediatrics	N/A	N/A	N/A	Reappt.	Active	Pediatrics
Brandon, Jeffrey C., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Butler, Thomas W., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Carpenter, Lawrence J., MD	Reappt.	Courtesy	OBGYN	Reappt.	Courtesy	OBGYN	N/A	N/A	N/A
Carter, James E., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Cartledge, Hollie V., CRNP	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Chalhub, Elias G., MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	N/A	N/A	N/A
Chung, Allison, Pharm D.	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Chung, John P., MD	Reappt.	Active	Anesthesia	Reappt.	Active	Anesthesia	N/A	N/A	N/A
Culpepper, Roy M., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Dagenais, Paul A., CCCSLP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Diegmann, Fred F., MD	Reappt.	Refer & Follow	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Easter, Essie, RN	Reappt.	Allied	Radiology	Reappt.	Allied	Radiology	Reappt.	Allied	Radiology
Estrada, Benjamin, MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Evans, Kimberly L., RN	New Appt.	Allied	OBGYN	New Appt.	Allied	OBGYN	New Appt.	Allied	OBGYN
Evans, Kelli J., Ph.D	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Finan, Michael A., MD	Reappt.	Active	OBGYN	New Appt.	Consulting	OBGYN	Reappt.	Active	OBGYN
Formwalt, Annie L., Psy.D.	Reappt.	Allied	Psychiatry	Reappt.	Allied	Psychiatry	N/A	N/A	N/A
Gonner, Jacqueline, CRNP	Reappt.	Allied	Pediatrics/CEC	N/A	N/A	N/A	Reappt.	Allied	Pediatrics/CEC
Gonzalez, Richard P., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Green, William K., MD	Reappt. Pending	Active	Internal Med.	Reappt. Extend to 9/2013	Active	Internal Med.	Reappt. Extend to 9/2013	Active	Internal Med.
Gunter, Joseph W., DMD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	N/A	N/A	N/A
Hancock, Mary Jane, CRNP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Hill, Lea D., RDH	Reappt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Hodge, Juvonda S., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
December 2012
and January 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	Type/Stat	Category	Dept/Ser
Hudson, Kendra D., CCCSLP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Johnson, G.M., DPM	N/A	N/A	N/A	Reappt.	Allied	Orthopaedics	N/A	N/A	N/A
Karumbaiah, Keerthana K., MD	N/A	N/A	N/A	New Appt.	Contract	Emergency Med.	New	Contract	Emergency Med.
Kellam, Michael E., DMD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	N/A	N/A	N/A
Kothandapani, Virupaksha. Ph.D	N/A	N/A	N/A	Reappt.	Allied	Psychiatry	N/A	N/A	N/A
Kyriazis, Dimitris K., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	N/A	N/A	N/A
LeDoux, John F., MD	N/A	N/A	N/A	Reappt.	Consulting	Internal Med.	N/A	N/A	N/A
Leytham, Thomas J., MD	New Appt.	Active	Family Med.	New Appt.	Active	Family Med.	New Appt.	Active	Family Med.
McDaniel, Mark A., MD	Reappt.	Refer & Follow	Family Med.	N/A	N/A	N/A	N/A	N/A	N/A
Meadows, Terri K., CRNP	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Molokhia, Ehab A., MD	Reappt.	Active	Family Med.	Reappt.	Active	Family Med.	Reappt.	Active	Family Med.
Neese, Forrest L., CRNA	Reappt.	Allied	Anesthesia	Reappt.	Allied	Anesthesia	Reappt.	Allied	Anesthesiology
Ngando, George N., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	Reappt.	Active	Emergency Med.
Parker, Cecil L. Jr., MD	N/A	N/A	N/A	Reappt.	Refer & Follow	Internal Med.	N/A	N/A	N/A
Pettway, Kimberly M., RN	Reappt.	Allied	Internal Med.	Reappt.	Allied	Internal Med.	N/A	N/A	N/A
Pitcock, James K., MD	Reappt.	Refer & Follow	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Poliski, Jacek M., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Pontius, Britany E., DA	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Prutzman, Kelley D., RN	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Rettig, Kenneth R., M.D.	Reappt.	Active	Pediatrics	N/A	N/A	N/A	Reappt.	Active	Pediatrics
Rice, Terri L., RN	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	N/A	N/A	N/A
Richards, William O., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Rifai, Aref, MD	Reappt.	Active	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Rivers, Terry N., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	Reappt.	Active	Emergency Med.
Rodning, Charles B., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Ruan, Xiulu, MD	Reappt.	Active	Anesthesia	Reappt.	Active	Anesthesia	N/A	N/A	N/A
Rutledge, Guy L., III., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Savells, Katherine L., MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A

December 2012
and January 2013

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

December 2012
and January 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	Type/Stat	Category	Dept/Ser
Change in Status									
Benjamin, Regina M., MD	Extend LOA	Refer & Follow	Family	Extend LOA		Family Med.	N/A	N/A	N/A
Goslings, Sophia M., MD	Added Privs	Active	CEC	N/A		N/A	Added Priv	Active	CEC
Heins, Alan E., MD	Current Appl.	Active	CEC	Withdrew		MC ED Dept. N/A	Current	Active	CEC
Polk, Nicole D., RN	Added Privs	Allied	Internal Med.	Added Privs		Internal Med.	N/A	N/A	N/A
Retired Resigned									
Name	Reason	Date	Dept.	Reason	Date	Dept.			
Bettencourt, Robert B., MD	Resigned	10/12/2012	Family Med	Resigned	10/12/2012	ED/Family Med.	Resigned	Active	Family Med/ ED
Bose, William J., MD	Resigned	12/1/2012	Orthopaedics	Resigned	12/1/2012	Orthopaedics	N/A	N/A	N/A
Conferas, Carlo M., MD	Moved	10/31/2012	Surgery	Moved	10/31/2012	Surgery	Moved	Active	Surgery
Dismukes, Ashley D., RN	Resigned	12/27/2012	Pediatrics	N/A	N/A	N/A	Resigned	Allied	Pediatrics
Drinkard, Cammie R., CRNP	N/A	N/A	N/A	Resigned	10/31/2012	Internal Med.	Resigned	Allied	Internal Med.
Edmond, Julie R., PA	Doesn't need	11/15/2012	Internal Med.	Doesn't need	11/15/2012	Internal Med.	Doesn't need	Allied	Internal Med.
Ekpenyong, Udeme L., MD	Moved	8/31/2012	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Elkins, Mabel J., CRNP	N/A	N/A	N/A	Resigned	12/31/2012	Internal Med.	Resigned	Allied	Internal Med.
Hardin, Marie G., PCT	Resigned	10/8/2012	Internal Med.	Resigned	10/8/2012	Internal Med.	N/A	N/A	N/A
Harwood, Brent, DPM	Resigned	12/13/2012	Orthopaedics	Resigned	12/13/2012	Orthopaedics	N/A	N/A	N/A
Landry, Melanie, MD	Resigned	12/3/2012	Anesthesia	Resigned	12/3/2012	Anesthesia	Resigned	12/3/2012	Anesthesia
Lemley, Henry R., MD	Locums Exp.	10/16/2012	CEC	N/A	N/A	N/A	N/A	N/A	N/A
Magnone, Mario, MD	Resigned	12/26/2012	Internal Med.	Resigned	12/26/2012	Internal Med.	Resigned	Active	Internal Med.
Martin, Andrea, PCT	Resigned	5/25/2012	Internal Med.	Resigned	5/25/2012	Internal Med.	N/A	N/A	N/A
Mason, Daran J., MD	Resigned	12/1/2012	Surgery	Resigned	12/1/2012	Surgery	N/A	N/A	N/A
Rabbani, Adeel, MD	Resigned	2/29/2012	Psychiatry	Resigned	2/29/2012	Psychiatry	N/A	N/A	N/A
Raza, Shakeel, MD	Resigned	7/2/2012	Psychiatry	Resigned	7/2/2012	Psychiatry	N/A	N/A	N/A
Sharp, Gregory A., PA	Resigned	6/30/2012	Orthopaedics	Resigned	6/30/2012	Orthopaedics	N/A	N/A	N/A
Seay, Lisa Jan, CRNP	Resigned	9/1/2012	Psychiatry	Resigned	9/1/2012	Psychiatry	N/A	N/A	N/A
Weaver, Ashley L, CNIM	Resigned	11/29/2012	Neurosurgery	Resigned	11/29/2012	Neurosurgery	N/A	N/A	N/A
Wright, Lauten B., MD	Resigned	10/12/2012	Ophthalmology	Resigned	10/12/2012	Ophthalmology	N/A	N/A	N/A

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

December 2012 and January 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	Moved, Retired or Resigned


RECOMMENDED BY:



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



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

**DECLARATION OF INTENT
THE UNIVERSITY OF SOUTH ALABAMA MITCHELL CANCER INSTITUTE
AND THE UNIVERSITY OF ALABAMA AT BIRMINGHAM
COMPREHENSIVE CANCER CENTER**

WHEREAS, the University of South Alabama and The Board of Trustees of the University of Alabama, on behalf of its operating division, the University of Alabama at Birmingham Comprehensive Cancer Center mutually desire to enter into a Declaration of Intent to investigate the feasibility of developing a cancer research consortium partnership (“Consortium Partnership”)¹ between their operational divisions known as the University of South Alabama Mitchell Cancer Institute (“USAMCI”) and the University of Alabama at Birmingham Comprehensive Cancer Center (“UABCCC”) aimed at future designation by the U.S. National Cancer Institute (“NCI”) as an NCI Comprehensive Cancer Center Consortium Partnership, and

WHEREAS, such Consortium Partnership will have tangible and intangible benefits of high value for both universities, and for the citizens of the State of Alabama and beyond, and

WHEREAS, administrative officials of UAB have endorsed a Declaration of Intent that sets forth the goals of the Consortium Partnership, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to endorse said Declaration of Intent as well,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and adopts the Declaration of Intent between the University of South Alabama and The Board of Trustees of the University of Alabama, on behalf of its operating division the University of Alabama at Birmingham, as attached hereto.

¹ The term “partnership” is used herein in the context of the latest United States National Cancer Institute (“NCI”) publication (dated September 25, 2012, pp. 4-5) entitled Policies and Guidelines Relating to the P30 Cancer Center Support Grant, and is not intended to create, nor shall it be construed as creating, a separate legal partnership entity between or among USAMCI and UABCCC or recognized or held out as a separate legal partnership entity for Alabama state law purposes or federal taxation law purposes.


FEB 20 2013

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

DATE: February 20, 2013

TO: John Smith, Ph.D.
Acting President
University of South Alabama

FROM: Michael R. Boyd, M.D., Ph.D. 
Abraham Mitchell Chair and Director
USA Mitchell Cancer Institute

SUBJECT: Agenda Item for March 8, 2013 University of South Alabama Board of Trustees Meeting - Declaration of Intent between the University of South Alabama and the University of Alabama at Birmingham

Attached is a resolution for consideration by the USA Board of Trustees concerning the adoption of the Declaration of Intent between USA and UAB, which discusses a prospective cancer research consortium partnership between the two institutions. With your approval, this item will be presented to Board of Trustees for consideration. Further, I recommend the adoption of the resolution by the Board of Trustees.

MRB/sda

Attachment

DECLARATION OF INTENT
for a
Cancer Research Consortium Partnership¹
between
University of South Alabama
Mitchell Cancer Institute (“USAMCI”)
and
University of Alabama at Birmingham
Comprehensive Cancer Center (“UABCCC”)
(“Consortium Partnership”)

This Declaration of Intent is made and entered into this ____ day of _____, 2013 (the “Effective Date”) by and between University of South Alabama (hereinafter “USA”) and The Board of Trustees of the University of Alabama, on behalf of its operating division, the University of Alabama at Birmingham (hereinafter “UAB”).

WHEREAS, USA and UAB are state institutions of higher learning established pursuant to the laws of the State of Alabama; and

WHEREAS, USA and UAB desire to explore the possibility of entering into an inter-institutional relationship that advances the public health, public and professional education, scientific discoveries and economic development of the State of Alabama; and

WHEREAS, the USA Mitchell Cancer Institute (hereinafter “USAMCI”) and the UAB Comprehensive Cancer Center (hereinafter “UABCCC”) are operational divisions within their respective universities that reflect the institutional commitment of the universities to cancer research and oncology healthcare, including bringing the latest advancements in cancer treatment, control and prevention to all citizens of the State of Alabama and beyond; and

WHEREAS, the United States National Cancer Institute (“NCI”) recognizes and supports the nation’s most elite academic cancer centers through the highly competitive award of NCI P-30 Cancer Center Support Grants (“CCSG”) and designation as “NCI Comprehensive Cancer Centers” (“NCI-CCC”); and

WHEREAS, UABCCC holds, and has held, this prestigious NCI designation and has competed successfully for the NCI-CCSG continuously since 1975; and

WHEREAS, according to the latest NCI publication (dated September 25, 2012, pp.4-5) entitled

¹ The term “partnership” is used herein in the context of the latest United States National Cancer Institute (“NCI”) publication (dated September 25, 2012, pp. 4-5) entitled Policies and Guidelines Relating to the P30 Cancer Center Support Grant, and is not intended to create, nor shall it be construed as creating, a separate legal partnership entity between or among USAMCI and UABCCC or recognized or held out as a separate legal partnership entity for Alabama state law purposes or federal taxation law purposes.

Policies and Guidelines Relating to the P30 Cancer Center Support Grant:

NCI supports consortium centers in which investigators from distinct scientific institutions partner together to contribute actively to the development and actualization of the cancer research agenda; these formalized relationships have the potential to both strengthen the science of the center and further extend the benefits of cancer research. Partnerships between research institutions serving special populations or located in geographic areas not currently served by an NCI-designated Cancer Center are particularly encouraged;

and

WHEREAS, USAMCI and UABCCC mutually desire to investigate the feasibility of developing a Consortium Partnership consistent with the basic principles that NCI applies to consortium arrangements in the context of the NCI designation; and

WHEREAS, if it is determined through the due diligence investigation that a Consortium Partnership between USAMCI and UABCCC is feasible and desired by both parties, it is the aim of both parties to enter into such an arrangement upon terms mutually agreeable and to compete jointly as a Consortium Partnership for a future successful P30 CCSG application; and

WHEREAS, upon entering into a mutually agreeable Consortium Partnership, USAMCI and UABCCC aim to achieve NCI-CCC designation as a Consortium Partnership;

NOW THEREFORE, USAMCI and UABCCC declare their mutual intent to engage in a good faith due diligence review of the feasibility of establishing a Consortium Partnership, and if so indicated by the study, to proceed with the planning and development of such Consortium Partnership with the goal of achieving the aforementioned aims within 3-8 years.

DECLARATION

USAMCI and UABCCC intend to explore the creation of, and, if determined to be feasible by both parties, reach mutual agreement on the development of a Consortium Partnership between USAMCI and UABCCC that meets the three basic principles that apply to consortium arrangements in the context of the NCI designation (NCI CCSG Guidelines, September 25, 2012, p. 5):

- Each Consortium Partnership institution will add strategic value to the research mission of the Consortium Partnership, *i.e.*, hold a portfolio of peer-reviewed cancer related research grants that contribute to the Consortium Partnership's scientific goals.
- At the time of application for and for the purposes of a CCSG, the Consortium Partnership institutions will already function as one cohesive cancer

consortium center. Their research will be integrated (as evidenced by a history of collaboration, including joint grants and publications) and mechanisms will exist for including both geographically dispersed Consortium Partnership institutions in programmatic activities. It is understood by all parties that the NCI encourages, but does not require, common fundraising activities and a joint Internal Review Board for evaluation of all cancer research across both Consortium Partnership institutions.

- If a Consortium Partnership is mutually determined to be feasible by both institutions, a formal, written agreement will be developed and in place to ensure the stability and integration of the Consortium Partnership. The formal, written agreement should include, but is not limited to:
 - A process for resolution of differences at the highest levels of institutional leadership.
 - A single Protocol Review and Monitoring System and Data and Safety Monitoring Institutional Plan governing cancer clinical trial protocols across the Consortium Partnership institutions.
 - An integrated planning and evaluation process that enables achievement of the Consortium Partnership's research goals, (*e.g.*, identification of future recruitment needs; shared resources; and other activities).
 - Ongoing, tangible institutional commitments to the Consortium Partnership from both Consortium Partnership institutions. Such commitments should be appropriate to the nature of the Consortium Partnership and may be demonstrated in a number of ways, including financial and in-kind contributions based on agreed upon formulas, housing and funding of cancer center cores, accrual to center-wide trials, active representation and engagement of members in Cancer Center Programs and committees, etc.
 - Full eligibility for membership in formal scientific Programs and leadership positions in the Consortium Partnership.
 - Reasonable access to shared resources for each Consortium Partnership institution.
 - Consortium center director oversight of CCSG-supported shared resources, including those located in both Consortium Partnership institutions.

USA and UAB recognize that the achievement and success of the above-described Consortium Partnership between USAMCI and UABCCC will depend upon the results of the good faith feasibility review, and if that is positive, a meeting of the minds and mutual agreement regarding the myriad of details yet to be fully identified, defined, and addressed; as well as negotiations made in good faith by all parties.

