

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE MEETINGS (Consecutive)

SEPTEMBER 11, 2014

2:15 P.M.

FREDERICK P. WHIDDON ADMINISTRATION BUILDING
SUITE 130, BOARD ROOM

AGENDAS

HEALTH AFFAIRS COMMITTEE Dr. Steve Stokes, Chair

- 4 Recommendation to Approve: [USA Hospitals Credentials – May, June and July 2014](#)
- 5 Report: Health System and Health Sciences
- 6 Report: USA Mitchell Cancer Institute

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Bettye Maye, Chair

- * Approve: [Revised Agenda](#)
- 7 Report: Academic Affairs
- 8 Recommendation to Approve: [Professors Emeritus](#)
- 9 Recommendation to Approve: [Commendation of Dr. Carl C. Moore](#)
- 10 Recommendation to Approve: [Amendments to Resident and Non-Resident Tuition Policy](#)
- 11 Report: Student Affairs
- * 11.A Recommendation to Approve: [Authorization to Negotiate and Sign Contract Extension for Food Services](#)

BUDGET AND FINANCE COMMITTEE Tom Corcoran, Chair

- * Approve: [Revised Agenda](#)
- 12 Report: [Quarterly Financial Statements, Nine Months ended June 2014](#)
- * 12.A Recommendation to Approve: [USA Research and Technology Corporation Directors](#)
- * 13 Recommendation to Approve: [University Total Budget, 2014-2015](#)
- * 14 Recommendation to Approve: [Salary Increase](#)

AUDIT COMMITTEE John Peek, Chair

- * Approve: [Revised Agenda](#)
- 15 Report: KPMG Auditors
- * 15.A Report: [Independent Audit of the USA Foundation Consolidated Financial Statements and the Disproportionate Share Hospital Funds Combined Financial Statements, June 2014 and 2013](#)

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

- * 16 Report: [Endowment and Investments](#)
- 17 Report: Development and Alumni Relations

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

SEPTEMBER 12, 2014

10:30 A.M.

FREDERICK P. WHIDDON ADMINISTRATION BUILDING
SUITE 130, BOARD ROOM

REVISED AGENDA

- * Approve: [Revised Agenda](#)
- 1 Approve: [Minutes](#)
- 2 Report: President's Report
- 3 Approve: [Amendments to Bylaws of the Board of Trustees](#)

HEALTH AFFAIRS COMMITTEE REPORT Dr. Steve Stokes, Chair

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AUDIT COMMITTEE REPORT John Peek, Chair

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE REPORT Jim Yance, Chair

* *Items added or revised.*

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES



THURSDAY, SEPTEMBER 11, 2014:

2:15 p.m. Committee Meetings (Consecutive)

Administration Bldg., Rm. 130

FRIDAY, SEPTEMBER 12, 2014:

10:30 a.m. Board of Trustees Meeting

Administration Bldg., Rm. 130

2:00 p.m. Inauguration of President Tony G. Waldrop

Mitchell Center, Arena

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**STANDING COMMITTEES
2014-2016**

EXECUTIVE COMMITTEE:

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

DEVELOPMENT, ENDOWMENT & INVESTMENTS CTE.:

Mr. James A. Yance, **Chair**
Mr. E. Thomas Corcoran
Capt. Robert D. Jenkins
Hon. Kenneth O. Simon
Dr. Steven H. Stokes
Mr. Michael P. Windom

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

Ms. Bettye R. Maye, **Chair**
Ms. Chandra Brown Stewart
Dr. Scott A. Charlton
Capt. Robert D. Jenkins
Hon. Bryant Mixon
Mr. Michael P. Windom

HEALTH AFFAIRS COMMITTEE:

Dr. Steven H. Stokes, **Chair**
Ms. Chandra Brown Stewart
Dr. Scott A. Charlton
Ms. Bettye R. Maye
Ms. Arlene Mitchell
Hon. Kenneth O. Simon

AUDIT COMMITTEE:

Mr. John M. Peek, **Chair**
Dr. Scott A. Charlton
Capt. Robert D. Jenkins
Hon. Bryant Mixon
Hon. William S. Stimpson

LONG-RANGE PLANNING COMMITTEE:

Mr. James H. Shumock, **Chair**
Ms. Chandra Brown Stewart
Ms. Bettye R. Maye
Hon. Bryant Mixon
Mr. John M. Peek
Hon. William S. Stimpson
Mr. Michael P. Windom

BUDGET AND FINANCE COMMITTEE:

Mr. E. Thomas Corcoran, **Chair**
Ms. Arlene Mitchell
Mr. James H. Shumock
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SEPTEMBER 12, 2014

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SUITE 130, BOARD ROOM**

REVISED AGENDA

- *** Approve: Revised Agenda
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- 3** Approve: Amendments to Bylaws of the Board of Trustees

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DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE REPORT Jim Yance, Chair

*** Items added or revised.**



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

September 2, 2014

TO: USA Board of Trustees

FROM: James H. Shumock 
Secretary, Board of Trustees

Included herein are the unapproved minutes of the Board meetings held on June 5 and 6. Please review these documents for amendment or approval at the September 12 Board of Trustees meeting.

JHS:mgc

Enclosures

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**June 6, 2014
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Friday, June 6, at 10:30 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Trustees Present: Drs. Scott Charlton, Steve Furr and Steve Stokes; Capt. Ron Jenkins; Messrs. Tom Corcoran, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Sandy Stimpson, Mike Windom and Jim Yance; and Mss. Chandra Brown Stewart, Bettye Maye and Arlene Mitchell.

Trustee Absent: Dr. Robert Bentley.

Administration and Others: President Tony Waldrop; Drs. Joe Busta, Nicole Carr, Julie Estis/ Doug Marshall/Kevin West (Faculty Senate), Angela Coleman, Joel Erdmann, Ron Franks, Mark Gillespie, David Johnson, Mike Mitchell, Kit Outlaw (MAA), Bill Richards, John Smith, Sam Strada and Julee Waldrop; Messrs. Zeke Aull, Owen Bailey, Brian Catlin, Monty Collins, Wayne Davis, Happy Fulford, Cecil Gardner, Stan Hammack, Mark Miree, Abe Mitchell, George Moore, Jim Nix, Steve Simmons and Herman Thomas; and Mss. Beth Anderson, Jessica Callahan, Kristin Dukes, Lynne Chronister, Laura Davis, Lisa Furr, Susan Gardner, Christie Miree, Ann Sirmon (NAA), Jeanne Smith, Danielle Watson (SGA), Kristi Williams and Catherine Zivanov.

Press: Messrs. Matthew Strickland (*Vanguard*), Chad Petri/Jesse Kelley (WKRG), and Darwin Singleton/Andrew Ankrom (WPMI); and Ms. Sally Ericson (*Press-Register*/al.com).

Upon the call to order, Chairman Furr recognized Dr. Stokes for receipt of the Alabama Medical Association's (AMA) *Ira L. Myers Service Award* for 2014. He added that USA alumna Ms. Casandra Andrews was honored with AMA's *William H. McDonald Print Journalism Award*. He called for adoption of the revised agenda to include a special presentation at the end of the meeting. On motion by Ms. Mitchell, seconded by Mr. Shumock, the revised agenda was approved unanimously. Chairman Furr called for approval of **ITEM 1**, the minutes of the Board of Trustees meeting held on March 7, 2014, and the Executive Committee meeting held on May 9, 2014. On motion by Mr. Corcoran, seconded by Mr. Peek, the minutes were approved unanimously.

Chairman Furr called upon President Waldrop for presentation of **ITEM 2**, the President's Report. President Waldrop expressed enthusiasm for the start of his tenure at USA. He stated he is often asked about his vision for the University, which he explained is being honed as a shared mission through the receipt of feedback from the people at South Alabama and in the greater community and through observation. He commented on his first USA Commencement on May 10 and on the

assertive handshakes exchanged with graduates. He congratulated Ms. Miree for her recent appointment as Georgia Power Vice President and Regional Chief Information Officer of the Southern Company. He called for a report from Ms. Chronister, who advised that the U. S. Department of Commerce recently named southwest Alabama as a top manufacturing community, a designation that gives southwest Alabama the opportunity to compete for more than a billion dollars in federal funds. She talked about opportunities for the University to get involved in the economic surge that would result.