This Declaration of Intent is a non-binding letter of intent for the purposes described herein. The Consortium Partnership contemplated herein shall not be established unless and until a mutually agreeable formal and definitive written document is fully negotiated and signed by the duly authorized representatives of USAMCI and UABCCC respectively, after full approval of their respective governing boards.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and duly executed this Declaration of Intent the day and year set forth below:

University of South Alabama

The Board of Trustees of the
University of Alabama, on behalf of
the University of Alabama at
Birmingham

By: _____
Name: John W. Smith, Ed.D.
Title: Acting President
Date: _____

By: _____
Name: Ray Watts, M.D.
Title: President
Date: _____

By: _____
Name: James A. Yance, J.D.
Title: Chair Pro Tempore, Board of Trustees
Date: _____

By: _____
Name: Edward Partridge, M.D.
Title: Director, UAB Comprehensive
Cancer Center
Date: _____

By: _____
Name: Michael R. Boyd, M.D., Ph.D.
Title: Director, USA Mitchell Cancer Institute
Date: _____

I N D E X
OCTOBER 31, 2012

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Financial Report Highlights

October 31, 2012

Introduction

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

Financial Highlights

Financial report highlights at, and for the month ended, October 31, 2012 and 2011 are as follows (in thousands):

	At and for the month ended	
	10-31-12	10-31-11
<i>Total assets</i>		
Current	\$ 149,840	\$ 184,349
Loan	5,518	4,887
Endowment	142,001	125,892
Plant	716,606	656,617
<i>Fund Balances</i>		
Current	\$ 6,777	\$ 11,192
Loan	883	356
Endowment	111,234	98,451
Plant	343,787	317,089
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 298,369	\$ 259,500
Receivables	101,141	114,707
Bonds payable	352,541	326,365

	For the month ended	
	10-31-12	10-31-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 13,302	\$ 12,448
State appropriations	8,441	8,783
Hospital revenues	27,108	28,759
Gifts, grants and contracts	3,897	5,437
Instruction and academic support	10,692	10,402
Research and public service	6,194	6,635
Hospital expenses	27,768	28,047
Net current fund increase	607	5,490

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
OCTOBER 2012 AND 2011

ASSETS		LIABILITIES AND FUND BALANCES	
CURRENT FUNDS:		CURRENT FUNDS:	
UNRESTRICTED:		UNRESTRICTED:	
CASH AND CASH EQUIVALENTS	\$	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$
INVESTMENTS		DEFERRED REVENUES	
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE		DUE TO OTHER FUNDS	
FOR DOUBTFUL ACCOUNTS OF \$54,009,940.60		DEPOSITS HELD IN CUSTODY	
FOR 2012 AND \$51,319,498.89 FOR 2011)		OTHER DEPOSITS	
DEPOSITS		FUND BALANCES:	
INVENTORIES AT COST		ALLOCATED FOR:	
PREPAID EXPENSES		HOSPITALS	
		AUXILIARY ENTERPRISES	
		ENCUMBRANCES	
		SELF-SUPPORTING ACTIVITIES	
		UNALLOCATED	
		TOTAL FUND BALANCES	
		TOTAL UNRESTRICTED	
TOTAL UNRESTRICTED			
RESTRICTED FUNDS:		RESTRICTED FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
INVESTMENTS		DEFERRED REVENUES	
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		DUE TO OTHER FUNDS	
		FUND BALANCES	
TOTAL RESTRICTED		TOTAL RESTRICTED	
TOTAL CURRENT FUNDS		TOTAL CURRENT FUNDS	
LOAN FUNDS:		LOAN FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
NOTES RECEIVABLE (LESS ALLOWANCE FOR		REFUNDABLE GOVERNMENT ADVANCES	
DOUBTFUL ACCOUNTS OF \$722,025.21 FOR		FUND BALANCES:	
2011 AND \$446,174.34 FOR 2012)		UNIVERSITY FUNDS, UNRESTRICTED	
		TOTAL FUND BALANCES	
TOTAL LOAN FUNDS		TOTAL LOAN FUNDS	
ENDOWMENT FUNDS:		ENDOWMENT FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
INVESTMENTS		BONDS PAYABLE	
ACCOUNTS RECEIVABLE		FUND BALANCES:	
REAL ESTATE HELD FOR RESALE		RESTRICTED NONEXPENDABLE	
PREPAID-LIFE ESTATE		UNRESTRICTED EXPENDABLE	
		TOTAL FUND BALANCES	
TOTAL ENDOWMENT FUNDS		TOTAL ENDOWMENT FUNDS	
PLANT FUNDS:		PLANT FUNDS:	
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
INVESTMENTS		NOTES PAYABLE	
ACCOUNTS RECEIVABLE		DEFERRED REVENUES	
DUE FROM OTHER FUNDS		OTHER DEPOSITS	
PREPAID EXPENSES		BONDS PAYABLE	
CAPITAL LEASE RECEIVABLE			
INVESTMENT IN PLANT:			
LAND			
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS			
OTHER EQUIPMENT, BOOKS AND FILMS			
CONSTRUCTION IN PROGRESS			
TOTAL PLANT FUNDS			
TOTAL ASSETS		TOTAL LIABILITIES AND FUND BALANCES	

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE MONTH ENDED OCTOBER 31, 2012

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	26,219,848.42						
HOSPITALS REVENUES	27,812,358.07						
AUXILIARY ENTERPRISES REVENUES	1,171,516.59						
GRANTS AND CONTRACTS:							
FEDERAL		(1,325,974.32)					
STATE AND LOCAL		425,092.83					
PRIVATE		617,102.26					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			316.46	19,038.47	11,278.81	3,408.55	
INVESTMENT INCOME/GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			8,478.91	724,141.70	2,183.34	2,477.81	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$1,067,877.30 CURRENT FUNDS EXPENDITURES)							4,119,802.69
RETIREMENT OF INDEBTEDNESS							
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		322,312.93	1,075.00		367,864.82		(40,441.94)
TOTAL REVENUES AND OTHER ADDITIONS	55,203,723.08	38,533.70	8,795.37	744,255.17	381,326.97	5,886.36	4,079,360.75
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	20,990,481.93	866,734.55					
HOSPITALS EXPENDITURES	27,247,337.20	(462.00)					
AUXILIARY ENTERPRISES EXPENDITURES	855,231.03						
INDIRECT COSTS RECOVERED		317,318.32					
REFUNDED TO GRANTORS							
RETIREMENT OF INDEBTEDNESS						(2,939,595.51)	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING \$84,969.41 FOR NON-CAPITALIZED EXPENDITURES)					3,136,894.80		2,101.33
INTEREST ON INDEBTEDNESS							2,587,238.57
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			1,800.00	677.69			
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	49,093,050.16	1,183,590.87	1,800.00	677.69	3,136,894.80	(2,939,595.51)	2,589,339.90
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(2,213,814.14)				10,090.00	2,203,724.14	
NON-MANDATORY:							
FUNDED DEPRECIATION	(424,999.44)				424,999.44		
PLANT ADDITIONS AND REPLACEMENTS	(1,310,000.00)				1,310,000.00		
ENDOWMENT FUND	(252,021.59)						
OTHER TRANSFERS	(296,593.45)						
TOTAL TRANSFERS	(4,497,428.62)	259,500.00	0.00	(7,478.41)	416,575.00	(24,390.99)	24,390.99
NET INCREASE (DECREASE) FOR THE PERIOD	1,613,244.30	138,518.45		1,000.00	2,161,664.44	2,179,333.15	24,390.99
FUND BALANCES AT OCTOBER 1, 2012	4,836,012.76	(1,006,538.72)	6,995.37	737,099.07	(593,903.39)	5,124,815.02	1,514,411.84
FUND BALANCES AT OCTOBER 31, 2012	\$ 6,449,257.06	\$ 1,335,083.68	\$ 875,843.85	\$ 110,496,936.58	\$ 40,187,188.07	\$ 4,927,666.90	\$ 292,626,623.16
		\$ 328,544.96	\$ 882,839.22	\$ 111,234,036.65	\$ 39,593,284.68	\$ 10,052,481.92	\$ 294,141,035.00

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$424,999.44 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

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

	MONTH ENDED OCTOBER 31, 2012		OCTOBER 31, 2011
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 13,301,698.28	\$	\$ 13,301,698.28
STATE APPROPRIATIONS	7,736,736.00		7,736,736.00
MOBILE RACING COMMISSION	(9,090.57)		(9,090.57)
FEDERAL GRANTS AND CONTRACTS	262,783.63	(32,067.41)	230,716.22
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$19,121.42)	2,741.85	402,989.94	405,731.79
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$35,413.57)	2,992,473.70	268,514.52	3,260,988.22
INVESTMENT INCOME	(25,994.54)		(25,994.54)
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	405,741.04		405,741.04
HOSPITALS - SALES AND SERVICES	27,107,841.07		27,107,841.07 *
- STATE APPROPRIATIONS	704,517.00		704,517.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	1,171,516.59		1,171,516.59
OTHER SOURCES	1,582,759.03	228,835.50	1,779,594.53
TOTAL CURRENT REVENUES	55,203,723.08	866,272.55	56,069,995.63
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	8,191,416.63	691,682.11	8,883,098.74
RESEARCH	784,362.76	649,342.37	1,433,705.13
PUBLIC SERVICE	4,493,525.58	267,198.84	4,760,724.42
ACADEMIC SUPPORT	1,808,784.66		1,808,784.66
STUDENT SERVICES	1,828,012.84	67,930.00	1,895,942.84
INSTITUTIONAL SUPPORT	963,913.53	4,652.67	968,566.20
OPERATION AND MAINTENANCE OF PLANT	1,572,117.59	(961,841.10)	610,276.49
SCHOLARSHIPS	1,348,348.34	147,769.66	1,496,118.00
EDUCATIONAL AND GENERAL	20,990,481.93	866,734.55	21,857,216.48
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	1,294,968.67		1,294,968.67
TOTAL EDUCATIONAL AND GENERAL	22,285,450.60	866,734.55	23,152,185.15
HOSPITALS (INCLUDING DEBT SERVICE OF \$520,818.84)	27,768,156.04	(462.00)	27,767,694.04
AUXILIARY ENTERPRISES:			
EXPENDITURES	855,231.03		855,231.03
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	398,026.63		398,026.63
NON-MANDATORY TRANSFERS FOR:			
RENEWALS AND REPLACEMENTS	0.00		0.00
TOTAL AUXILIARIES	1,253,257.66	0.00	1,253,257.66
TOTAL EXPENDITURES AND TRANSFERS	51,306,864.30	866,272.55	52,173,136.85
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(1,145,057.17)	(1,145,057.17)
FUNDED DEPRECIATION	(424,999.44)		(424,999.44) *
PLANT ADDITIONS AND REPLACEMENTS	(1,310,000.00)		(1,310,000.00)
ENDOWMENT FUND	(252,021.59)	259,500.00	7,478.41
OTHER TRANSFERS	(296,593.45)	(120,981.55)	(417,575.00)
TOTAL TRANSFERS	(2,283,614.48)	(1,006,538.72)	(3,290,153.20)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 1,613,244.30	\$ (1,006,538.72)	\$ 606,705.58
			\$

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$424,999.44 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

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

BASIS OF PRESENTATION

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

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

FUND ACCOUNTING

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

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

USE OF ESTIMATES

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

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

PLANT FUNDS

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

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

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

INVESTMENT IN POOLED FUNDS

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

UNRESTRICTED GIFTS

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

GRANTS AND CONTRACTS

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

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

INCOME TAXES

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

DEFERRED REVENUES AND EXPENDITURES

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

EMPLOYEE BENEFITS

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

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

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

LITIGATION

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

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

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

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE MONTH ENDED OCTOBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				10/31/12	10/31/11
BOOKSTORE	\$ 250,454.10	\$ 332,057.13	\$ (19,711.00)	\$ (101,314.03)	\$ (96,848.81)
FOOD SERVICES-CAMPUS	68,077.97	19,583.86	(56,335.63)	(7,841.52)	(102,425.95)
HOUSING	852,984.52	503,590.04	(321,980.00)	27,414.48	98,374.37
TOTAL	<u>\$ 1,171,516.59</u>	<u>\$ 855,231.03</u>	<u>\$ (398,026.63)</u>	<u>\$ (81,741.07)</u>	<u>\$ (100,900.39)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE MONTH ENDED OCTOBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	<u>10/31/12</u>	<u>10/31/11</u>
REVENUES:		
SALES	\$ 202,980.47	\$ 202,692.19
LESS: DEPARTMENTAL DISCOUNTS	449.66	694.86
COST OF GOODS SOLD	<u>149,694.79</u>	<u>147,191.30</u>
GROSS PROFIT	52,836.02	54,806.03
CASH OVER/(SHORT)	(1.70)	(20.07)
GRADUATION (NET)	44,475.00	30,374.65
TEXTBOOK RENTAL INCOME	494.75	0.00
OTHER	2,505.58	1,440.28
NET REVENUES:	<u>100,309.65</u>	<u>86,600.89</u>
EXPENDITURES:		
SALARIES	72,478.49	56,186.56
EMPLOYEE BENEFITS	15,049.86	15,225.49
SUPPLIES	2,292.08	2,132.29
TRAVEL	305.00	0.00
EQUIPMENT	812.57	4,127.11
EQUIPMENT MAINTENANCE AND REPAIR	35,772.00	29,934.50
BUILDING & EQUIPMENT RENTAL	6,545.04	3,259.61
ADVERTISING	1,074.88	1,177.52
UTILITIES	6,250.00	6,250.00
TELEPHONE	1,091.45	10,446.85
INSURANCE AND BONDS	0.00	0.00
CONTRACT SERVICES	8,223.91	12,300.03
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	0.00
OBSOLETE INVENTORY	0.00	0.00
GENERAL EXPENSES	0.00	0.00
CHARGE CARD AND FACULTY	1,623.55	1,181.55
STAFF DISCOUNTS	6,848.02	1,996.11
INSTITUTIONAL COST ALLOCATION	23,545.83	19,521.08
TOTAL EXPENDITURES	<u>181,912.68</u>	<u>163,738.70</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(19,711.00)	(19,711.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(19,711.00)</u>	<u>(19,711.00)</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ (101,314.03)</u>	<u>\$ (96,848.81)</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE MONTH ENDED OCTOBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	10/31/12	10/31/11
REVENUES:		
COMMISSION INCOME	\$ 68,077.97	\$ 92,389.71
TOTAL REVENUES	<u>68,077.97</u>	<u>92,389.71</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	3.35	4.26
EQUIPMENT MAINTENANCE AND REPAIR	4,940.96	2,337.66
UTILITIES	10,416.67	10,416.67
TELEPHONE	32.48	340.48
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	835.00	1,005.00
INSURANCE AND BONDS	0.00	0.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	485.00
INDIRECT COST	2,083.33	2,083.33
GENERAL EXPENSE	<u>1,272.07</u>	<u>1,807.63</u>
TOTAL EXPENDITURES	<u>19,583.86</u>	<u>18,480.03</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(56,335.63)	(56,335.63)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(56,335.63)</u>	<u>(176,335.63)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ (7,841.52)</u>	<u>\$ (102,425.95)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE MONTH ENDED OCTOBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 49,025.00	\$ 0.00	\$ 170,115.56	\$ 3,905.00	\$ 37,370.13
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	226.67	0.00
OTHER	975.00	0.00	0.00	0.00	705.00	125.00	(430.00)
TOTAL REVENUES	<u>975.00</u>	<u>0.00</u>	<u>49,025.00</u>	<u>0.00</u>	<u>170,820.56</u>	<u>4,256.67</u>	<u>36,940.13</u>
EXPENDITURES:							
SALARIES	34,411.34	268.25	0.00	436.45	2,673.89	0.00	219.32
EMPLOYEE BENEFITS	7,471.58	0.00	0.00	0.00	477.44	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	0.00	0.00	33,473.00	0.00	0.00	0.00	0.00
TRAVEL	650.48	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	384.58	0.00	0.00	0.00	0.00	0.00
SUPPLIES	618.38	6.62	0.00	0.00	77.96	0.00	0.00
CABLE	16,175.34	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	40.48	0.00	0.00	0.00	54.01	0.00	28.18
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	0.00	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	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	196.49	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	6,683.71	4,235.84	0.00	0.00	0.00	0.00	0.00
ADMINISTRATIVE OVERHEAD	42,324.13	0.00	0.00	0.00	20,940.05	0.00	9,010.10
ADMINISTRATIVE EXPENSES	(107,596.93)	(4,895.29)	0.00	0.00	23,379.38	0.00	7,840.00
TOTAL EXPENDITURES	<u>975.00</u>	<u>0.00</u>	<u>37,072.75</u>	<u>436.45</u>	<u>64,814.04</u>	<u>0.00</u>	<u>26,209.47</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(160,468.00)	0.00	(38,380.00)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(160,468.00)</u>	<u>0.00</u>	<u>(38,380.00)</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	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(160,468.00)</u>	<u>0.00</u>	<u>(38,380.00)</u>
EXCESS REVENUES OVER EXPENDITURES AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 11,952.25	\$ (436.45)	\$ (54,461.48)	\$ 4,256.67	\$ (27,649.34)

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE MONTH ENDED OCTOBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 10/31/12	TOTAL HOUSING 10/31/11
REVENUES:						
RENTAL INCOME	\$ 125,778.33	\$ 80,656.25	\$ 270,520.23	\$ 110,815.10	\$ 848,185.60	\$ 811,571.87
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	226.67	0.00
OTHER	55.00	225.00	1,677.25	1,240.00	4,572.25	7,878.38
TOTAL REVENUES	<u>125,833.33</u>	<u>80,881.25</u>	<u>272,197.48</u>	<u>112,055.10</u>	<u>852,984.52</u>	<u>819,450.25</u>
EXPENDITURES:						
SALARIES	10,754.61	3,443.30	17,134.49	5,450.32	74,791.97	50,005.65
EMPLOYEE BENEFITS	1,318.80	919.08	3,094.56	507.74	13,789.20	10,085.72
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	0.00	0.00	0.00	144.33	33,617.33	34,658.75
TRAVEL	0.00	0.00	0.00	0.00	650.48	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	384.58	50.00
SUPPLIES	0.00	0.00	161.60	623.77	1,488.33	1,692.18
CABLE	0.00	0.00	0.00	0.00	16,175.34	17,246.31
TELEPHONE	9.44	21.99	54.15	48.16	256.41	153.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	(44.89)
INSURANCE AND BONDS	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
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	196.49	190.10
EQUIPMENT MAINTENANCE AND REPAIR	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
GENERAL EXPENSES	17,275.35	14,161.75	46,064.45	18,853.40	137,224.65	117,542.15
ADMINISTRATIVE OVERHEAD	44,662.00	21,091.50	64,266.75	21,451.50	225,015.26	194,308.39
ADMINISTRATIVE EXPENSES	18,561.22	10,461.78	40,159.72	13,386.57	0.00	0.00
TOTAL EXPENDITURES	<u>92,581.42</u>	<u>50,099.40</u>	<u>170,935.72</u>	<u>60,465.79</u>	<u>503,590.04</u>	<u>429,710.88</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(19,144.00)	(5,720.00)	(67,194.00)	(31,074.00)	(321,980.00)	(291,365.00)
TOTAL MANDATORY TRANSFERS	<u>(19,144.00)</u>	<u>(5,720.00)</u>	<u>(67,194.00)</u>	<u>(31,074.00)</u>	<u>(321,980.00)</u>	<u>(291,365.00)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(19,144.00)</u>	<u>(5,720.00)</u>	<u>(67,194.00)</u>	<u>(31,074.00)</u>	<u>(321,980.00)</u>	<u>(291,365.00)</u>
EXCESS REVENUES OVER EXPENDITURES AND TRANSFERS (DEFICIT)	\$ 14,107.91	\$ 25,061.85	\$ 34,067.76	\$ 20,515.31	\$ 27,414.48	\$ 98,374.37

I N D E X **NOVEMBER 30, 2012**

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Financial Report Highlights November 30, 2012

Introduction

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

Financial Highlights

Financial report highlights at, and for the two months ended, November 30, 2012 and 2011 are as follows (in thousands):

	At and for the two months ended	
	11-30-12	11-30-11
<i>Total assets</i>		
Current	\$ 164,043	\$ 212,900
Loan	5,526	4,944
Endowment	141,207	130,539
Plant	710,276	652,560
<i>Fund Balances</i>		
Current	\$ 7,531	\$ 10,015
Loan	891	413
Endowment	110,440	103,098
Plant	344,048	316,895
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 267,549	\$ 238,824
Receivables	115,218	137,875
Bonds payable	348,091	322,145

	For the two months ended	
	11-30-12	11-30-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 26,650	\$ 24,412
State appropriations	16,883	17,565
Hospital revenues	54,949	56,609
Gifts, grants and contracts	11,042	14,815
Instruction and academic support	21,971	21,272
Research and public service	14,471	13,713
Hospital expenses	55,412	58,852
Net current fund increase	1,361	4,313

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
NOVEMBER 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	136,156.28	134,503.84	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	39,188,169.87	47,642,062.56
INVESTMENTS		3,000,290.91	45,277,577.11	DEFERRED REVENUES		73,361,130.54	67,792,839.77
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$53,605,276.49 FOR 2012 AND \$54,044,701.12 FOR 2011)				DUE TO OTHER FUNDS		39,097,172.55	84,196,583.66
DEPOSITS		115,218,291.91	137,875,171.89	DEPOSITS HELD IN CUSTODY		241,284.43	1,109,215.73
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		709,478.78	970,549.95
PREPAID EXPENSES		5,481,096.47	4,532,582.65	FUND BALANCES:			
		34,745,666.08	21,593,412.01	ALLOCATED FOR:			
				HOSPITALS	(38,969,725.89)		(40,639,894.94)
				AUXILIARY ENTERPRISES	2,734,894.41		1,997,656.44
				ENCUMBRANCES	5,046,564.91		4,290,182.62
				SELF-SUPPORTING ACTIVITIES	44,439,240.22		49,223,167.88
				UNALLOCATED	(7,231,708.17)		(7,134,116.17)
				TOTAL FUND BALANCES	6,019,265.48		7,736,955.83
				TOTAL UNRESTRICTED	158,616,501.55		209,448,247.50
TOTAL UNRESTRICTED		158,616,501.55	209,448,247.50				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		715,640.04	359,349.63	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		58,064.42	236,610.94
INVESTMENTS		8,647.20	3,999.33	DEFERRED REVENUES		3,855,967.78	936,999.43
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		4,701,938.71	3,088,587.77	FUND BALANCES		1,512,193.75	2,278,306.36
TOTAL RESTRICTED		5,426,225.95	3,451,916.73	TOTAL RESTRICTED		5,426,225.95	3,451,916.73
TOTAL CURRENT FUNDS		164,042,727.60	212,900,164.23	TOTAL CURRENT FUNDS		164,042,727.60	212,900,164.23
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,167,916.76	1,410,974.56	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,000.00	150.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$722,025.21 FOR 2011 AND \$446,174.34 FOR 2012)				REFUNDABLE GOVERNMENT ADVANCES		4,628,943.38	4,530,636.86
TOTAL LOAN FUNDS		4,357,963.50	3,533,176.41	FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		890,936.88	413,364.11
				TOTAL FUND BALANCES		890,936.88	413,364.11
				TOTAL LOAN FUNDS		5,525,880.26	4,944,150.97
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		40,018,279.02	36,458,994.06	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		23,609,000.00	20,660,600.00
INVESTMENTS		90,243,262.89	83,398,870.74	BONDS PAYABLE		7,156,022.00	6,779,590.00
ACCOUNTS RECEIVABLE		4,184,699.32	4,475,519.44	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	2,649,768.00	RESTRICTED NONEXPENDABLE		33,825,008.46	31,254,927.31
PREPAID-LIFE ESTATE		3,597,553.00	3,555,370.00	UNRESTRICTED EXPENDABLE		76,614,531.77	71,843,404.93
TOTAL ENDOWMENT FUNDS		141,206,562.23	130,538,522.24	TOTAL FUND BALANCES		110,439,540.23	103,098,332.24
				TOTAL ENDOWMENT FUNDS		141,206,562.23	130,538,522.24
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		115,219,222.80	17,442,337.01	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		9,902,718.70	6,058,193.37
INVESTMENTS		13,875,868.39	51,687,681.46	NOTES PAYABLE		980,415.45	0.00
ACCOUNTS RECEIVABLE		2,440,198.51	3,092,799.24	DEFERRED REVENUES		7,228,235.18	7,466,787.58
DUE FROM OTHER FUNDS		39,097,172.55	84,196,583.66	OTHER DEPOSITS		25,791.63	25,791.63
PREPAID EXPENSES		5,380,956.54	4,542,959.38	BONDS PAYABLE		348,091,195.24	322,114,503.50
CAPITAL LEASE RECEIVABLE		209,421.35	724,118.03				
INVESTMENT IN PLANT:							
LAND		22,242,549.92	22,056,047.66				
LAND IMPROVEMENTS		14,426,797.98	11,457,546.40				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		316,755,334.83	303,418,557.00				
OTHER EQUIPMENT, BOOKS AND FILMS		55,127,359.95	59,629,649.06				
CONSTRUCTION IN PROGRESS		125,501,449.94	94,311,866.89				
TOTAL PLANT FUNDS		710,276,332.76	652,560,145.79				
TOTAL ASSETS	\$	1,021,051,502.85	\$ 1,000,942,983.23	TOTAL LIABILITIES AND FUND BALANCES	\$	1,021,051,502.85	\$ 1,000,942,983.23

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	53,601,645.11						
HOSPITALS REVENUES	56,357,955.09						
AUXILIARY ENTERPRISES REVENUES	2,299,241.12						
GRANTS AND CONTRACTS:							
FEDERAL		2,712,436.33					
STATE AND LOCAL		788,250.01					
PRIVATE		733,326.98					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE							
INVESTMENT INCOME, GAINS/LOSS			626.41	(171,526.25)	22,911.67	7,502.54	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			16,246.62	848,185.66	4,416.68	5,097.40	6,029,204.02
EXPENDED FOR PLANT FACILITIES (INCLUDING \$1,744,209.81 CURRENT FUNDS EXPENDITURES)							4,450,000.00
RETIREMENT OF INDEBTEDNESS							
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		373,697.80		1,325.00	485,261.60		(80,883.88)
TOTAL REVENUES AND OTHER ADDITIONS	112,258,841.32	4,607,711.12	16,873.03	678,484.41	512,589.95	12,599.94	10,398,320.14
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	46,679,161.00	3,921,481.13					
HOSPITALS EXPENDITURES	54,370,473.93	(462.00)					
AUXILIARY ENTERPRISES EXPENDITURES	1,747,093.95						
INDIRECT COSTS RECOVERED		619,198.74					
REFUNDED TO GRANTORS		1,883.29					
RETIREMENT OF INDEBTEDNESS			(20.00)			4,450,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING \$244,541.47 FOR NON-CAPITALIZED EXPENDITURES)					4,529,535.68		4,156.97
INTEREST ON INDEBTEDNESS							5,174,477.14
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			1,800.00	677.69		(639,595.51)	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	102,796,728.88	4,542,101.16	1,780.00	677.69	4,529,535.68	3,810,404.49	5,178,634.11
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(4,427,628.28)				20,180.00	4,407,448.28	
NON-MANDATORY:							
FUNDED DEPRECIATION	(849,999.40)				849,999.40		
MOBILE RACING COMMISSION	(8,101.46)				8,101.46		
PLANT ADDITIONS AND REPLACEMENTS	(2,620,000.00)				2,620,000.00		
ENDOWMENT FUND	(504,043.18)				(8,101.46)		
OTHER TRANSFERS	131,912.60	(147,999.89)			1,003,935.00	(48,781.98)	48,781.98
TOTAL TRANSFERS	(8,277,859.72)	111,500.11	0.00		4,494,114.40	4,358,666.30	48,781.98
NET INCREASE (DECREASE) FOR THE PERIOD	1,184,252.72	177,110.07	15,093.03		477,168.67	560,861.75	5,268,468.01
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	4,927,566.90	292,626,623.16
FUND BALANCES AT NOVEMBER 30, 2012	\$ 6,019,265.48	\$ 1,512,193.75	\$ 890,936.88	\$ 110,439,540.23	\$ 40,664,356.74	\$ 5,488,528.65	\$ 297,895,091.17

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$849,999.40 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED NOVEMBER 30, 2012		NOVEMBER 30, 2011
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 26,650,368.83	\$	\$ 26,650,368.83
STATE APPROPRIATIONS	15,473,472.00		15,473,472.00
MOBILE RACING COMMISSION	5,371.92		5,371.92
FEDERAL GRANTS AND CONTRACTS	505,106.63	2,209,073.90	2,714,180.53
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$33,728.83)	35,725.84	749,531.18	785,257.02
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$78,363.28)	7,018,530.43	523,942.85	7,542,473.28
INVESTMENT INCOME	402,631.79		402,631.79
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	541,797.01		541,797.01
HOSPITALS - SALES AND SERVICES	54,948,921.09		54,948,921.09 *
- STATE APPROPRIATIONS	1,409,034.00		1,409,034.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	2,239,241.12		2,239,241.12
OTHER SOURCES	2,969,640.66	439,471.20	3,407,111.86
TOTAL CURRENT REVENUES	112,258,841.32	3,921,019.13	116,179,860.45
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	17,572,394.59	1,320,710.13	18,893,104.72
RESEARCH	1,492,646.37	1,337,645.90	2,830,292.27
PUBLIC SERVICE	11,031,398.82	609,934.15	11,640,332.97
ACADEMIC SUPPORT	3,078,192.95		3,078,192.95
STUDENT SERVICES	4,056,122.11	136,964.98	4,193,087.09
INSTITUTIONAL SUPPORT	3,704,728.48	8,646.25	3,713,374.73
OPERATION AND MAINTENANCE OF PLANT	2,991,713.80	116,684.99	3,108,398.79
SCHOLARSHIPS	2,751,963.88	391,894.73	3,143,858.61
EDUCATIONAL AND GENERAL	46,679,161.00	3,921,481.13	50,600,642.13
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	2,589,937.34		2,589,937.34
TOTAL EDUCATIONAL AND GENERAL	49,269,098.34	3,921,481.13	53,190,579.47
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,041,637.68)	55,412,111.61	(462.00)	55,411,649.61
AUXILIARY ENTERPRISES:			
EXPENDITURES			
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	1,747,093.95		1,747,093.95
NON-MANDATORY TRANSFERS FOR:			
RENEWALS AND REPLACEMENTS	796,053.26		796,053.26
TOTAL AUXILIARIES	0.00		0.00
TOTAL EXPENDITURES AND TRANSFERS	2,543,147.21	0.00	2,543,147.21
	107,224,357.16	3,921,019.13	111,145,376.29
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		67,493.25	67,493.25
REFUNDED TO GRANTORS		(1,883.29)	(1,883.29)
FUNDED DEPRECIATION			
MOBILE RACING COMMISSION	(849,999.40)		(849,999.40) *
PLANT ADDITIONS AND REPLACEMENTS	(8,101.46)		(8,101.46)
ENDOWMENT FUND	(2,620,000.00)		(2,620,000.00)
OTHER TRANSFERS	(504,043.18)	259,500.00	(244,543.18)
TOTAL TRANSFERS	131,912.60	(147,999.89)	(16,087.29)
	(3,850,231.44)	177,110.07	(3,673,121.37)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 1,184,252.72	\$ 177,110.07	\$ 1,361,362.79
			\$ 4,312,509.08

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$849,999.40 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

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

BASIS OF PRESENTATION

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

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

FUND ACCOUNTING

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

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

USE OF ESTIMATES

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

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

PLANT FUNDS

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

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

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

INVESTMENT IN POOLED FUNDS

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

UNRESTRICTED GIFTS

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

GRANTS AND CONTRACTS

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

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

INCOME TAXES

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

DEFERRED REVENUES AND EXPENDITURES

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

EMPLOYEE BENEFITS

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

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

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

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

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

LITIGATION

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

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

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

SUPPLEMENTAL SCHEDULES

**SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>11/30/12</u>	<u>11/30/11</u>
BOOKSTORE	\$ 418,838.26	\$ 591,005.74	\$ (39,422.00)	\$ (211,589.48)	\$ (193,145.80)
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(24,532.00)
FOOD SERVICES-CAMPUS	194,136.74	39,258.84	(112,671.26)	42,206.64	(93,968.02)
HOUSING	1,686,266.12	1,116,829.37	(643,960.00)	(74,523.25)	(24,346.44)
TOTAL	<u>\$ 2,299,241.12</u>	<u>\$ 1,747,093.95</u>	<u>\$ (796,053.26)</u>	<u>\$ (243,906.09)</u>	<u>\$ (335,992.26)</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011

	<u>11/30/12</u>	<u>11/30/11</u>
REVENUES:		
SALES	\$ 365,171.77	\$ 404,740.83
LESS: DEPARTMENTAL DISCOUNTS	685.69	1,144.62
COST OF GOODS SOLD	<u>261,915.03</u>	<u>292,976.97</u>
GROSS PROFIT	102,571.05	110,619.24
CASH OVER/(SHORT)	(27.14)	(56.81)
GRADUATION (NET)	48,420.00	41,044.65
TEXTBOOK RENTAL INCOME	554.75	0.00
OTHER	<u>4,718.88</u>	<u>3,810.44</u>
NET REVENUES:	<u>156,237.54</u>	<u>155,417.52</u>
EXPENDITURES:		
SALARIES	138,443.38	121,847.33
EMPLOYEE BENEFITS	34,397.98	32,677.46
SUPPLIES	3,942.03	4,311.03
TRAVEL	755.33	522.00
EQUIPMENT	1,161.74	6,342.04
EQUIPMENT MAINTENANCE AND REPAIR	36,159.38	30,460.82
BUILDING & EQUIPMENT RENTAL	10,547.34	7,321.44
ADVERTISING	11,551.52	10,691.51
UTILITIES	12,500.00	12,500.00
TELEPHONE	1,489.46	11,124.63
INSURANCE AND BONDS	0.00	1,801.00
CONTRACT SERVICES	15,832.85	20,449.60
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	0.00
OBSOLETE INVENTORY	1,476.63	0.00
GENERAL EXPENSES	4,967.28	4,770.72
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	8,088.44	5,279.58
INSTITUTIONAL COST ALLOCATION	<u>47,091.66</u>	<u>39,042.16</u>
TOTAL EXPENDITURES	<u>328,405.02</u>	<u>309,141.32</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:	(39,422.00)	(39,422.00)
PRINCIPAL AND INTEREST		
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(39,422.00)</u>	<u>(39,422.00)</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ (211,589.48)</u>	<u>\$ (193,145.80)</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011

	11/30/12	11/30/11
REVENUES:		
COMMISSION INCOME	\$ 194,136.74	\$ 185,383.84
TOTAL REVENUES	<u>194,136.74</u>	<u>185,383.84</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	12.05	78.24
EQUIPMENT MAINTENANCE AND REPAIR	8,892.57	3,317.16
UTILITIES	20,833.34	20,833.34
TELEPHONE	40.15	366.48
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	3,850.75	4,469.50
INSURANCE AND BONDS	0.00	9,537.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	755.00
INDIRECT COST	4,166.66	4,166.66
GENERAL EXPENSE	<u>1,463.32</u>	<u>3,157.22</u>
TOTAL EXPENDITURES	<u>39,258.84</u>	<u>46,680.60</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(112,671.26)	(112,671.26)
NON-MANDATORY:		
OTHER TRANSFERS	<u>0.00</u>	<u>(120,000.00)</u>
TOTAL TRANSFERS	<u>(112,671.26)</u>	<u>(232,671.26)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 42,206.64</u>	<u>\$ (93,968.02)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 49,025.00	\$ 0.00	\$ 350,651.62	\$ 7,810.00	\$ 76,016.03
BAD DEBT RECOVERY	75.00	0.00	0.00	0.00	0.00	237.06	0.00
OTHER	2,025.00	0.00	0.00	0.00	1,110.00	250.00	(430.00)
TOTAL REVENUES	2,100.00	0.00	49,025.00	0.00	351,761.62	8,297.06	75,586.03
EXPENDITURES:							
SALARIES	67,578.46	659.75	0.00	311.75	45,099.01	0.00	36,042.78
EMPLOYEE BENEFITS	16,517.60	0.00	0.00	0.00	1,115.93	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	29.50	0.00	33,473.00	0.00	12,707.00	0.00	0.00
TRAVEL	650.48	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	1,163.33	0.00	0.00	0.00	0.00	0.00
SUPPLIES	1,330.93	88.11	0.00	0.00	198.32	0.00	432.96
CABLE	31,587.46	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	69.28	0.00	0.00	0.00	82.82	0.00	51.46
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	166.76
INSURANCE AND BONDS	0.00	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	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	271.49	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUPS 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	13,038.60	9,181.51	0.00	0.00	29,950.05	0.00	12,864.10
ADMINISTRATIVE OVERHEAD	84,648.26	0.00	0.00	0.00	46,758.76	0.00	15,680.00
ADMINISTRATIVE EXPENSES	(213,622.06)	(11,092.70)	7,190.87	0.00	34,381.36	0.00	18,201.90
TOTAL EXPENDITURES	2,100.00	0.00	40,663.87	311.75	170,293.25	0.00	83,439.96
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(320,936.00)	0.00	(76,760.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(320,936.00)	0.00	(76,760.00)
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	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(320,936.00)	0.00	(76,760.00)
EXCESS REVENUES OVER EXPENDITURES							
AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 8,361.13	\$ (311.75)	\$ (139,467.63)	\$ 8,297.06	\$ (84,613.93)