President Waldrop called for remarks from Mr. Fulford, who reported on the 2014 regular legislative session and the less-than-one-percent increase in state appropriation approved for the University for fiscal year 2014-2015. He stated that the \$3 million special appropriation for the Mitchell Cancer Institute (MCI) would continue, along with MCI's regular funding from the general education budget. He discussed passage of a legislative bill to amend provisions of the Alabama statute that govern the University of South Alabama, among which are the amendment of Trustee districts, a reduction in Trustee terms from twelve to six years and authorization of the Chair *pro tempore* to call special meetings. He talked about Governor Bentley's tour of USA's Coastal Innovation Hub and visit with President Waldrop on April 11, and his plans to attend the USA-Navy football game on November 28 and participate in the coin toss. A photo of the Governor's visit to campus was shown.

President Waldrop called for a report from Dr. Erdmann, who discussed concentrated efforts by USA Athletics to help student athletes improve their academic performance in concurrence with team activities. He expressed pride in the academic standing of USA athletes as ranked among Sun Belt Conference schools. Photos were shown of a degree conferral ceremony held on the playing field, a practice instituted for student athletes who cannot attend commencement due to travel. Dr. Erdmann reported that the GPA average among USA athletes is 2.9, the highest since recording began. He recognized Mr. Jesse Kelley, standout USA defensive end player, who is serving a broadcast internship with WKRG.

Chairman Furr called for approval of **ITEM 3** as follows. On motion by Mr. Shumock, seconded by Dr. Stokes, the resolution was approved unanimously. Chairman Furr advised that an inauguration ceremony for President Waldrop would be held at 2:00 p.m. in conjunction with the Board meeting on September 12, and that USA would play Mississippi State on September 13:

**RESOLUTION
BOARD MEETING SCHEDULE, 2014-2015**

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

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

Friday, September 12, 2014
Friday, December 5, 2014

Friday, March 6, 2015
Friday, June 5, 2015

FURTHER, BE IT RESOLVED that the date of June 5, 2015, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2014-2015.

Chairman Furr reported that, at its meeting on June 5, the Committee of the Whole unanimously recommended **ITEM 4** as follows, and he called for a vote (for copies of policies and other authorized documents, refer to **APPENDIX A**). The resolution was approved unanimously:

**RESOLUTION
AMENDMENTS TO BYLAWS OF THE BOARD OF TRUSTEES**

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

WHEREAS, a copy of the proposed amended bylaws was mailed to each member of the Board on May 7, 2014, and

WHEREAS, the proposed amended bylaws (a copy of which is attached hereto and incorporated by reference herein) are presented for the Board's consideration of approval, a vote of eight members being necessary to adopt such amendments, and

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

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

THEREFORE, BE IT RESOLVED, the Board of Trustees approves and adopts the Bylaws of the Board of Trustees as amended.

With regard to **ITEM 5** as follows, Chairman Furr called for a vote with the stipulation that the guidelines be corrected to show the title "Faculty Senate President" in lieu of "Faculty Senate Chair." On motion by Judge Simon, seconded by Mr. Corcoran, the resolution was approved unanimously:

**RESOLUTION
AMENDMENTS TO PRESIDENTIAL SEARCH GUIDELINES**

WHEREAS, a committee composed of representatives of the University of South Alabama Board of Trustees, Faculty, Student Government Association, Administration, National Alumni Association, and Mobile community developed recommended guidelines to be followed in searches for presidents of the University, and

WHEREAS, at a regular meeting of the Board on August 24, 2000, the *Presidential Search Guidelines* ("Guidelines") were adopted, and a revision of same adopted by the Board on August 27, 2001, and

WHEREAS, said *Guidelines* were utilized in the presidential search which USA undertook beginning in 2013, and

WHEREAS, in an effort to address issues which arose during the above referenced use of the *Guidelines*, the Board desires to amend the *Guidelines* as indicated,

NOW, THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby adopts the University of South Alabama *Presidential Search Guidelines* as amended and in the form attached hereto and incorporated herein by reference.

Chairman Furr announced assignments to standing committees of the Board effective immediately for the period 2014-2016, and he noted the addition of an Audit Committee. Copies of a list of the standing committees were distributed to the Board.