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE TWO MONTHS ENDED NOVEMBER 30, 2012
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 11/30/12	TOTAL HOUSING 11/30/11
REVENUES:						
RENTAL INCOME	\$ 255,745.40	\$ 165,893.06	\$ 538,197.48	\$ 235,286.47	\$ 1,678,625.06	\$ 1,636,493.08
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	312.06	0.00
OTHER	275.00	490.00	2,079.00	1,530.00	7,329.00	12,753.38
TOTAL REVENUES	<u>256,020.40</u>	<u>166,383.06</u>	<u>540,276.48</u>	<u>236,816.47</u>	<u>1,686,266.12</u>	<u>1,649,246.46</u>
EXPENDITURES:						
SALARIES	47,014.77	26,943.75	80,893.76	41,678.91	346,222.94	291,184.99
EMPLOYEE BENEFITS	3,042.30	2,140.79	7,953.06	1,159.23	31,928.91	21,066.43
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	6,545.88
CONTRACT SERVICES	1,000.00	75.00	570.00	374.33	48,228.83	34,658.75
TRAVEL	0.00	0.00	0.00	0.00	650.48	303.60
RECEPTIONS	0.00	0.00	0.00	0.00	1,163.33	107.47
SUPPLIES	0.00	0.00	465.01	623.77	3,139.10	2,270.94
CABLE	0.00	0.00	0.00	0.00	31,587.46	17,246.31
TELEPHONE	16.48	40.96	103.61	81.44	446.05	301.43
UTILITIES	0.00	0.00	0.00	0.00	166.76	31.72
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	51,837.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	6,961.70
EQUIPMENT RENTAL	0.00	0.00	383.29	0.00	654.78	265.10
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	255.00
FOUNDATIONS MAINTENANCE	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
GENERAL EXPENSES	24,670.35	20,221.75	65,784.45	26,399.40	202,610.21	269,209.80
ADMINISTRATIVE OVERHEAD	89,324.00	42,183.00	128,533.50	42,903.00	450,030.52	388,616.78
ADMINISTRATIVE EXPENSES	37,077.94	20,898.48	80,223.16	26,741.05	0.00	0.00
TOTAL EXPENDITURES	<u>202,145.84</u>	<u>112,503.73</u>	<u>364,909.84</u>	<u>140,461.13</u>	<u>1,116,829.37</u>	<u>1,090,862.90</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(38,288.00)	(11,440.00)	(134,388.00)	(62,148.00)	(643,960.00)	(582,730.00)
TOTAL MANDATORY TRANSFERS	<u>(38,288.00)</u>	<u>(11,440.00)</u>	<u>(134,388.00)</u>	<u>(62,148.00)</u>	<u>(643,960.00)</u>	<u>(582,730.00)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(38,288.00)</u>	<u>(11,440.00)</u>	<u>(134,388.00)</u>	<u>(62,148.00)</u>	<u>(643,960.00)</u>	<u>(582,730.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 15,586.56	\$ 42,439.33	\$ 40,978.64	\$ 34,207.34	\$ (74,523.25)	\$ (24,346.44)
AND TRANSFERS (DEFICIT)						

INDEX **DECEMBER 31, 2012**

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Financial Report Highlights December 31, 2012

Introduction

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

Financial Highlights

Financial report highlights at, and for the three months ended, December 31, 2012 and 2011 are as follows (in thousands):

	At and for the three months ended	
	12-31-12	12-31-11
<i>Total assets</i>		
Current	\$ 179,499	\$ 217,942
Loan	5,536	4,955
Endowment	142,785	131,408
Plant	712,580	655,955
<i>Fund Balances</i>		
Current	\$ 5,687	\$ 8,735
Loan	901	424
Endowment	110,418	102,674
Plant	341,734	315,897
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 256,845	\$ 230,069
Receivables	130,976	146,486
Bonds payable	348,428	322,482

	For the three months ended	
	12-31-12	12-31-11
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 38,761	\$ 36,401
State appropriations	25,324	26,348
Hospital revenues	82,806	85,957
Gifts, grants and contracts	21,915	24,749
Instruction and academic support	35,911	33,516
Research and public service	20,972	22,774
Hospital expenses	83,812	89,093
Net current fund increase (decrease)	(483)	3,032

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
DECEMBER 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	135,388.84	133,963.84	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	53,820,779.39	\$ 47,322,255.62
INVESTMENTS		2,979,835.55	40,405,152.48	DEFERRED REVENUES		64,596,586.10	64,323,495.49
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE				DUE TO OTHER FUNDS		50,880,054.95	89,845,476.69
FOR DOUBTFUL ACCOUNTS OF \$4,660,217.43				DEPOSITS HELD IN CUSTODY		1,113,925.72	659,772.31
FOR 2012 AND \$55,092,277.90 FOR 2011)				OTHER DEPOSITS		687,416.28	5,390,017.60
DEPOSITS		130,975,957.74	146,485,901.81	FUND BALANCES:			
INVENTORIES AT COST		35,000.00	35,000.00	ALLOCATED FOR:			
PREPAID EXPENSES		5,520,386.80	4,693,021.94	HOSPITALS		(39,366,677.49)	(41,695,251.02)
		34,664,886.70	21,190,103.72	AUXILIARY ENTERPRISES		2,611,369.36	1,870,559.45
				ENCUMBRANCES		5,193,556.68	4,770,406.50
				SELF-SUPPORTING ACTIVITIES		45,532,914.27	47,155,958.50
				UNALLOCATED		(10,758,459.63)	(6,699,547.35)
				TOTAL FUND BALANCES		3,212,703.19	5,402,126.08
TOTAL UNRESTRICTED		174,311,465.63	212,943,143.79	TOTAL UNRESTRICTED		174,311,465.63	212,943,143.79
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		1,935,763.62	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		15,230.77	8,099.36
INVESTMENTS		8,647.20	3,999.33	DEFERRED REVENUES		2,698,566.40	1,326,314.75
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		3,243,374.62	4,994,370.22	DUE TO OTHER FUNDS		0.00	331,521.92
				FUND BALANCES		2,473,988.27	3,332,433.52
TOTAL RESTRICTED		5,187,785.44	4,998,369.55	TOTAL RESTRICTED		5,187,785.44	4,998,369.55
TOTAL CURRENT FUNDS		179,499,251.07	217,941,513.34	TOTAL CURRENT FUNDS		179,499,251.07	217,941,513.34
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,242,312.26	1,439,561.55	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,000.00	0.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR				REFUNDABLE GOVERNMENT ADVANCES		4,628,943.38	4,530,636.86
DOUBTFUL ACCOUNTS OF \$722,025.21 FOR				FUND BALANCES:			
2011 AND \$446,174.34 FOR 2012)				UNIVERSITY FUNDS, UNRESTRICTED		900,593.76	424,342.98
				TOTAL FUND BALANCES		900,593.76	424,342.98
TOTAL LOAN FUNDS		5,535,537.14	4,954,979.84	TOTAL LOAN FUNDS		5,535,537.14	4,954,979.84
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		38,563,738.57	41,016,671.44	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		25,109,000.00	21,860,600.00
INVESTMENTS		93,214,032.87	79,108,143.19	BONDS PAYABLE		7,257,918.00	6,874,196.00
ACCOUNTS RECEIVABLE		4,237,008.07	4,554,832.11	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	3,162,768.00	RESTRICTED NONEXPENDABLE		33,825,008.46	31,254,927.31
PREPAID-LIFE ESTATE		3,607,658.00	3,565,916.00	UNRESTRICTED EXPENDABLE		76,593,279.05	71,418,605.43
				TOTAL FUND BALANCES		110,418,287.51	102,673,532.74
TOTAL ENDOWMENT FUNDS		142,785,205.51	131,408,330.74	TOTAL ENDOWMENT FUNDS		142,785,205.51	131,408,330.74
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		101,721,483.27	13,084,459.46	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		14,259,298.81	10,136,103.05
INVESTMENTS		13,861,016.69	51,713,991.94	NOTES PAYABLE		958,034.31	0.00
ACCOUNTS RECEIVABLE		5,329,757.54	3,092,799.24	DEFERRED REVENUES		7,174,986.23	7,413,408.63
DUE FROM OTHER FUNDS		50,880,054.95	90,176,998.61	OTHER DEPOSITS		25,791.63	25,791.63
PREPAID EXPENSES		2,440,198.51	4,490,021.92	BONDS PAYABLE		348,427,988.29	322,481,926.43
CAPITAL LEASE RECEIVABLE		166,529.96	681,226.64				
INVESTMENT IN PLANT:							
LAND		22,242,549.92	22,056,047.66	FUND BALANCES:			
LAND IMPROVEMENTS		14,319,584.92	11,330,008.47	RENEWALS AND REPLACEMENTS		36,630,254.54	63,026,375.19
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		315,588,213.43	302,331,753.90	RETIREMENT OF INDEBTEDNESS		3,544,026.75	7,041,033.35
OTHER EQUIPMENT, BOOKS AND FILMS		54,089,619.12	58,248,251.37	INVESTMENT IN PLANT		301,559,812.65	245,830,061.88
CONSTRUCTION IN PROGRESS		131,921,184.90	98,749,140.95	TOTAL FUND BALANCES		341,734,053.94	315,897,470.42
TOTAL PLANT FUNDS		712,580,193.21	655,954,700.16	TOTAL PLANT FUNDS		712,580,193.21	655,954,700.16
TOTAL ASSETS	\$	1,040,400,186.93	\$ 1,010,259,524.08	TOTAL LIABILITIES AND FUND BALANCES	\$	1,040,400,186.93	\$ 1,010,259,524.08

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

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	82,391,707.03						
HOSPITALS REVENUES	84,919,175.48						
AUXILIARY ENTERPRISES REVENUES	3,286,357.99						
GRANTS AND CONTRACTS:							
FEDERAL		6,606,514.81					
STATE AND LOCAL		1,261,774.76					
PRIVATE		1,243,686.85					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE							
INVESTMENT INCOME, GAINS/LOSS			958.37	(662,713.39)	34,649.24	11,658.52	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			25,551.54	1,165,191.04	54,966.68	7,859.21	
EXPENDED FOR PLANT FACILITIES (INCLUDING							12,724,102.26
\$1,830,932.28 CURRENT FUNDS EXPENDITURES)							
RETIREMENT OF INDEBTEDNESS							4,450,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							(121,325.82)
OTHER SOURCES		1,611,763.16		1,825.00	585,437.89		17,052,776.44
TOTAL REVENUES AND OTHER ADDITIONS	170,597,240.50	10,723,739.58	26,509.91	504,302.65	775,053.81	19,517.73	
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	75,078,824.63	8,392,043.88					
HOSPITALS EXPENDITURES	82,249,808.63	(482.00)					
AUXILIARY ENTERPRISES EXPENDITURES	2,459,709.24						
INDIRECT COSTS RECOVERED		1,084,349.14					
REFUNDED TO GRANTORS		2,673.31					
RETIREMENT OF INDEBTEDNESS			(40.00)			4,450,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING					11,401,713.18	3,225,955.72	6,166.82
\$508,543.20 FOR NON-CAPITALIZED EXPENDITURES)							7,761,715.71
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			1,800.00	100,573.69		28,997.00	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	159,788,342.50	9,478,604.33	1,760.00	100,573.69	11,401,713.18	7,704,952.72	7,767,882.53
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(6,641,442.42)				30,270.00	6,640,799.67	(29,627.25)
NON-MANDATORY:							
FUNDED DEPRECIATION	(1,274,998.84)				1,274,998.84		
MOBILE RACING COMMISSION	(17,235.91)				17,235.91		
PLANT ADDITIONS AND REPLACEMENTS	(3,930,000.00)				3,930,000.00		
ENDOWMENT FUND	(750,510.77)				(17,235.91)		
OTHER TRANSFERS	182,980.37	262,277.00		505,469.68	1,834,457.00	(339,004.83)	(322,077.17)
TOTAL TRANSFERS	(12,431,207.57)	(368,507.66)		(987,847.71)	7,069,725.84	6,301,794.84	(351,704.42)
NET INCREASE (DECREASE) FOR THE PERIOD	(1,622,309.57)	(106,230.66)	0.00	(482,378.03)	(3,556,933.53)	(1,383,640.15)	8,933,189.49
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76	1,138,904.59	24,749.91	(78,649.07)	40,187,188.07	4,927,666.90	292,626,623.16
FUND BALANCES AT DECEMBER 31, 2012	\$ 3,212,703.19	\$ 2,473,988.27	\$ 900,593.76	\$ 110,418,287.51	\$ 36,630,254.54	\$ 3,544,026.75	\$ 301,559,812.65

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,274,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

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

	FOR THE THREE MONTHS ENDED DECEMBER 31, 2012			DECEMBER 31, 2011
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 38,760,573.89	\$	\$ 38,760,573.89	\$ 36,401,424.54
STATE APPROPRIATIONS	23,210,208.00		23,210,208.00	24,144,223.02
MOBILE RACING COMMISSION	17,235.91		17,235.91	7,482.47
FEDERAL GRANTS AND CONTRACTS	889,472.20	5,715,545.81	6,605,018.01	8,369,072.44
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$48,494.82)	95,389.34	1,044,747.21	1,140,136.55	853,021.35
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$146,382.12)	13,213,068.10	957,085.08	14,170,153.18	15,527,179.55
INVESTMENT INCOME	404,873.53		404,873.53	144,980.10
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	715,275.70		715,275.70	550,611.09
HOSPITALS - SALES AND SERVICES	82,805,624.48		82,805,624.48 *	85,956,536.52
- STATE APPROPRIATIONS	2,113,551.00		2,113,551.00	2,203,446.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	3,286,357.99		3,286,357.99	3,247,204.17
OTHER SOURCES	5,085,610.36	674,203.78	5,759,814.14	6,862,408.49
TOTAL CURRENT REVENUES	170,597,240.50	8,391,581.88	178,988,822.38	184,267,589.74
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	29,165,929.47	2,028,023.92	31,193,953.39	28,636,815.19
RESEARCH	2,317,452.50	2,280,332.88	4,597,785.38	4,903,443.24
PUBLIC SERVICE	15,302,220.89	1,072,203.01	16,374,423.90	17,870,153.17
ACADEMIC SUPPORT	4,717,003.29		4,717,003.29	4,878,700.95
STUDENT SERVICES	6,687,318.42	223,937.79	6,911,256.21	6,184,146.58
INSTITUTIONAL SUPPORT	7,416,078.65	615,743.68	8,031,822.33	7,608,172.25
OPERATION AND MAINTENANCE OF PLANT	5,393,857.24	1,631,289.15	7,025,146.39	8,999,862.54
SCHOLARSHIPS	4,065,936.17	540,513.45	4,606,449.62	329,306.17
EDUCATIONAL AND GENERAL	75,065,796.63	8,392,043.88	83,457,840.51	79,409,600.09
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	3,884,906.01		3,884,906.01	3,356,520.01
TOTAL EDUCATIONAL AND GENERAL	78,950,702.64	8,392,043.88	87,342,746.52	82,766,120.10
HOSPITALS (INCLUDING DEBT SERVICE OF \$1,562,456.52)	83,812,265.15	(462.00)	83,811,803.15	89,093,641.74
AUXILIARY ENTERPRISES:				
EXPENDITURES	2,459,709.24		2,459,709.24	2,486,058.53
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	1,194,079.89		1,194,079.89	1,102,234.89
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	0.00		0.00	120,000.00
TOTAL AUXILIARIES	3,653,789.13	0.00	3,653,789.13	3,710,293.42
TOTAL EXPENDITURES AND TRANSFERS	156,416,756.92	8,391,581.88	174,808,338.80	175,570,055.26
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		1,247,808.56	1,247,808.56	1,555,096.63
REFUNDED TO GRANTORS		(2,673.31)	(2,673.31)	(241,263.80)
FUNDED DEPRECIATION	(1,274,998.84)		(1,274,998.84)	(2,876,380.32)
MOBILE RACING COMMISSION	(17,235.91)		(17,235.91)	(7,482.47)
PLANT ADDITIONS AND REPLACEMENTS	(3,930,000.00)		(3,930,000.00)	(3,927,000.00)
ENDOWMENT FUND	(750,510.77)		(750,510.77)	(497,724.77)
OTHER TRANSFERS	169,952.37		169,952.37	328,986.74
TOTAL TRANSFERS	(5,802,793.15)	1,138,904.59	(4,663,888.56)	(5,665,787.99)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (1,622,309.57)	\$ 1,138,904.59	\$ (483,404.98)	\$ 3,031,766.49

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,274,998.84 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.

LITIGATION

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

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

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

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE THREE MONTHS ENDED DECEMBER 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				12/31/12	12/31/11
BOOKSTORE	\$ 567,841.42	\$ 912,571.83	\$ (59,133.00)	\$ (403,863.41)	\$ (327,318.27)
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(24,532.00)
FOOD SERVICES-CAMPUS	277,017.91	62,373.93	(169,006.89)	45,637.09	(89,540.01)
HOUSING	2,441,498.66	1,484,763.48	(965,940.00)	(9,204.82)	(21,698.97)
TOTAL	\$ 3,286,357.99	\$ 2,459,709.24	\$ (1,194,079.89)	\$ (367,431.14)	\$ (463,089.25)

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

	12/31/12	12/31/11
REVENUES:		
SALES	\$ 505,906.98	\$ 571,693.67
LESS: DEPARTMENTAL DISCOUNTS	1,049.46	1,525.69
COST OF GOODS SOLD	366,915.69	417,106.38
GROSS PROFIT	137,941.83	153,061.60
CASH OVER/(SHORT)	(26.91)	(70.95)
GRADUATION (NET)	50,700.00	42,799.65
TEXTBOOK RENTAL INCOME	554.75	0.00
OTHER	10,706.60	7,411.91
NET REVENUES:	199,876.27	203,202.21
EXPENDITURES:		
SALARIES	254,684.23	203,208.38
EMPLOYEE BENEFITS	69,523.95	62,572.86
SUPPLIES	5,282.93	4,680.69
TRAVEL	755.33	982.32
EQUIPMENT	2,412.98	7,103.05
EQUIPMENT MAINTENANCE AND REPAIR	36,159.38	30,844.72
BUILDING & EQUIPMENT RENTAL	12,316.76	8,925.45
ADVERTISING	14,766.22	12,225.52
UTILITIES	18,750.00	18,750.00
TELEPHONE	1,706.18	11,410.69
INSURANCE AND BONDS	0.00	1,801.00
CONTRACT SERVICES	30,658.74	32,010.72
BAD DEBT EXPENSE	0.00	0.00
RENT	0.00	0.00
OBSOLETE INVENTORY	1,476.63	0.00
GENERAL EXPENSES	8,660.93	10,518.11
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	16,814.93	7,790.73
INSTITUTIONAL COST ALLOCATION	70,637.49	58,563.24
TOTAL EXPENDITURES	544,606.68	471,387.48
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(59,133.00)	(59,133.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	(59,133.00)	(59,133.00)
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ (403,863.41)	\$ (327,318.27)

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

	12/31/12	12/31/11
REVENUES:		
COMMISSION INCOME	\$ 277,017.91	\$ 265,484.82
TOTAL REVENUES	<u>277,017.91</u>	<u>265,484.82</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	0.00	80.28
EQUIPMENT MAINTENANCE AND REPAIR	13,351.86	6,235.64
UTILITIES	31,250.01	31,250.01
TELEPHONE	65.35	320.80
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	9,076.75	8,297.00
INSURANCE AND BONDS	0.00	9,537.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	755.00
INDIRECT COST	6,249.99	6,249.99
GENERAL EXPENSE	<u>2,379.97</u>	<u>3,292.22</u>
TOTAL EXPENDITURES	<u>62,373.93</u>	<u>66,017.94</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(169,006.89)	(169,006.89)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(169,006.89)</u>	<u>(289,006.89)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 45,637.09</u>	<u>\$ (89,540.01)</u>

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

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 49,025.00	\$ 0.00	\$ 491,652.58	\$ 11,715.00	\$ 109,553.60
BAD DEBT RECOVERY	75.00	0.00	0.00	0.00	0.00	258.10	0.00
OTHER	18,450.00	0.00	0.00	0.00	1,345.14	650.00	(430.00)
TOTAL REVENUES	18,525.00	0.00	49,025.00	0.00	492,997.72	12,623.10	109,123.60
EXPENDITURES:							
SALARIES	108,744.29	958.81	0.00	311.75	49,856.93	0.00	36,119.09
EMPLOYEE BENEFITS	31,126.63	0.00	0.00	0.00	2,432.18	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	29.50	0.00	33,473.00	0.00	12,782.00	0.00	0.00
TRAVEL	650.48	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	1,927.98	0.00	0.00	0.00	0.00	0.00
SUPPLIES	3,591.74	88.11	0.00	0.00	198.32	0.00	665.74
CABLE	31,587.46	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	93.71	0.00	0.00	0.00	102.43	0.00	71.28
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	301.96
INSURANCE AND BONDS	0.00	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	0.00	0.00	0.00
EQUIPMENT	0.00	2,392.00	0.00	0.00	654.00	0.00	0.00
EQUIPMENT RENTAL	346.49	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUPS 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	18,791.48	9,200.49	0.00	0.00	29,950.05	0.00	12,864.10
ADMINISTRATIVE OVERHEAD	126,972.39	0.00	0.00	0.00	70,138.14	0.00	23,520.00
ADMINISTRATIVE EXPENSES	(303,409.17)	(14,567.39)	10,175.25	0.00	48,650.42	0.00	25,756.11
TOTAL EXPENDITURES	18,525.00	0.00	43,648.25	311.75	214,764.47	0.00	99,298.28
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(481,404.00)	0.00	(115,140.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(481,404.00)	0.00	(115,140.00)
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	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(481,404.00)	0.00	(115,140.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 5,376.75	\$ (311.75)	\$ (203,170.75)	\$ 12,623.10	\$ (105,314.68)
AND TRANSFERS (DEFICIT)							

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

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 12/31/12	TOTAL HOUSING 12/31/11
REVENUES:							
RENTAL INCOME	\$ 361,055.85	\$ 245,352.10	\$ 808,465.88	\$ 338,522.41	0.00	\$ 2,415,342.42	\$ 2,326,051.69
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	333.10	0.00
OTHER	470.00	947.00	2,749.00	1,642.00	0.00	25,823.14	33,833.38
TOTAL REVENUES	<u>361,525.85</u>	<u>246,299.10</u>	<u>811,214.88</u>	<u>340,164.41</u>	<u>0.00</u>	<u>2,441,498.66</u>	<u>2,359,885.07</u>
EXPENDITURES:							
SALARIES	57,891.14	31,248.80	106,002.27	49,448.99	0.00	440,582.07	327,629.65
EMPLOYEE BENEFITS	6,133.27	4,277.38	17,416.30	2,722.79	0.00	64,108.55	40,364.08
CONTRACT LABOR	0.00	0.00	551.93	0.00	0.00	551.93	7,409.71
CONTRACT SERVICES	1,365.00	75.00	1,829.25	524.33	0.00	50,078.08	34,855.82
TRAVEL	0.00	0.00	0.00	0.00	0.00	650.48	303.60
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	1,927.98	1,593.60
SUPPLIES	143.25	0.00	1,803.13	623.77	0.00	7,114.06	9,190.96
CABLE	0.00	0.00	0.00	0.00	0.00	31,587.46	34,714.20
TELEPHONE	32.72	59.93	150.72	116.49	0.00	627.28	832.14
UTILITIES	0.00	0.00	0.00	0.00	0.00	301.96	177.89
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	0.00	51,837.00
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	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	3,046.00	7,833.71
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	383.29	0.00	0.00	729.78	340.10
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	255.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	24,670.35	20,221.75	65,814.45	26,899.40	0.00	208,412.07	407,226.41
ADMINISTRATIVE OVERHEAD	133,986.00	63,274.50	192,800.25	64,354.50	0.00	675,045.78	582,925.17
ADMINISTRATIVE EXPENSES	52,466.13	29,571.82	113,517.63	37,839.20	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>276,687.86</u>	<u>148,729.18</u>	<u>500,269.22</u>	<u>182,529.47</u>	<u>0.00</u>	<u>1,484,763.48</u>	<u>1,507,489.04</u>
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(57,432.00)	(17,160.00)	(177,431.00)	(93,222.00)	(24,151.00)	(965,940.00)	(874,095.00)
TOTAL MANDATORY TRANSFERS	<u>(57,432.00)</u>	<u>(17,160.00)</u>	<u>(177,431.00)</u>	<u>(93,222.00)</u>	<u>(24,151.00)</u>	<u>(965,940.00)</u>	<u>(874,095.00)</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	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(57,432.00)</u>	<u>(17,160.00)</u>	<u>(177,431.00)</u>	<u>(93,222.00)</u>	<u>(24,151.00)</u>	<u>(965,940.00)</u>	<u>(874,095.00)</u>
EXCESS REVENUES OVER EXPENDITURES							
AND TRANSFERS (DEFICIT)	<u>\$ 27,405.99</u>	<u>\$ 80,409.92</u>	<u>\$ 133,514.66</u>	<u>\$ 64,412.94</u>	<u>\$ (24,151.00)</u>	<u>\$ (9,204.82)</u>	<u>\$ (21,698.97)</u>

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

Unaudited

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

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University of South Alabama

Management's Discussion and Analysis

Introduction

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

Financial Highlights

At December 31, 2012, the University had total assets of \$985,899,000, total liabilities of \$530,885,000 and net assets of \$455,014,000. University net assets increased \$1,477,000 for the three months ended December 31, 2012 compared to an increase of \$10,858,000 for the three months ended December 31, 2011. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the University at and for the three months ended December 31, 2012 and 2011 follow (in thousands):

Condensed Statements of Net Position

	2012	2011
<i>Assets</i>		
Current	\$ 316,822	\$ 271,297
Capital and other noncurrent assets	669,077	647,035
	<u>985,899</u>	<u>918,332</u>
<i>Liabilities</i>		
Current	138,092	124,054
Noncurrent	392,793	368,298
	<u>530,885</u>	<u>492,352</u>
<i>Net Position</i>		
Net Investment in Capital Assets	229,818	208,317
Restricted, nonexpendable	34,807	31,544
Restricted, expendable	47,225	43,642
Unrestricted	143,164	142,477
	<u>\$ 455,014</u>	<u>\$ 425,980</u>

University of South Alabama

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2012	2011
<i>Operating revenues</i>		
Tuition and fees	\$ 35,121	\$ 36,206
Hospital revenues, net	61,674	56,773
Other	<u>26,621</u>	<u>32,898</u>
	123,416	125,877
<i>Operating expenses</i>		
Salaries and benefits	105,929	103,711
Supplies and other services	32,021	34,360
Other	<u>11,543</u>	<u>10,922</u>
	149,493	148,993
Operating loss	(26,077)	(23,116)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	25,324	26,348
Other, net	<u>(1,620)</u>	<u>3,026</u>
Net nonoperating revenues, net	23,704	29,374
Other revenues, expenses, gains or losses	<u>3,850</u>	<u>4,600</u>
Increase in net position	1,477	10,858
<i>Net Position</i>		
Beginning of period, before cumulative		
Change in accounting principle	453,537	416,896
Cumulative effect of change	<u>-</u>	<u>(1,774)</u>
Beginning of period, as adjusted	453,537	415,122
End of period	<u>\$ 455,014</u>	<u>\$ 425,980</u>

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets, liabilities and net position of the University as of the end of the current reporting period. The net position is displayed in three parts, net investment in capital assets net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or by an external donor. Unrestricted net position, while it is

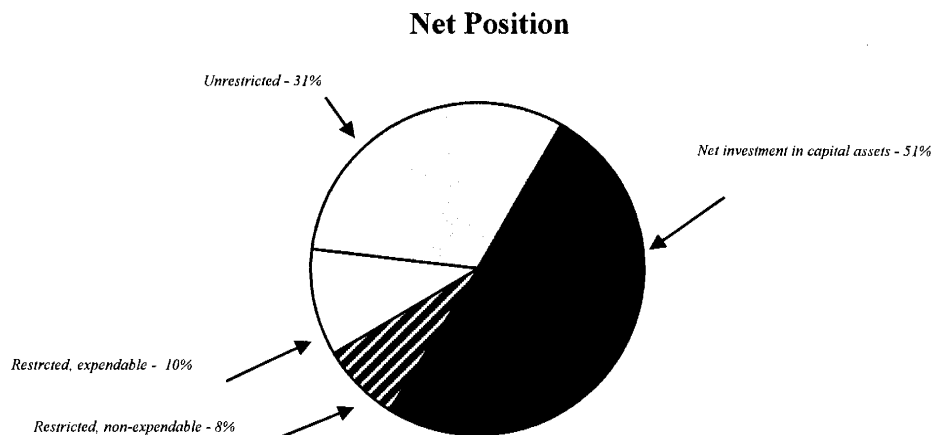
University of South Alabama

Management's Discussion and Analysis (continued)

generally designated for specific purposes, is available for use by the University to meet current expenses for any purposes. The statements of net position, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged.

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

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



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

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended. Restricted expendable net assets are subject to externally imposed restrictions governing

University of South Alabama

Management's Discussion and Analysis (continued)

their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

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

Statements of Revenues, Expenses and Changes in Net Position

Changes in total University net position as presented on the statements of net position is based on the activity presented in the statements of revenues, expenses and changes in net position. The purpose of the statements is to present the revenues recognized by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, and any other revenues, expenses, gains and losses recognized or incurred by the University.

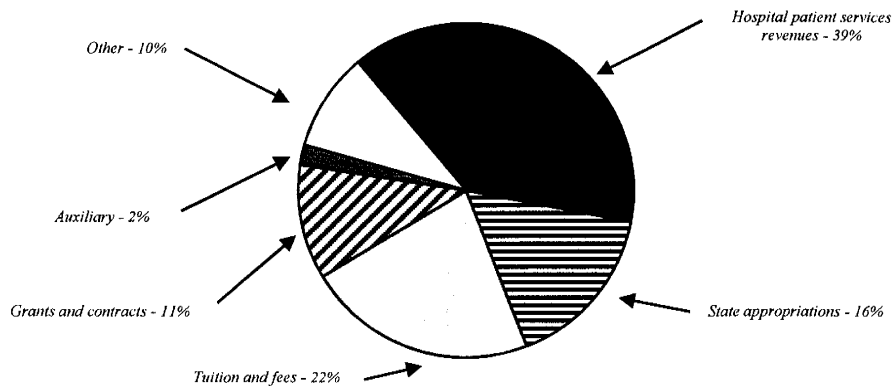
Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission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

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

University of South Alabama

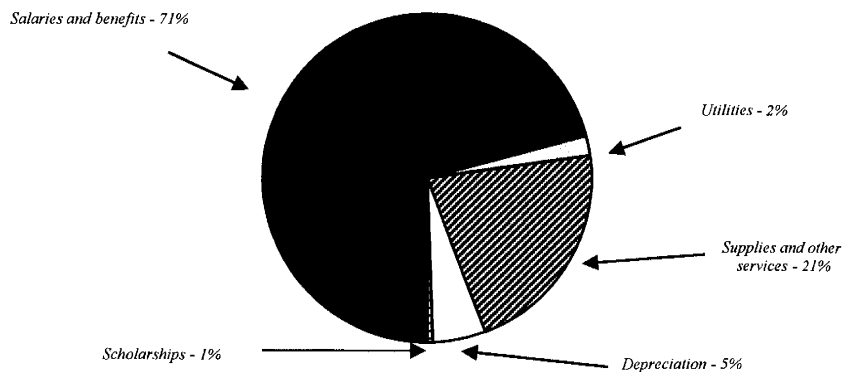
Management's Discussion and Analysis (continued)

Sources of Revenues



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

Operating Expenses by Natural Classification



Capital Assets and Debt Administration

During the current period, construction continued on the new Delta student housing facility, the expansion of Children's and Women's Hospital and a major renovation of the Student Center. Additionally, several other construction and renovation projects at the University and Hospitals remained ongoing during the current period. The construction

University of South Alabama

Management's Discussion and Analysis (continued)

of Shelby Hall was essentially completed in fiscal 2012. Also in fiscal 2012, the Renovation of the University Bookstore and the Campus Entrance Portals were placed into service. In fiscal 2011, the Student Recreation Center, Moulton Tower, the Glass Blowing Studio and the Student Dining Facility were placed into service.

In January 2012, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2012-A, with a face value of \$25,000,000. The net proceeds of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

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

In March 2012, the University's bond credit rating was downgraded by Moody's Investors Services from Aa3 to A1. This represents the first change in the University's bond credit rating since it was upgraded from A1 to Aa3 in 2010. In November 2012, the Standard and Poor's Ratings Service reaffirmed the University's rating of A+.

In order to realize debt service savings currently from future debt refunding, in January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty and resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds. A portion of this payment is considered a borrowing and is included in the long-term debt of the University. The fair value component of the refunding associated with the swaps is considered an investment derivative and, as such, the change in the fair value component is reflected as a component of investment income.

Economic Outlook

While enrollment and tuition have generally increased in recent years, state appropriations prior to 2006 were relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16%, 19% and 17%, respectively. These increases were unusually high. For the 2009 fiscal year, the University's original state appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008 the Governor of Alabama announced proration of 9%, or approximately

University of South Alabama

Management's Discussion and Analysis (continued)

\$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

A state appropriation in the amount of approximately \$108,133,000 was authorized for the year ended September 30, 2010. In September 2009, the Governor announced proration of 7.5%, or approximately \$8,264,000; and in September 2010, the Governor announced additional proration of 2%, or approximately \$2,162,000. Therefore, the total decrease from the original authorized 2010 state appropriation was approximately \$10,426,000 to \$97,860,000, or 9.6% lower than the original appropriation and 9.8% lower than the actual 2009 amounts received.

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

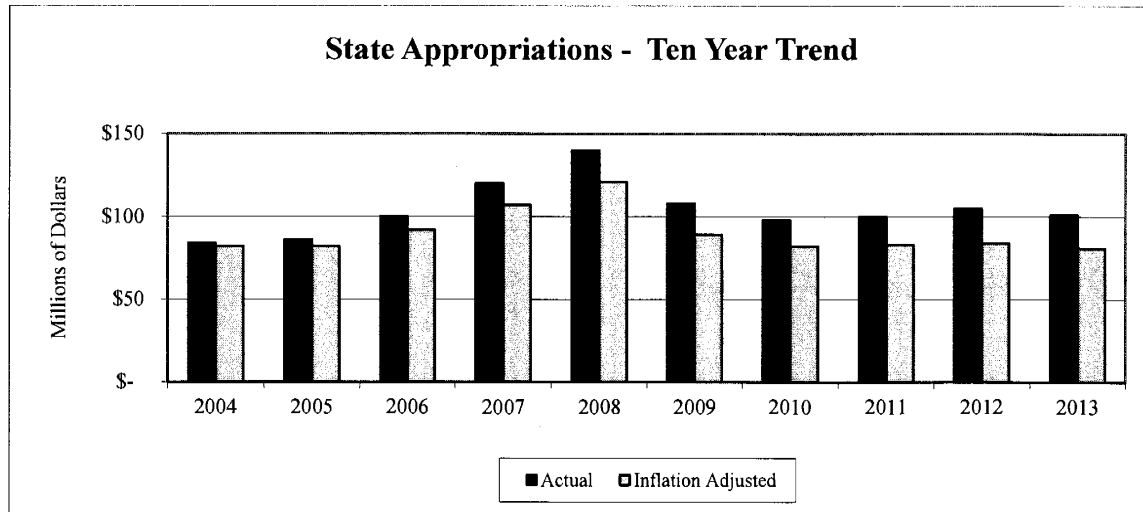
A state appropriation in the amount of approximately \$105,391,000 was authorized and received for the year ended September 30, 2012. This represented an \$8,443,000 increase from the fiscal 2011 appropriation received.

A state appropriation in the amount of approximately \$101,295,000 has been authorized and is being received for the year ending September 30, 2013. This represents a \$4,096,000 decrease from the fiscal 2012 appropriation received. While no announcement has been made, the University is aware that reductions in its 2013 appropriation are possible.

University of South Alabama

Management's Discussion and Analysis (continued)

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



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. Weakening of the economy could have a potential negative impact on the University's enrollment, extramural funding, endowment performance, and health care operations.

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.