Chairman Furr called for a report on health affairs items. Dr. Stokes, Chair of the Health Affairs Committee, introduced **ITEM 6** as follows, and he called for comments from Ms. Anderson. Ms. Anderson gave assurances as to the protocols employed. On motion by Dr. Stokes, seconded by Ms. Mitchell, the resolution was approved unanimously:

**RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR FEBRUARY, MARCH AND APRIL 2014**

WHEREAS, the Medical Staff appointments and reappointments for February, March and April, 2014 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. Stokes presented **ITEM 7** as follows. Ms. Anderson stated that the amendments proposed comply with the standards of The Joint Commission, the accrediting body for the USA Hospitals. On motion by Dr. Stokes, seconded by Capt. Jenkins, the resolution was approved unanimously. Judge Simon commended Ms. Anderson and the Medical Center team for earning the prestigious American Heart Association Gold Plus Award for stroke care:

**RESOLUTION
USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS
REVISIONS OF APRIL 23, 2014**

WHEREAS, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the April 23, 2014, 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.

As to **ITEM 8**, a report on the activities of the Division of Health Sciences and the USA Health System, Dr. Franks prefaced the demonstration that followed as reflective of the University-wide initiative to increase collaboration across the disciplines. Ms. Chronister made introductory remarks on the groundbreaking translational research conducted by Dr. Mark Gillespie, Professor

and Chair of the Department of Pharmacology and USA Center for Lung Biology scientist. As Board members viewed a graphic presentation, Dr. Gillespie gave an overview of his joint research with Dr. Glenn Wilson, retired Professor and Chair of Cell Biology and Neuroscience, which led to the discovery of a protein that can attach to cell mitochondria and repair organ damage. The University has rights to the invention disclosure and product patent, while USA Coastal Innovation Hub tenant Exscien, the University-affiliated biotech company co-founded by Drs. Gillespie and Wilson, holds the license for pharmaceutical distribution in the marketplace. Dr. Gillespie described an array of short- and long-term treatment applications, and he welcomed questions. Dr. Franks thanked Dr. Gillespie and his colleagues for their significant contributions.

Dr. Franks addressed **ITEM 9**, a report on the activities of the Mitchell Cancer Institute (MCI). He gave an update on the search to fill the position of MCI Director, advising that two candidates had made preliminary visits to campus. He reported in excess of 600 people had attended the western-themed 2nd Annual Cancer Survivors Day celebration on June 1 at Geri Moulton Children's Park. Photos were shown of the event sponsored by the MCI and Children's & Women's Hospital (CWH) and held in conjunction with National Cancer Survivors Day. Mr. Bailey noted that former CWH lymphoma patient Mr. Michael Daves was pictured among the guests in attendance. Photos were shown of Miss Starla Chapman, former leukemia patient at CWH, who was named the Children's Miracle Network's 2014 Champion Child representing Alabama. Mr. Bailey said this distinction would enable Miss Chapman to participate in national events alongside children representing other states. He discussed plans for the 25th Annual NICU Reunion slated for June 6 at Geri Moulton Children's Park. With reference to the common desire of former patients and their families to give back in appreciation of the care received at USA, he advised that former NICU patient Mr. Bryan Ayers, now a young musician, would perform at the reunion with his band.

Chairman Furr called for consideration of academic and student affairs items. Ms. Maye, Chair of the Academic and Student Affairs Committee, called upon Dr. Johnson to address **ITEM 10**, a report on the activities of the Division of Academic Affairs. Dr. Johnson introduced Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, who gave an overview of the USA Accountability Scorecard, a compilation of broad outcomes data published annually to track progress towards the goals and objectives prescribed by the University's Strategic Plan 2014-2017. As Board members viewed a visual presentation, Dr. Coleman discussed a set of scorecard indicators and demonstrated how the University uses the data to make informed decisions. She stated new measures are being developed, such as to show students' impressions on campus climate and student services, as well as USA Health System data for national comparison. She asserted that use of the scorecard will promote accountability and transparency, and she said feedback is welcome.

Dr. Johnson gave information on an initiative of the College of Education that focuses on improving education for African-American males who are often disadvantaged due to socio-economic obstacles. The program, featuring activities such as guest lectures and seminars on improving instruction, took place over the 2014 Spring Semester. Dr. Johnson said the University has a service responsibility to meet the needs of all citizens. Dr. Nicole Carr gave de-

tails on a minority mentoring program that will begin in the fall. Trustees Simon and Yancey complimented the University for these strides.