University of South Alabama

Statements of Net Position

December 31, 2012 and 2011

(In thousands)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 76,958	\$ 69,467
Investments, at fair value	97,417	45,504
Net patient service receivables	40,443	45,772
Accounts receivable, affiliates	26,165	24,222
Accounts receivable, other	60,388	73,391
Notes receivable, net	4,145	4,576
Prepaid expenses, inventories and other	11,306	8,365
Total current assets	316,822	271,297
Noncurrent assets		
Restricted cash and cash equivalents	81,729	69,325
Restricted investments	-	45,083
Investments, at fair value	741	689
Accounts receivable	4,583	5,138
Notes receivable, net	7,659	9,580
Other noncurrent assets	36,204	24,505
Capital assets (net of accumulated depreciation)	538,161	492,715
Total noncurrent assets	669,077	647,035
Total Assets	985,899	918,332
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	60,497	53,197
Deferred revenue	64,631	60,547
Deposits	2,079	1,944
Current portion of long-term debt	10,885	8,366
Total current liabilities	138,092	124,054
Noncurrent liabilities		
Long-term debt	344,669	320,990
Other long-term liabilities	48,124	47,308
Total noncurrent liabilities	392,793	368,298
Total liabilities	530,885	492,352
Net position		
Net investment in capital assets	229,818	208,317
Restricted, nonexpendable		
Scholarships	14,921	14,092
Other	19,886	17,452
Restricted, expendable		
Scholarships	8,078	8,693
Other	39,147	34,949
Unrestricted	143,164	142,477
Total net position	\$ 455,014	\$ 425,980

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Three Months Ended December 31, 2012 and 2011

(In thousands)

	2012	2011
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 35,121	\$ 36,206
Patient services and other (net of contractual allowances and bad debt expense)	61,674	56,773
Federal grants and contracts	3,053	2,839
State grants and contracts	1,306	1,446
Private grants and contracts	13,047	13,808
Auxiliary enterprises (net of scholarship allowances)	3,096	3,374
Other operating revenues	6,119	11,431
Total operating revenues	123,416	125,877
Expenses		
Operating expenses		
Salaries and benefits	105,929	103,711
Supplies and other services	32,021	34,360
Scholarships and fellowships	793	50
Utilities	2,959	2,774
Depreciation and amortization	7,791	8,098
Total operating expenses	149,493	148,993
Operating loss	(26,077)	(23,116)
Nonoperating revenues (expenses)		
State appropriations	25,324	26,348
Investment income and gains (losses) on investments	(176)	2,537
Interest on indebtedness	(3,332)	(3,318)
Other nonoperating revenues	5,201	6,376
Other nonoperating expenses	(3,313)	(2,569)
Net nonoperating revenues	23,704	29,374
Income before other revenues, expenses, gains or losses	(2,373)	6,258
Capital appropriations	-	-
Capital gifts and grants	2,685	4,057
Additions to endowment	1,165	543
Increase (decrease) in net assets	1,477	10,858
Net position		
Beginning of period, before cumulative effect of change in accounting principal	453,537	416,896
Cumulative effect of change in accounting principle	-	(1,774)
Beginning of period, as adjusted	453,537	415,122
End of period	\$ 455,014	\$ 425,980

See accompanying notes to basic financial statements.

University of South Alabama

Statement of Cash Flows

Three Months Ended December 31, 2012 and 2011

(in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 3,200	\$ 4,761
Receipts from and on behalf of patients and third-party payers	71,095	48,575
Receipts from grants and contracts	18,068	16,275
Receipts related to auxiliary enterprises	1,165	1,335
Payments to suppliers and vendors	(44,598)	(45,913)
Payments to employees and related benefits	(104,091)	(92,423)
Payments for scholarships and fellowships	(793)	(50)
Other operating receipts	13,384	25,350
Net cash used in operating activities	<u>(42,570)</u>	<u>(42,090)</u>
Cash flows from noncapital financing activities:		
State appropriations	8,411	8,699
Endowment gifts	1,165	543
Agency funds received	396	135
Agency funds disbursed	(666)	(159)
Student loan program receipts	864	128
Student loan program disbursements	(813)	(27)
Other nonoperating revenues	10,370	6,678
Other nonoperating expenses	(3,312)	(2,569)
Net cash provided by noncapital financing activities	<u>16,415</u>	<u>13,428</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	-	-
Capital gifts and grants	3,557	4,057
Purchases of capital assets	(12,034)	(11,251)
Proceeds from sale of capital assets	3,556	3,847
Principal payments on capital debt	(4,450)	(4,250)
Interest payments on capital debt	(2,500)	(2,500)
Net cash used in capital and related financing activities	<u>(11,871)</u>	<u>(10,097)</u>
Cash flows from investing activities:		
Interest and dividends on investments	561	1,555
Proceeds from sales of investments	4,577	15,143
Purchases of investments	(11,780)	(16,909)
Net cash provided by (used in) investing activities	<u>(6,642)</u>	<u>(211)</u>
Net decrease in cash and cash equivalents	(44,668)	(38,970)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	<u>203,355</u>	<u>177,762</u>
End of period	<u>\$ 158,687</u>	<u>\$ 138,792</u>

University of South Alabama

Statement of Cash Flows

Three Months Ended December 31, 2012 and 2011

(in thousands)

	2012	2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ \$ (26,077)	\$ \$ (23,116)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	7,791	8,098
Changes in operating assets and liabilities, net:		
Student receivables	(39,480)	(36,747)
Net patient accounts receivable	(13,605)	(12,066)
Grants and contracts receivables	1,516	(2,214)
Other receivables	8,889	(3,434)
Prepaid expenses, inventories, and other	(516)	(750)
Accounts payable and accrued liabilities	3,685	1,818
Deferred revenue	15,227	26,321
Net cash used in operating activities	\$ \$ <u>(42,570)</u>	\$ \$ <u>(42,090)</u>

See accompanying notes to basic financial statements.

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

1. Summary of Significant Accounting Policies

Reporting Entity

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

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, at year-end, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units. For quarterly reporting purposes, however, component units are not presented in the University's basic financial statements.

The University has adopted GASB Statement No. 39 which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting requirements for those organizations. Based on these criteria, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, discretely presented component unit financial statements are not presented.

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

Professional Liability and General Liability Trust Funds

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

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

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

USA HealthCare Management, LLC

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

University of South Alabama Foundation

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

University of South Alabama Health Services Foundation

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

USA Research and Technology Corporation

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

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

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

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

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The University prepares its basic financial statements in accordance with U. S. generally accepted accounting principles, as prescribed by the GASB, including all applicable effective statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

Use of Estimates

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

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

Cash and Cash Equivalents

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

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

Investments and Investment Income

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

Derivatives

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

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

Accounts Receivable

Accounts receivable primarily result from net patient service revenue. Accounts receivable from affiliates primarily represent amounts due from USAHSF for salaries, and certain administrative and other support services. Accounts receivable – other includes amounts due from students, the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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

Capital Assets

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

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain assets constructed are capitalized as a component of the cost of acquiring those assets.

Deferred Revenue

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

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

Classifications of Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets; such debt is excluded from the calculation of *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 assets may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board, to meet current expenses for

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

any purpose. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

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

Scholarship Allowances and Student Financial Aid

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

Donor Restricted Endowments

The University is subject to the "Uniform Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amount as to University determines to be prudent for the purposes for which the endowment was established. The University's endowment spending policy provides that 5% of the three-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net assets.

Classification of Revenues

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

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

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

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

Gifts and Pledges

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

Grants and Contracts

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

Net Patient Service Revenue

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

Costs of Borrowing

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

Compensated Absences

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

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

Change in Accounting Principle

The University adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. Statements 63 and 65 require that certain items previously reported as deferred inflows and outflows of resources now be reported as current period inflows and outflows. Retroactive application of the standards is required for all prior periods presented.

The University generally incurs issuance costs in connection with the issuance of its bond indebtedness. As prescribed by the prevailing accounting standards at the time of issue, these charges were deferred and amortized over the life of each bond issue. Statement 65 requires that, with the exception of bond insurance costs, these charges be treated in outflows of resources (period costs) in the year in which they are incurred.

The adoption of the provisions of statements 63 and 65 reduced the University's beginning net position at October 1, 2011 by \$1,774,000. The University's Statement of Net Position has been restated to reflect this change along with a decrease of other noncurrent assets of \$1,665,000 and prepaid expenses, inventories and other assets of \$85,000. The Statement of Revenues, Expenses and Changes in Net Position has been restated to reflect a decrease of depreciation and amortization expense of \$24,000.

Reclassifications

Certain amounts in the 2011 basic financial statements have been reclassified in order to conform to the 2012 classification.

2. Income Taxes

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

3. Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are

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designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2012, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,080,000,000.

4. Investments

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

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

Credit Risk and Concentration of Credit Risk

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

Additionally, the University Investment Policies require that not more than 10% of the cash, cash equivalents and investments of the University be invested in the obligations of a single private corporation and not more than 35% of the cash, cash equivalents and investments of the University be invested in the obligations of a single government agency.

Interest Rate Risk

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

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5. Derivative Transactions

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

Objective of the derivative transaction

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

Terms

A summary of the transactions is as follow:

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

If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,245,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds.

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

Financial statement presentation

A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaption represents the fair value

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resulting from the fact that the fixed rate stated in the swaption is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The value of the derivative and borrowings at the date of execution of this transaction are as follows:

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

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

The fair values of the embedded investment derivatives are reported as investment assets if the derivatives are assets or other noncurrent liabilities, depending of the fair values of the derivatives. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Risks associated with this transaction

Certain risks are inherent to derivative transactions.

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

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

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

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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 the current date, the swap counterparty was rated Aa3 by Moody's investors Services and AA by Standard and Poor's Rating Services.

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

6. Bonds Payable

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

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

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

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

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

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

University Facilities Revenue Capital Improvement Bond, Series 2012-A, 2.92%, payable through August 2032.

University Facilities Revenue Capital Improvement bond, Series 2012-B, 2.14%, payable through February 2018.

Borrowing arising from swaption, Series 2004 Bonds

Borrowing arising from swaption, Series 2006 Bonds

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds include Children's and Women's Hospital revenues in

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amounts not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and Series 1999 Capital Appreciation Bonds began maturing 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 September 2018. Series 2010 bonds began maturing in August 2011 and are redeemable beginning in February 2020.

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty. The proceeds from each sale, totaling \$9,328,000, consist of two components, a time value and an intrinsic value. The intrinsic value of the payment is considered a borrowing and is included in long-term debt. As a result of this transaction, the counterparty has the option to force the University to enter into swap arrangements with respect to its Series 2004 and 2006 bonds at their respective redemption dates. See footnote five for a complete description of this transaction.

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

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

7. Net Patient Service Revenue

The Hospitals have agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' billings at established rates for services and amounts reimbursed by third-party payers.

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

Medicare – Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospitals are reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments.

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The Hospitals generally are reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospitals and audits by the Medicare fiscal intermediary. The cost report for the USA Medical Center has been audited and settled through 2008. The Medical Center cost report has, however, been reopened related to disproportionate share issues affecting all PPS acute care hospitals nation-wide. The cost report for USA Children's and Women's Hospital has been audited and settled through 2009. Revenue from the Medicare program accounted for approximately 14% and 13% of the Hospitals' net patient service revenue for the year ended June 30, 2012 and 2011, respectively.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost reimbursement methodology. For outpatient services, the Hospitals are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited through 2010 and settled for all fiscal years through 2009. Revenue from the Blue Cross program accounted for approximately 17% and 18% of the Hospitals' net patient service revenue for the years ended June 30, 2012 and 2011, respectively.

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

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

Revenue from the Medicaid program accounted for approximately 25% and 29% of the Hospital's net patient service revenue for the years ended June 30, 2012 and 2011.

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

8. Hospital Lease

The University and Infirmary Health System, Inc. (the Infirmary) entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operation of its USA Knollwood Hospital campus

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to the Infirmary. The lease is effective through March 2056 with an automatic renewal, for an additional forty-nine years, through March 2105; and may be canceled by the Infirmary after the initial fifty-year term. Upon the expiration or termination of the lease, the assets, along with responsibility for the operation of such assets, will revert to the University and the University will pay the Infirmary, at fair market value, for any capital improvements to the assets. Additionally, the lease may be terminated at any time, at the option of the Infirmary, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body or any third-party payment program is deemed by the Infirmary to be significant, as defined by the lease. As of December 31, 2012, this option has not been exercised by the Infirmary, nor has the University received notification that the option will be exercised.

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

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

Upon execution of the lease, a partial lease prepayment in the amount of \$7,418,000 was made by the Infirmary. In addition to the prepayment, required lease payments by the Infirmary to the University are as follows (payable monthly):

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

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- Years thirty-three through fifty of the initial lease term – \$1 annually
- Year fifty-one through ninety-nine of the extended lease term – \$1 annually

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

In order to properly report this transaction, the University has bifurcated the lease into an equipment component and a real property component, as required by FASB Statement No. 13, based on the appraised fair value of each such component. The financial considerations of the lease are then applied to, and the accounting treatment is determined for, each component based on this bifurcation.

The equipment component of the lease is considered a capital lease (sales-type lease) and as such has been recorded as a capital lease receivable, both current and noncurrent, in the accompanying basic financial statements of the University. The capital equipment lease is being amortized through fiscal 2013 at a fixed rate of 3.75%.

The component of the lease attributable to land and buildings is considered an operating lease. As such, lease revenue will be recorded as it is earned over the ninety-nine year lease term (the fifty-year initial term and the forty-nine year automatic renewal term). The expected total lease payments to be received over the next twenty-eight years are approximately \$43,788,000. These total receipts will be recognized as revenue in the amount of approximately \$485,000 annually. Payments received in excess of this amount, along with cash and other consideration already received in the amount of \$6,327,000, will be deferred and amortized over the ninety-nine year lease term.

In October 2012, the Infirmary publically announced the closing of Mobile Infirmary West (formerly USA Knollwood Hospital), effective October 31, 2012. Currently the University has received no formal notice from the Infirmary as to its intent with respect to the lease, and as such, the ultimate impact on the financial statements of the University has not yet been determined. The Infirmary continues to meet its obligations under the lease on a current basis.

9. Employee Benefits

Retirement and Pension Plans

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

Permanent employees of the University participate in TRS, a public retirement system created by an act of the State Legislature, with benefit provisions established by the Code

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

All employees covered by this retirement plan must contribute 7.25% of their eligible earnings to TRS. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually.

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

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

Compensated Absences

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

Other Postretirement Employee Benefits

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

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10. Risk Management

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

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

The University and HCM participate in a self-insured health plan, administered by an unaffiliated entity. Contributions by the University and the LLC and their employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

11. Other Related Party

The South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. SAMSF reimburses the University for certain administrative expenses and other related support services.

12. Commitments and Contingencies

Grants and Contracts

The University had been awarded certain amounts in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal

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awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

Letter of Credit

In connection with the Hospitals' participation in the State of Alabama Medicaid Program, the University has established a \$77,000 irrevocable standby letter of credit with Wells Fargo Bank. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds are currently advanced under this letter.

Litigation

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

Rent Supplement Agreement

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

State Bond Issue

The State of Alabama has made allocations to the University from bonds issued in prior years. Pursuant to the allocations, funds are available to the University for certain future construction costs. The allocations have been reflected as revenue in the accompanying financial statements to the extent they have been incurred and approved by the State.

13. Significant New Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature accounting and financial reporting guidance that is included in certain FASB and AICPA authoritative literature, where such guidance does not conflict with or contradict GASB pronouncements. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources,

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certain items that were previously reported as assets and liabilities and will be effective for the year ending September 30, 2014. The University has chosen to implement Statement No. 65 early for the year ended September 30, 2013. In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of GASB Statements No. 54 and 62 and will be effective for the year ending September 30, 2014.

The effect of the implementation of GASB Statements Nos. 62 and 66 on the University has not been determined.

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

	Three Months Ended December 31,		Year Ended September 30,
	2012	2011	2012
Net increase (decrease) from operating (current unrestricted funds) - fund format	\$ (1,622,310)	\$ 1,788,202	\$ 1,221,088
Add:			
Debt service	5,484,514	6,021,334	7,280,153
Equipment*	-	-	20,856,151
Depreciation	(6,486,717)	(5,192,228)	(22,811,188)
Plant Fund revenues	3,016,507	3,438,947	20,787,496
Other, net	1,085,006	4,777,745	11,055,300
Net increase (decrease) in net assets - GASB Statement 34/35	<u>\$ 1,477,000</u>	<u>\$ 10,834,000</u>	<u>\$ 38,389,000</u>

* Netted for quarterly reporting purpose

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

Three Months Ended December 31, 2012

Net increase (decrease) from operating (current unrestricted) funds - fund accounting format		\$ (1,622,310)
Add back:		
Debt service:		
Principal payment on long term debt	4,450,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>1,034,514</u>	5,484,514
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(7,761,716)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>1,274,999</u>	<u>(6,486,717)</u>
Add:		
Plant fund income/transfers (net) not previously combined with operating:		3,016,507
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	(78,649)	
Loan fund	24,750	
Restricted fund	<u>1,138,905</u>	<u>1,085,006</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ 1,477,000</u></u>

* Netted for quarterly reporting purpose

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

Three Months Ended December 31, 2011

Net increase from operating (current unrestricted) funds - fund accounting format		\$ 1,788,202
Add back:		
Debt service:		
Principal payment on long term debt	4,250,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>1,771,334</u>	6,021,334
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(8,068,608)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>2,876,380</u>	<u>(5,192,228)</u>
Add:		
Plant fund income/transfers (net) not previously combined with operating:		3,438,947
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	3,454,948	
Loan fund	79,232	
Restricted fund	<u>1,243,565</u>	<u>4,777,745</u>
Net increase in net assets - GASB Statement No. 34 Format		<u><u>\$ 10,834,000</u></u>

* Netted for quarterly reporting purpose

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

Year Ended September 30, 2012

Net decrease from operating (current unrestricted) funds - fund format		\$ 1,221,088
Transfer from University reserves to fund proration		<hr/>
Net decrease		\$ 1,221,088
Add back:		
Debt service:		
Principal payment on long term debt	\$ 8,033,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<hr/> (752,847)	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	<hr/> 11,505,521	<hr/> (22,811,188)
		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	<hr/> (753,785)	<hr/> 11,055,300
Net increase in net assets - GASB Statement No. 34 Format		<hr/> <u>\$ 38,389,000</u>

RESOLUTION

ARCHITECT FOR PROFESSIONAL OFFICE BUILDING AT USA SPRING HILL AVENUE CAMPUS SITE

WHEREAS, the University of South Alabama acquired the Spring Hill Avenue Campus from Providence Hospital in 1987, and

WHEREAS, these facilities were built in various stages dating back to the middle of the last century, and

WHEREAS, the property has served the University well in housing various clinics, administrative offices and the Colleges of Nursing and Allied Health Professions for many years, and

WHEREAS, these facilities are aging, and maintenance issues persist, and of the over 500,000 square feet of space at this site, only about half is currently occupied, and the expense to update the buildings would be significant, and

WHEREAS, the University of South Alabama College of Medicine's and Health Services Foundation's outpatient clinics for pediatrics and family practice are currently housed at this location, and the University has determined that it would be financially more advantageous to construct a new professional office building for clinics of the College of Medicine and the Health Services Foundation than update the facilities at the USA Spring Hill Avenue Campus, and

WHEREAS, President Gordon Moulton authorized a request for qualifications from numerous architectural firms for the purpose of selecting one to work with University personnel to plan this project, and

WHEREAS, the firm of Williams Blackstock Architects was selected and has now completed the programming and planning of this proposed facility, and

WHEREAS, the University now recommends building a new professional office building at that site and demolishing the former nursing students' residence hall and other structures, as appropriate,

THEREFORE, BE IT RESOLVED that the President of the University of South Alabama is authorized to engage the firm of Williams Blackstock Architects for the purpose of designing a new professional office building, and

BE IT FURTHER RESOLVED, that authorization is hereby given to demolish the former nursing students' residence hall at the Spring Hill Avenue Campus and other buildings as needed and deemed appropriate by the President of the University.

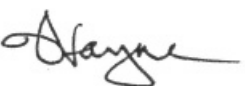


FEB 25 2013

UNIVERSITY OF SOUTH ALABAMA

UNIVERSITY OF SOUTH ALABAMA
Vice President for Financial Affairs
AD 170

MEMORANDUM

TO: President John W. Smith
FROM: M. Wayne Davis 
SUBJECT: Board of Trustees Resolution
DATE: February 25, 2013

The University acquired the Spring Hill Avenue Campus from Providence Hospital in 1987 and has used it for various purposes over the years. However, only about half of the over 500,000 square feet of space at this site is occupied, and it has numerous current and pending maintenance issues.

The University suffers an annual operating loss on these facilities above the rent that is collected from the Veterans Affairs office and other tenants.

It is in the University's best interest to plan to ultimately replace these facilities with a professional office building (POB) for the use of the College of Medicine and Health Services Foundation clinics, and to relocate the other tenants. The first step in this process is to engage an architect to design the POB and to schedule demolition of the unoccupied building that was originally the nursing students' residence.

With your consent, the attached Resolution will be presented to the Board of Trustees for approval at its March 8, 2013, meeting.

MWD/cbm

Attachment

APPROVED

2/26/13

University of South Alabama
USA Medical Office Building
Architect Selection Information
SA Group, LLC Memorandum

Based on the advertisement requesting Request for Qualifications (RFQ), copy attached, a total of nineteen (19) architectural firms submitted packages.

A committee reviewed the submitted RFQ's and selected three (3) firms to be interviewed. Upon conclusion of the interview process the firm of Williams Blackstock was chosen to move forward in the effort to determine if a Medical Office Building Project was feasible.

The Architectural firms that submitted are shown below:

A star (***) denotes firm selected for interview.

Williams Blackstock ***

TRO / Jung Brannen ***

Seay Seay & Litchfield ***

Braganier David Sims

David Stokes Collaborative

CMH Architecture

Birchfield Penuel & Associates

WHLC Architecture

Brown Studio Architecture

Stanley Beaman & Sears

TVS Design

JMR Architecture

Caldwell Associates Architects

YSM Design

Payne Lee & Associates

TAG – The Architects Group

Poole & Company Architects

PH&J Architects

SAGROUP LLC

P.O. Box 82109 • Mobile, AL 36689
Phone 251.461.1468 • Fax 251.461.1486

RECEIVED

AUG 29 2012

**WILLIAMS • BLACKSTOCK
ARCHITECTS, P.C.**

August 23, 2012

Mr. Joel Blackstock - Principal
Williams Blackstock Architects
2204 First Avenue South
Birmingham, Alabama 35233

Joel:

On behalf of the University of South Alabama (USA), thank you for participating in the "Request for Qualifications" process for the proposed Professional Office Building. We appreciate you agreeing to participate in the interview process as well and congratulate your firm on your effort. Should the project be authorized, final selection of the architect is subject to approval by the University of South Alabama Board of Trustees.

As was discussed a Programming Confirmation / Schematic Design Concept Phase as well as a Project Budget Validation phase must be completed before the project can be authorized by university officials. SA Group, LLC will be responsible for the Project Budget Phase and has asked for assistance in completing the Programming / Schematic Design Phase.

To that end USA would like to engage your firm on a strictly consulting basis to assist us in the completion of the two phases required for university approval. We believe the following terms are acceptable to you and USA.

An amount of Fifty Thousand Dollars (\$50,000.00) has been agreed as a Not To Exceed amount for providing Programming / Schematic Design Concept Phase assistance. This work shall be billed on a time spent basis at rates not to exceed those shown on the attachment. Work shall be completed within One Hundred Twenty Days (120) from the start of work. Reimbursable costs are in addition to the maximum amount noted above and shall not exceed standard USA travel policy.

It is also agreed that should USA move forward with the project the above stated services shall be incorporated into a standard State of Alabama Agreement Between Owner And Architect with normal USA modifications and clarifications as previously used for your other project agreements.

Should such an Agreement be approved by USA, one half of costs incurred by USA, not to exceed Twenty Five Thousand Dollars (\$25,000.00) will be designated as part of the Schematic Design Phase as required by the Basic Services section of the Agreement.

Positive Owner Representation

Mr. Joel Blackstock
Williams Blackstock Architects
August 23, 2012
Page Two

SAGROUP^{LLC}
Positive Owner Representation

Should such an Agreement be approved by USA, one half of costs incurred by USA, not to exceed Twenty Five Thousand Dollars (\$25,000.00) will be included as an additional Owner Requested service for the project and incorporated accordingly.

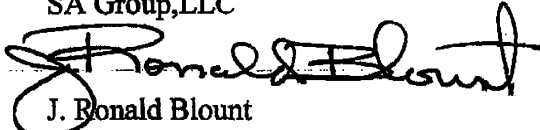
Should the project not move forward this Agreement shall be the only Agreement between the parties and USA shall have no other obligations or contract responsibilities beyond those noted above.

WBA shall provide a Certificate of Insurance naming USA as certificate holder indicating coverage equal to those shown in your New Student Housing - Delta II Agreement.

Joel Blackstock shall serve in the coordinator role for each Programming / Schematic Design Concept meeting and shall be in attendance at such meetings.

Joel, once again we appreciate the interest shown and the willingness to work with USA in the initial phase of developing the potential project. Should you have any questions or comments, please feel free to contact me. If the above matches your understanding please accept by signing in the space provided.

Sincerely,
SA Group,LLC


J. Ronald Blount
Program Manager for
University of South Alabama

Accepted:
Williams Blackstock Architects


Joel Blackstock – Principal

RESOLUTION

PROPOSED FINANCING PLAN FOR CAPITAL IMPROVEMENTS

WHEREAS, it is necessary, desirable and in the interest of the University of South Alabama (herein called the "University") that the University design, acquire, construct, install, furnish and equip various capital improvements on the property of the University including, without limitation, a physicians professional office building and various other capital improvements, together having an estimated cost not to exceed \$40,000,000 (herein collectively called the "Improvements"), and

WHEREAS, it is expected that the University will issue one or more series of revenue obligations (herein collectively called the "Obligations") pursuant to a plan of financing for the purpose of providing funds to pay the costs of the Improvements, and it is expected that the aggregate principal amount of the Obligations will not exceed \$40,000,000, and

WHEREAS, it is anticipated that all or a portion of the Obligations to be issued by the University shall be sold to one or more financial institutions pursuant to a competitive bidding process, and

WHEREAS, the University expects to incur certain costs to be paid out of general funds of the University in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements prior to the issuance of the Obligations, and the University intends to allocate a portion of the proceeds of the Obligations to reimburse the University for certain of the costs incurred in connection with said design, acquisition, construction, installation, furnishing and equipping of the Improvements paid prior to the issuance of the Obligations,

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the University, that (i) the University hereby declares that it intends to allocate a portion of the proceeds of the Obligations to reimburse the University for expenditures incurred after the date that is no more than sixty (60) days prior to the date of the adoption of this Resolution, but prior to the issuance of the Obligations, in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements; and (ii) this Resolution is being adopted pursuant to the requirements of the Internal Revenue Code of 1986, as amended, and Treasury Regulations Section 1.150-2(e) promulgated thereunder,

BE IT FURTHER RESOLVED that the President of the University and the Vice President for Financial Affairs are hereby authorized and directed to explore the feasibility of selling all or a portion of the Obligations to one or more financial institutions through a competitive process and will bring to the Board of Trustees, for its approval, the University's selection of same.



**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2012

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

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2012

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Exhibit A – Statement of Revenues and Expenditures	5



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

Report of Independent Accountants on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by management of the University of South Alabama (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenditures (the Statement) for the University of South Alabama Intercollegiate Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended September 30, 2012. The University's management is responsible for the Statement for the University of South Alabama Intercollegiate Athletic Department and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

Statement of Revenues and Expenditures – Agreed-Upon Substantive Procedures

- (a) We obtained the Statement for the University of South Alabama Intercollegiate Athletic Department (Athletic Department) for the year ended September 30, 2012, as prepared by management and shown in the Statement of Revenues and Expenditures (Exhibit A). We tested the mathematical accuracy of the Statement and the reconciliation prepared by the University of the amounts on the Statement to corresponding amounts in the University's general ledger without exception.
- (b) We compared actual Athletic Department expenditures per the University's general ledger with budgeted amounts and also inquired of Athletic Department management as to variances greater than \$50,000 of prior year amounts. Management provided explanations for all variances which exceeded the identified scope.
- (c) University management provided a summary of the University's internal control unique to the Athletic Department. We read the summary documents that include information regarding the general control environment and internal control procedures unique to intercollegiate athletics which assist in ensuring that recorded revenues are complete and expenditures are properly authorized. Based on our reading of the summary documents, we noted no issues in the design of the internal controls which would represent material weaknesses as defined by American Institute of Certified Public Accountants.
- (d) We performed the following procedures on operating revenues as presented in Exhibit A:
 - (i.) Ticket sales – We agreed revenue for Men's Football, Men's Baseball, Men's Basketball, Women's Softball and Women's Basketball per the general ledger to the ticket sales registers,



noting that the general ledger and ticket sales registers agreed to within a difference of \$19,647. Ticket sales registers record ticket sales activity based on when the sporting event occurs. Ticket sales are recorded in the general ledger based on when the revenue is recognized.

- (ii.) Student fees – We gained an understanding of the process of allocating student fees to the University’s athletic program and to individual sports. In accordance with the internal allocation approved by University management, the University has an all inclusive rate per semester hour. Athletics receives fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 8% to be held as a special reserve. For Fall 2012, athletics will receive fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 7.7% to be held as a special reserve. Additionally, we recalculated the University’s allocation of total student fees to within management’s 1% acceptable tolerance range.
- (iii.) Guarantees – We obtained a detail of revenue guarantees paid to the University noting that revenue guarantees related principally to Men’s Basketball and Men’s Football. We obtained copies of signed agreements with Mississippi State University and North Carolina State University. The signed agreements supported 88% of the total current year guarantees.
- (iv.) Contributions – We obtained a listing of contributions received by the University and agreed the listing to the general ledger without exception. We noted that the University did not receive any individual contributions in excess of 10% of total contributions.
- (v.) Direct state or other government support – We noted that there were no direct state or other government support amounts received in fiscal year 2012.
- (vi.) Direct institutional support – We obtained the supporting schedules for the direct institutional support entry. Additionally, we recalculated the allocation of institutional support to individual sports based on management’s methodology.
- (vii.) NCAA/conference distributions, including all tournament revenues – We obtained the detail of NCAA and conference distributions from the general ledger and selected 49% of the total dollar amount of the remittances from the NCAA and Sunbelt Conference for testing. We examined check copies or wire remittances for each of the amounts received.
- (viii.) Broadcast, television, radio, and internet rights – We obtained the agreement with Sidearm Sports for web site services to gain an understanding of the terms and conditions. We verified that revenue related to this contractual agreement was recognized appropriately in fiscal year 2012 in accordance with the agreements. The amounts tested constitute 73% of the revenue for this line item.
- (ix.) Program sales, concessions, novelty sales, and parking – We obtained a detail of program sales, concessions, novelty sales, and parking and agreed the detail to the general ledger. We agreed a sample of revenue receipts to supporting documents noting amount, approvals, etc., without exception. The amounts tested constitute 29% of the revenue for this line item.
- (x.) Royalties, licensing, advertisements and sponsorships – We obtained the agreement with IMG Communications for all multimedia services to gain an understanding of the terms and conditions. We agreed a sample of revenue receipts to supporting documents noting amount, approvals, etc., without exception. The amounts tested constitute 44% of the revenue for this line item. We verified that revenue related to this contractual agreement was recognized appropriately in fiscal year 2012 in accordance with the agreements.



- (xi.) Sports camp revenues – We noted no sports camp revenues recorded in fiscal year 2012.
 - (xii.) Endowment and investment income – We obtained a detail of endowment and investment income received by the University and agreed the detail to the general ledger without exception. We examined supporting documentation of the allocation of endowment income from the USA Licensing Program Endowment. The amounts tested constitute 99% of the revenue for this line item.
 - (xiii.) Other – We obtained a detail of other income received by the University and agreed it to the general ledger without exception. We examined the three contract agreements and deposit receipts that constituted 26% of the revenue for this line item.
- (e) We performed the following procedures on operating expenditures, as presented in Exhibit A:
- (i.) Athletics student aid – We obtained a detail of student athletes. From that detail, we selected ten individual students (student numbers J00435713, J00266595, J00338552, J00361390, J00293993, J00196618, J00410800, J00243420, J00295234, and J00427519) and compared those individual student's financial aid awards to their student accounts to ensure that the student account appropriately reflected the student aid.
 - (ii.) Guarantees - We obtained a detail of guarantee expenditures and agreed the detail to the general ledger without exception. We examined individual contracts with California Polytechnic State University for \$112,500, Mississippi Valley State University for \$150,000 and Nicholls State University for \$200,000.
 - (iii.) Coaching/support staff/administrative salaries, benefits, and bonuses – We selected ten coaches – Assistant Men's Football Coach – 2/1/12 – 9/30/12 (employee ID J00231592), Assistant Men's Football Coach (employee ID J00232109), Assistant Men's Basketball Coach (employee ID J00104343), Head Men's Coach Football (employee ID J00230847), Head Women's Basketball Coach (employee ID J00055062), Head Women's Soccer Coach (employee ID J00210498), Head Women's Softball Coach (employee ID J00214405), Assistant Men's Baseball Coach (employee ID J00434373), Assistant Men's Cross Country Coach (employee ID J00399254), Assistant Women's Basketball Coach (employee ID J00214380), and five athletic administrators – Athletic Counselor II (employee ID J00069081), Director, Athletics Compliance (employee ID J00271705), Assistant Director, Athletic Academic Services (employee ID J00406288), Athletic Trainer (employee ID J00248327), Associate Athletic Director (employee ID J00013354). For each of the employees, we examined the employee's wages per their W-2 and compared the amount to approved wages and salaries per the employee's personnel file.



- (iv.) All other expenditures – We selected twenty-seven individual vouchers from the 2012 fiscal year that fell under the following expenditure categories: recruiting; team travel; equipment, uniforms, and supplies; game expenses; fund-raising, marketing, and promotion; direct facilities, maintenance and rentals; medical expense and medical insurance; membership and dues; and other. We examined invoice copies and direct pay requests or purchase orders (where applicable) for the expenditures on the following vouchers, which comprise approximately 9% of the expenditures not included in the categories listed in (e)(i.), (e)(ii.), and (e)(iii.).

<u>Number</u>	<u>Voucher no.</u>	<u>Number</u>	<u>Voucher no.</u>
1	I0624550	15	I0615409
2	I0648815	16	I0076371
3	I0632261	17	I0653533
4	I0709880	18	I0077930
5	I0658964	19	I0648513
6	I0077184	20	I0632649
7	I0711585	21	I0080940
8	I0716219	22	I0639551
9	I0684044	23	I0671066
10	I0070500	24	I0676355
11	I0684987	25	I0612243
12	I0071299	26	I0714702
13	I0075089	27	I0075256
14	I0073352		

* * * * *

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department for the year ended September 30, 2012 (Exhibit A). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

KPMG LLP

January 15, 2013

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT
Statement of Revenues and Expenditures
Year ended September 30, 2012

NCAA description	Not related to team	Baseball – Men	Basketball – Men	Golf – Men	Tennis – Men	Track – Men	Football – Men	Basketball – Women	Golf – Women	Soccer – Women	Tennis – Women	Track – Women	Volleyball – Women	Softball – Women	Total
Operating revenues:															
Ticket sales	\$ —	68,994	148,623	—	—	—	639,498	2,568	—	—	—	—	—	14,244	873,927
Student fees	—	230,755	349,042	57,743	70,224	137,255	5,269,445	260,274	57,367	129,390	64,902	72,034	127,959	152,422	6,978,812
Guarantees	—	3,000	180,000	—	—	—	550,000	2,000	—	—	—	—	1,000	—	736,000
Contributions	257,747	118,620	59,391	35,800	39,677	25,258	92,100	31,967	15,760	19,680	19,938	16,850	10,300	25,328	774,416
Direct state or other government support	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Direct institutional support	2,827,019	724,932	1,096,536	181,403	220,612	368,002	356,360	817,667	180,221	406,486	203,893	289,495	401,991	478,844	8,553,461
NCAA/conference distributions, including all tournament revenues	—	22,561	34,125	5,645	6,866	10,231	159,531	25,447	5,609	12,650	6,345	10,231	12,510	14,902	356,653
Broadcast, television, radio, and internet rights	3,919	—	—	—	—	—	—	—	—	—	—	—	—	—	3,919
Program sales, concessions, novelty sales, and parking	186,203	—	—	—	—	—	—	—	—	—	—	—	—	—	186,203
Royalties, licensing, advertisements, and sponsorships	517,569	26,465	18,416	175	—	2,621	1,261	100	8,680	500	—	2,621	—	36	578,444
Sports camp revenues	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Employment and investment income	21,588	—	—	—	—	—	—	—	—	—	—	—	—	—	21,588
Other	23,020	—	—	—	—	2,073	—	—	—	—	—	2,073	—	—	27,166
Total operating revenues	3,837,065	1,195,327	1,886,133	280,766	337,379	545,440	7,068,195	1,140,023	267,637	568,706	295,078	393,304	559,760	685,776	19,060,589
Operating expenditures															
Athletes student aid	255,481	251,723	350,399	104,090	106,388	277,031	1,958,925	399,388	129,957	286,338	132,959	217,931	313,362	240,658	5,024,630
Guarantees	—	8,485	141,682	—	—	—	677,687	5,320	—	—	—	—	368	850	834,392
Coaching salaries, benefits, and bonuses paid by the University and related entities	—	360,735	535,460	74,256	79,204	130,183	1,649,862	392,860	68,748	148,853	73,154	102,411	127,309	186,621	3,939,656
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	1,953,595	41,801	123,383	2,370	—	1,302	811,540	75,190	—	4,721	370	1,024	8,221	36,939	2,960,456
Recruiting	—	69,203	77,939	6,406	—	—	230,117	66,746	2,498	11,251	8,437	5,163	23,534	23,074	524,368
Team travel	393	163,568	214,743	22,711	65,259	56,312	505,369	111,130	15,558	76,273	52,962	44,299	49,974	94,966	1,473,517
Equipment, uniforms, and supplies	250,543	83,329	32,741	20,159	26,558	27,272	526,395	27,305	13,539	29,644	15,861	21,454	17,472	66,335	1,158,607
Game expenses	1,142	38,511	81,911	—	5,312	1,119	101,318	44,190	—	9,269	300	881	14,670	13,793	312,416
Facilities, marketing, and promotion	2,966	9,959	7,398	—	1,486	3,126	17,571	5,068	—	726	606	2,460	3,451	3,775	58,592
Direct facilities, maintenance, and rentals	528,252	10,266	4,378	—	241	6,115	183,958	3,565	—	406	—	4,811	—	3,745	745,737
Spirit groups	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Medical expense and medical insurance	163,867	—	—	—	—	—	214,031	—	—	—	—	—	—	—	91,329
Membership and dues	102,785	400	905	8,562	—	336	9,260	800	3,802	2,998	520	264	731	369	377,898
Other	666,576	—	—	18,205	26,238	16,434	369,566	25,774	20,984	4,867	3,423	4,139	9,622	6,638	1,172,466
Total operating expenditures	3,825,600	1,037,980	1,570,939	256,759	310,686	519,230	7,255,599	1,157,336	255,086	575,346	288,592	404,837	568,714	769,092	18,795,796
Net	\$ 11,465	157,347	315,194	24,007	26,693	26,210	(187,404)	(17,313)	12,551	(6,640)	6,486	(11,533)	(8,954)	(83,316)	264,793

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

RESOLUTION

**AFFILIATION AGREEMENT
BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA COLLEGE OF MEDICINE -
MEDICAL ALUMNI ASSOCIATION, INC.**

WHEREAS, the University of South Alabama College of Medicine - Medical Alumni Association, Inc. ("Corporation") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") through the promotion of medical education, academic and scientific research and educational projects and activities of the University of South Alabama College of Medicine, and

WHEREAS, University and Corporation have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and Corporation anticipate that University will provide Association with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance Corporation shall provide University, and

WHEREAS, the Board of Directors of Corporation have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and Corporation, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with Corporation as well,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and the University of South Alabama College of Medicine - Medical Alumni Association, Inc., as attached hereto.