Dr. Johnson updated the Board on the Mitchell College of Business dean's search. He said a number of strong candidates were considered, and, following interviews, Dr. Bob G. Wood, Dean of the Franklin P. Perdue School of Business at Salisbury University in Maryland, was offered the position. Dr. Wood begins his tenure as dean in July.

Dr. Johnson discussed USA's Academic All Stars Program, which recognizes students for scholarly achievement. A poster showcasing this year's honorees was shown. Dr. Johnson introduced Mr. George Moore, a Mechanical Engineering major who was accepted into the summer research program at the University of Illinois; and Mss. Kristi Williams, Foreign Languages and Communications major who was named the *2013 Caldwell Scholar*, which funded her travel to Dijon, France, to study the French culture in the summer of 2013; and Catherine Zivanov, Chemistry major who was awarded a National Science Foundation *Research Experiences for Undergraduates* travel grant and a prestigious Goldwater Scholarship to cover her education expenses for 2014 through 2016. Each was given an opportunity to talk briefly about the academic projects that earned them distinction, as well as their career aspirations.

Dr. Johnson presented **ITEM 11** as follows, noting that copies of the resolution had been distributed to Board members. On motion by Dr. Charlton, seconded by Mr. Windom, the resolution was approved unanimously:

**RESOLUTION
TENURE AND PROMOTION**

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

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to those individuals whose names are listed below to be effective August 15, 2014.

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Tenure:

Coral M. Gubler
Kelli J. Evans

Promotion to Assistant Professor:

Cheryl L. Davis

Promotion to Associate Professor:

Coral M. Gubler
Ishara Ramkissoon
Kelli J. Evans

Promotion to Senior Instructor:

Charles O. Erwin

COLLEGE OF ARTS AND SCIENCES:

Tenure:

Maria A. Byrne
Christine R. Eaton
Christopher R. Freed

Promotion to Associate Professor:

Maria A. Byrne
Christine R. Rinne Eaton
Christopher R. Freed

COLLEGE OF ARTS AND SCIENCES cont.:

Tenure:

T. Allan Hillman
Laura M. Moore
Sinead M. Ni Chadhain
Mollie E. Nouwen
William F. Patterson, III
Carol F. Sawyer
Corina S. Schulze
Wesley D. Terwey

Promotion to Senior Instructor:

Nadia K. Bush
Megan S. Sparks

Promotion to Associate Professor:

T. Allan Hillman
Laura M. Moore
Mollie E. Nouwen
Carol F. Sawyer
Corina S. Schulze

Promotion to Professor:

Nicole E. Amare
David Z. Durant
Harrison S. Miller
John F. Shelley-Tremblay
Richard E. Sykora
Peter J. Wood
Roger Anthony Wright

COLLEGE OF EDUCATION:

Tenure:

Wanda Maulding Green
Shelley L. Holden

Promotion to Senior Instructor:

Randall J. Anastasio

Promotion to Associate Professor:

Shelley L. Holden

Promotion to Professor:

Susan P. Santoli
Karyn W. Tunks

COLLEGE OF ENGINEERING:

Tenure:

M. Yousef El-Sharkh
Samantha Islam
Silas J. Leavesley
Bret M. Webb
Kevin N. West

Promotion to Associate Professor:

M. Yousef El-Sharkh
Samantha Islam
Silas J. Leavesley
Bret M. Webb
Kevin N. West

COLLEGE OF MEDICINE:

Tenure:

Paul Brett
Andrea Wright
Robert Britton

Promotion to Associate Professor:

Diego Alvarez
Jonathan Audia
Ghulam Awan
Rosina Connelly

Promotion to Professor:

Brian Fouty
Hanes Swingle

Promotion to Associate Librarian:

Andrea Wright
Robert Britton

COLLEGE OF NURSING:

Promotion to Professor:

Jennie A. Gunn
Kimberly A. Williams

Promotion to Associate Professor:

Christopher T. Harlan

Promotion to Senior Instructor:

Suzanne M. Bihan

MITCHELL CANCER INSTITUTE:

Tenure:
Ajay Singh
Yaguang Xi

Promotion to Associate Professor:
Ajay Singh
Yaguang Xi

MITCHELL COLLEGE OF BUSINESS:

Promotion to Senior Instructor:
Nancy J. Lambe
Ellen K. Madden

Promotion to Professor:
Treena L. Gillespie Finney
Kenneth J. Hunsader
Donald C. Mosley, Jr.