MAR 06 2013

CAMPUS MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

Date: March 6, 2013

To: Acting President Dr. John Smith

From: Joseph F. Busta, Jr., Ph.D.

Subject: Agenda Item for March 8, 2013, University of South Alabama Board of Trustees Meeting -Affiliation Agreement Between University of South Alabama and The University of South Alabama College of Medicine Medical Alumni Association

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama concerning the adoption of the Affiliation Agreement Between University of South Alabama and The University of South Alabama College of Medicine Medical Alumni Association which discusses obligations and expectations of each to the other. This Affiliation Agreement has been approved by the Board of Directors of The University of South Alabama College of Medicine Medical Alumni Association. With your approval, this item will be presented to Board of Trustees for approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

Affiliation Agreement
Between the
University of South Alabama
and the
University of South Alabama College of Medicine-
Medical Alumni Association, Inc.

³ This Agreement is made and entered into this 5th day of March, 2012 (the Effective Date) by and between University of South Alabama (hereinafter "USA" or "University"), a public body corporate, and the University of South Alabama College of Medicine-Medical Alumni Association, Inc., a corporation duly organized under the laws of the State of Alabama (hereinafter "Corporation").

RECITALS

WHEREAS, USA is a state institution of higher learning established pursuant to the laws of the State of Alabama; and

WHEREAS, Corporation has been established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes outlined in its Articles of Incorporation, a copy of which is attached to this Agreement as "Exhibit A;" and

WHEREAS, Corporation has as its purpose to support University through the promotion of medical education, academic and scientific research and educational projects and activities of the University of South Alabama College of Medicine (hereinafter "USACOM") and its students, as well as granting scholarships to students entering or attending USACOM, as indicated in its Bylaws, which are attached hereto as "Exhibit B;" and

WHEREAS, Corporation has the responsibility as an affiliated entity to use its resources in a responsible and effective manner to further the mission of University and to support University; and

WHEREAS, University and Corporation have a history of interaction and cooperation that has served the interests of University; and

WHEREAS, University has the authority and right to enter into agreements with affiliated 501(c)(3), not-for-profit organizations; and

WHEREAS, University and Corporation anticipate that University will provide Corporation with specified services, financial resources and facilities with which to carry out its responsibilities in exchange for the program, financial, private gifts support, and other service, support and assistance Corporation shall provide University; and

WHEREAS, USA and Corporation desire to define the arrangements concerning services, facilities, activities, program and financial relationship as set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, University and Corporation do hereby agree as follows:

ARTICLE 1. PERSONNEL AND SERVICES

Corporation may utilize, with the approval of the President of University, such University administrative, professional and other employees from time to time as are needed to carry out the purposes of Corporation as agreed by University.

ARTICLE 2. CORPORATION OBLIGATIONS

2.1 Corporation agrees to provide the services and compensate University as requested by University and consistent with organizational documents of both entities.

2.2 Corporation agrees that it may only use its resources to advance University's mission as outlined in its Articles of Incorporation.

2.3 Corporation agrees to maintain its financial and accounting records in accordance with Generally Accepted Accounting Principles. Corporation agrees to retain all books, accounts, reports, files and other records of Corporation relating to this Agreement, if any, and make such records available at all reasonable times for inspection and audit by University, or their agents, during the term of and for a period of five years after the completion of this Agreement.

2.4 Corporation agrees to submit to an audit, by request of University, of Corporation's books, records, and expenditures, if any. University shall have the right to audit all records, financial and otherwise, if any, of Corporation to assure that funds, resources and services provided by University are expended for the ultimate benefit of University and the Association, and are expended by Corporation for purposes consistent with the terms of this Agreement. If University funds are expended by Corporation for purposes inconsistent with this Agreement, Corporation, upon demand by University, shall reimburse such misused funds, and University shall have all rights provided by law, including the right to suspend further provision of resources under this Agreement and to terminate this Agreement.

2.5 To the extent that Corporation engages in fundraising on behalf of University, Corporation agrees to accept or solicit only those gifts that are consistent with University's missions, goals or objectives.

2.6 Corporation shall not accept any gift, donation, grant or enter into any transaction that creates any liability for University, without advance written approval of the University President.

2.7 Corporation acknowledges and agrees that University owns all copyright, interest in and right to all trademarks, trade names, logos, and service marks developed by University for use by Corporation or which contain the words "University of South Alabama," including all

such trademarks, service marks, and trade names historically associated with Corporation.

2.8 Corporation shall adopt and maintain a conflict of interest policy.

2.9 Corporation shall provide the University President reasonable notice of any regular, annual, or special meetings of its Board of Directors or of Executive Committee, and the President or his designee, the dean of the College of Medicine, shall have the right to attend any such meetings as well as the meetings of any other Corporation committees.

2.10 If Corporation should cease to exist, any Corporation assets donated to Corporation for the benefit of University must be transferred to University or to another 501(c)(3) non-profit entity designated by University through its Board of Trustees for use by the University and the College of Medicine as scholarships for students pursuing their undergraduate medical education.

ARTICLE 3. UNIVERSITY OBLIGATIONS AND OTHER IN-KIND SUPPORT

3.1 University grants Corporation a non-exclusive, non-transferable license to use University trademarks, service marks, and logos consistent with University policy and its agreement with any outside contractors pertaining to the licensing thereof, including but not limited to a license to use marks developed by University for use by Corporation.

3.2 University grants Corporation an exclusive, transferable license to use University trademarks, service marks, and logos historically associated with Corporation or developed by University or Corporation for Corporation's use.

3.3 University agrees to designate Corporation as an official affiliated entity of University.

3.4 University shall provide Corporation such other rights, privileges or benefits as it may under applicable law and as the University President, in the President's sole discretion, may determine will assist Corporation in discharging its obligations under this Agreement.

3.5 Subject to the availability of funding and the budget process, University agrees to provide Corporation with resources suitable in University's judgment for the accomplishment of Corporation's activities for University's benefit, and may include services and supplies, staff support, office space, and such financial support as agreed upon between the parties from time to time. The amount and nature of such resources shall be determined annually, on a fiscal year basis, in connection with the program planning and budget processes of University and Corporation. No provision in this Agreement shall be construed to give Corporation any legal entitlement to any University funding, personnel or other resources in any particular fiscal year. All University assets, including personal property, made available to Corporation under the terms of this Agreement shall remain the property of University unless sold, conveyed or transferred to Corporation by way of a separate written agreement.

3.6 The University President will encourage all parts of University to collaborate with

Corporation in implementing Corporation's programs and services.

3.7 The University President agrees to inform Corporation on a regular basis of University's needs and priorities.

ARTICLE 4. COMPLIANCE

Corporation shall comply with any and all applicable federal, state, and local laws and regulations.

ARTICLE 5. INDEMNIFICATION

Corporation agrees to indemnify and hold harmless University, including its agents and employees from any and all claims, demands, suits or liabilities of any nature, or on account of any of the actions or inactions of Corporation. Corporation agrees to reimburse University and its agents and employees for any expenses incurred by them or as a result of legal action or inaction, including reasonable attorney fees, provided funds are available for such purpose.

ARTICLE 6. INSURANCE

Corporation agrees to carry insurance satisfactory to University through the appropriate and approved University fund or outside agency to cover directors' and officers' liability, special event liability, premises liability, and general liability.

ARTICLE 7. REPORTING

Corporation shall, within one hundred twenty (120) days following the close of its Fiscal Year, submit a detailed annual report of the work and financial condition of Corporation to the President of University, and any other reports as required by this Agreement, by the Bylaws of Corporation, or by applicable law.

ARTICLE 8. TERMINATION AND RENEWAL

8.1 This Agreement shall have a term of five years, if not renewed by mutual consent of the parties before that date.

8.2 This Agreement may be terminated for any reason by written approval and consent of University and Corporation upon ninety (90) days written notice.

8.3 Either party may terminate this Agreement for cause, including a breach of this Agreement, upon thirty (30) days written notice.

8.4 If this Agreement is terminated for any reason, including because the Agreement has expired without being renewed under Article 8.1, the following articles shall survive the termination: Articles 2.10, 5, 8 and 9.

8.5 The Corporation agrees to cease using the University's name, marks and logos in the event the Corporation dissolves, ceases to be a non-profit corporation, ceases to be recognized as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, or this Agreement is terminated.

ARTICLE 9. MISCELLANEOUS PROVISIONS

9.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of Alabama.

9.2 The parties agree that Corporation is not the agent or employee of University, and nothing in this Agreement creates an employment or other agency relationship between the parties. Corporation is not a subsidiary of University and is not directly or indirectly controlled by University.

9.3 University and the Corporation agree that Corporation's donor and giving records and any other financial or commercial information possessed by Corporation or provided by Corporation to University concerning individuals or corporations that provide Corporation financial support are confidential and proprietary. Unless required to disclose such information by applicable law, University and Corporation agree not to disclose to third parties and to keep confidential the giving records, giving history, and financial or commercial information of individuals and corporations that provide financial support to Corporation.

9.4 In the performance of this Agreement, Corporation shall not deny opportunities, employment or otherwise, to any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, disability status, genetic information or veteran status.

9.5 The parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the parties hereto.

9.6 The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or non-enforceable under any controlling body of the law, such invalidity or non-enforceability shall not in any way affect the validity or enforceable nature of the remaining provisions hereof.

9.7 The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and duly executed this Agreement the day and year set forth below.

University of South Alabama

By: _____

Name: _____

Title: _____

Date: _____

University of South Alabama College of
Medicine-Medical Alumni Association, Inc.

By: J. Jelks, MD

Name: Jim Ringold, MD

Title: President USA Com Alumni Assoc

Date: 3/5/13

RESOLUTION

COMMENDATION OF DR. AND MRS. STEVEN H. STOKES FOR VISIONARY LEADERSHIP

WHEREAS, Dr. and Mrs. Steven H. Stokes have served the University of South Alabama with exemplary zeal for more than three decades, distinguishing themselves among its most loyal and generous alumni, and

WHEREAS, Dr. Stokes has advocated for and guided the advancement of the University as a member and as Chair *Pro Tempore* of the Board of Trustees during a tenure that has spanned appointments by two governors and coincided with a period of unparalleled expansion, and

WHEREAS, Dr. and Mrs. Stokes have promoted the progress of the University of South Alabama with generous gifts to establish the *Angelia and Steven H. Stokes Center for Creative Writing* and to support Moulton Tower and Alumni Plaza, the Mitchell Cancer Institute and the College of Medicine, creating a nearly \$2.7 million impact through their gifts and matching funds, and

WHEREAS, the exemplary devotion of Dr. and Mrs. Stokes to the advancement of their alma mater has inspired the USA National Alumni Association to recognize Dr. Stokes with a Distinguished Alumni Award, and the Board of Trustees to commend his service as chair by conferring the honorary title of *Chair Pro Tempore Emeritus*, and to name a state-of-the-art student residence the *Angelia and Steven H. Stokes Residence Hall* in honor of their lifelong records of service, and

WHEREAS, Dr. and Mrs. Stokes continue to encourage the highest aspirations of the University of South Alabama by providing visionary leadership and a gift of \$250,000 to enable the formation of a Center for Environmental Resiliency, and

WHEREAS, the Center for Environmental Resiliency will be a unique resource on the Gulf Coast, that will provide a broad interdisciplinary approach to develop solutions for pressing environmental concerns and to promote resilient and sustainable coastal communities and ecosystems, and

WHEREAS, the Center for Environmental Resiliency will provide a platform that will enhance the University's international visibility, promote scholarly achievement and the renown of USA's academic programs, and attract extramural funding, and

WHEREAS, the Center for Environmental Resiliency will be a source of knowledge to guide responsible policy-making and business development that will accrue toward a prosperous and healthy future for all residents of the Gulf Coast region,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees gratefully recognizes the dedicated generosity and visionary guidance of Dr. and Mrs. Steven H. Stokes, and

BE IT FURTHER RESOLVED that the Board of Trustees extends its warmest thanks with those of the President, faculty, staff, and students for the leadership and generosity of Dr. and Mrs. Stokes in supporting the establishment of a resource that promises to elevate the University of South Alabama and the entire Gulf Coast region.

RESOLUTION

COMMENDATION OF DR. J. DAVID STEARNS

WHEREAS, the University of South Alabama seeks to honor exceptional administrators and faculty who have devoted a substantial part of their careers to serving and teaching others, and who have distinguished themselves throughout their professional careers, and

WHEREAS, Dr. J. David Stearns has devoted himself to more than three decades of outstanding service to the University of South Alabama through the Division of Enrollment Services, and

WHEREAS, Dr. Stearns joined the USA family in 1979 as Director of Admissions and Records, later serving the University as Associate Dean of Students, Dean of Enrollment Services, and Assistant Vice President for Enrollment Services, and

WHEREAS, Dr. Stearns also served as Associate Vice President for Enrollment Services from 1997 until his retirement in February 2013, and

WHEREAS, during Dr. Stearns' tenure, enrollment at the University has doubled, from 7,400 in 1979 to some 15,000 in the fall of 2012, and

WHEREAS, Dr. Stearns played a key role in the establishment of USA programs including the Honors Program, the Medical School Early Acceptance Program, the Accelerated College Enrollment Program, the First Year Experience Program, the Doctor of Pharmacy Program with Auburn University, and the Recruitment and Retention Program, and

WHEREAS, Dr. Stearns has been a tireless advocate for USA's students and has championed the current scholarship program, which is among the most substantial in the state, and

WHEREAS, Dr. Stearns and his wife, Lee, have gone beyond the scope of the job by coordinating the Miss USA pageant, being enthusiastic fans and financial contributors to USA athletics, and entertaining USA alumni and constituents in their home, among many other contributions, and

WHEREAS, the University has named the Admissions Office lobby in Dr. Stearns' honor, a recognition made possible through a gift from philanthropists Bert and Fanny Meisler, for whom the student services building is named, and

WHEREAS, Dr. Stearns, a recipient of the USA National Alumni Association Distinguished Service Award, represents dreams realized, challenges overcome, doors opened, opportunities provided, and unconditional support readily offered, and

WHEREAS, Dr. Stearns has been the "face" of the University of South Alabama for more than 30 years, proving himself to be a valued advisor, mentor and friend to many generations of students and colleagues at USA,

THEREFORE, BE IT RESOLVED that the Board of Trustees expresses its sincere appreciation to Dr. J. David Stearns and his wife, Lee, for their many outstanding contributions to the University of South Alabama and offers its best wishes upon Dr. Stearns' retirement and future endeavors.

RESOLUTION

PRESIDENTIAL TRANSITION

WHEREAS, Gordon Moulton has given more than 46 years of unwavering service to the University of South Alabama, joining USA in its infancy 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, long before being named president, Gordon Moulton was a vital force in the growth and progress of the University as a senior member of USA's central leadership team and a vital asset to the University's first president, and

WHEREAS, President Moulton, as USA's chief executive officer, has provided exceptional leadership to the University, raising it to unprecedented levels of accomplishment in all of its diverse missions – teaching, research, service, and health care – touching the lives of countless people served by the institution, and

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

WHEREAS, President Moulton believes it is now timely to transition the leadership of the University of South Alabama to a new president, and

WHEREAS, President Moulton has expressed his desire to retire from the University of South Alabama effective July 1, 2013, and

WHEREAS, the Board of Trustees desires that President Moulton's current leave be extended until his retirement date, during which time President Moulton has committed to continue to be a resource to the University, and

WHEREAS, the Chair Pro Tempore of the Board has requested and received a commitment from Dr. John W. Smith, vice president for student affairs and special assistant to the president, to continue as acting president until such time that USA's third president is selected and begins service, and

WHEREAS, the Board desires to take all actions necessary to commence with a national search to select a president to sustain the remarkable progress and momentum attained under President Moulton,

NOW, THEREFORE, BE IT RESOLVED that it is with consummate respect and appreciation that the Board does hereby accept President Moulton's retirement effective July 1, 2013, and

BE IT FURTHER RESOLVED that, consistent with the terms detailed above, the Board does hereby extend President Moulton's leave, continue the appointment of Dr. John W. Smith as acting president, and authorize commencement of the search process for a University president, and

BE IT FURTHER RESOLVED that this Board and the entire University of South Alabama family will seek appropriate opportunities to honor and celebrate the many contributions of President Moulton and his wife, Geri, including a special tribute at USA's 50th Anniversary celebration on May 3, 2013, a fitting time to acknowledge a lifetime of good works that have played such a significant role in the growth and progress of the University of South Alabama, and

BE IT FINALLY RESOLVED that the Board of Trustees does hereby extend its heartfelt gratitude to President Moulton and Geri for their many years of service that have helped the University of South Alabama over the past five decades to make a transformational positive impact on the quality of life of countless people across the Gulf Coast region, the nation, and the world.