Promotion to Associate Professor:
Teresa G. Weldy

SCHOOL OF COMPUTING:

Tenure:
Jeffrey T. McDonald

Promotion to Professor:
Jeffrey T. McDonald

UNIVERSITY LIBRARY:

Tenure:
Angela M. Rand

Promotion to Associate Librarian:
Angela M. Rand

Ms. Maye shared positive remarks on the increase in African-American students enrolled who originated from her district.

Dr. Smith presented **ITEM 12**, a report on the Division of Student Affairs. He discussed the USA Bookstore's designation as an authorized dealer of Apple products. He recognized Mr. Brian Catlin, Bookstore Manager.

Dr. Smith introduced USA Chief of Police, Mr. Zeke Aull, who gave an overview of police operations and services. As the Board viewed a graphic presentation, Chief Aull shared data on the USA police force, and discussed characteristics desired in officers on the force; upkeep and posting of crime statistics; methods of patrol on multiple campuses; the campus-wide alert network that includes weather tracking and warnings; and the process to gain accreditation through the International Association of Campus Law Enforcement Administrators (IACLEA). He talked about ongoing efforts to educate students on safety, including promotion of the *MyForce* mobile monitoring application and distribution of safety-themed materials and items to students that increase awareness.

Chairman Furr introduced Ms. Danielle Watson, SGA President, for an opportunity to comment on **ITEM 13** as follows. On behalf of USA students, Ms. Watson acknowledged the necessity of raising tuition as a means to keep quality faculty. Chairman Furr noted that detailed discussion took place at the Committee of the Whole meeting, at which Trustees agreed unanimously to recommend Board approval. He called for a vote and the resolution was approved unanimously. President Waldrop reiterated the Administration's wish is not to cause additional financial burden, but to preserve quality. He announced the implementation of a plan to use a portion of the increase to help students with financial hardships:

**RESOLUTION
TUITION, HOUSING AND FEES SCHEDULES, 2014-2015**

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

WHEREAS, the Alabama Legislature has approved a 2014-2015 education budget that increases USA's state funding by only \$728,084 or .71 percent from last year, in the face of an increased PEEHIP cost of \$735,416, and

WHEREAS, USA has faced accumulated reductions in state appropriations of \$262.1 million since 2007-2008, and

WHEREAS, the University responded to the recession and reductions in state appropriations by implementing numerous cost-cutting measures that remain in place, and

WHEREAS, after extensive analysis of the University's financial needs for 2014-2015 and beyond, the University Administration and Budget Council have determined that increases in tuition and fees, housing, and meals are necessary to maintain the standard of quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition, housing, and meal rates for 2014-2015, as set forth in the attached schedules, such costs at the University would continue to be among the lowest in effect at peer public doctoral-level research institutions in the state of Alabama,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the tuition, housing, meals, and required student fees for the 2014-2015 academic year as set forth in the attached schedules.

Chairman Furr called for consideration of budget and finance items. On behalf of Mr. Corcoran, Budget and Finance Committee Chair, Mr. Simmons addressed **ITEM 14**, a report on the quarterly financial statements for the six months ended March 2014. He said use of reserves over the course of the economic downturn has begun to show an impact in the University's financial statements.

Mr. Corcoran introduced **ITEM 15** as follows, and moved approval. Mr. Peek seconded and the resolution was approved unanimously:

**RESOLUTION
BANKING RESOLUTION**

BE IT RESOLVED that the President and either the Vice President for Financial Affairs or the Treasurer of the University are authorized to:

1. Open and close bank, brokerage, custody, safekeeping, or other accounts in the name of the University.
2. Sell, transfer, and endorse for sale or transfer any and all securities on behalf of the University.
3. Buy securities for the account of the University.
4. Order the transfer or delivery of securities on the University to any other person.

5. Pledge collateral, securities, or other property in the name of the University and to make withdrawals, substitutions, and exchanges in connection therewith.
6. Exercise any other rights related to securities, including signing for all releases, powers of attorney, and/or other documents in connection with securities of the University.
7. Designate individuals authorized to sign checks, drafts, notes, acceptances, and other orders for the payment of money or the withdrawal of funds for the account of the University.
8. Designate individuals authorized to endorse, negotiate, receive, or authorize the payment of the proceeds of any instruments or orders for the payment of money to the University.
9. Designate individuals authorized to make telephone transfer of funds of the University and the manner in which such funds can be transferred.
10. Issue any other instructions for the conduct of any accounts in the name of the University.

BE IT FURTHER RESOLVED that this resolution supersedes any resolutions dated as of a date prior to the date of this resolution and relating to the University's banking activities and,

BE IT FINALLY RESOLVED that the secretary of this University's Board of Trustees is authorized to certify, under the corporate seal of the corporation, a copy of these resolutions and the names and specimen signatures of the persons authorized to act on behalf of the University.

Mr. Corcoran presented **ITEM 16** as follows, and provided a brief description of the land being considered for sale by the University. As unanimously recommended by the Committee of the Whole, Chairman Furr called for a vote, and the resolution was approved unanimously:

**RESOLUTION
SALE OF REAL PROPERTY**

WHEREAS, the University of South Alabama owns real property in Mobile, Alabama, consisting of fifty-seven parcels located in the southwest corner of the Hillsdale subdivision, and

WHEREAS, the University has been the beneficiary of three donations of residential lots located in Mobile and Baldwin counties, which donations were intended to provide funds for various endowments, and

WHEREAS, the University has been the beneficiary of three donations of timberland totaling 1,080 acres located in Barbour County, Alabama, which donations were intended to provide funds for an endowment in creative writing, and

WHEREAS, the University has determined that using the property in its current form is not beneficial to the University and has deemed it economically justified and in the best interest of the state and the University of South Alabama to sell the Hillsdale lots and the other three residential lots through a listing with one of more duly licensed real estate brokers and the timberland through the sealed-bid process and utilize the proceeds of the sales to further the mission of the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama authorizes the University President and the Vice President for Financial Affairs to place the property on the market through the process outlined in the *Policy and Procedure by Which The University of South Alabama Would Sell or Lease Real Property or Interest Owned by the University of South Alabama*, as approved by this Board on March 9, 2006.

Mr. Corcoran introduced **ITEM 16.A** as follows. Having received the unanimous recommendation of the Committee of the Whole, the Board voted unanimously to approve the resolution:

RESOLUTION
ACQUISITION OF PROPERTY OWNED BY THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE D/B/A MOBILE AREA WATER AND SEWER SYSTEM (MAWSS)

WHEREAS, the Board of Water and Sewer Commissioners of the City of Mobile d/b/a Mobile Area Water and Sewer System (MAWSS) has offered to sell to the University its property located on Catherine and Cox streets, and

WHEREAS, this MAWSS property is contiguous to the University of South Alabama Children's & Women's Hospital, and

WHEREAS, this property includes office space that could be used to relocate University hospital employees from the Spring Hill Avenue Campus, and

WHEREAS, the University of South Alabama Children's & Women's Hospital has a pressing need for additional parking spaces this property could provide, and

WHEREAS, the University's Hospital Administration has stated a desire for the University to pursue the possible purchase of this property,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama authorizes the Vice President for Financial Affairs to issue purchase agreement(s) for the acquisition of the MAWSS property located on Catherine and Cox streets for a total purchase price of \$3,548,760.00 plus any closing and inspection costs, and

BE IT FURTHER RESOLVED, after a thorough inspection of the MAWSS property to confirm its functional operability, the Vice President for Financial Affairs is authorized to proceed to close this property purchase.

Mr. Corcoran addressed **ITEM 17** as follows. Having received the unanimous recommendation of the Committee of the Whole, the resolution was approved unanimously:

RESOLUTION
UNIVERSITY INFRASTRUCTURE STUDY

WHEREAS, the University of South Alabama has existed for 51 years, and

WHEREAS, much of the University's facilities infrastructure is 25 years old or older, and

WHEREAS, components of the University's infrastructure are failing or in need of a plan for improvement,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama grants its approval for the Vice President for Financial Affairs to proceed with a study and prioritized plan to address the campus infrastructure issues.

Chairman Furr called for a report on audit items. On behalf of Mr. Peek, Chair of the Audit Committee, Mr. Simmons reported on the Alabama Department of Examiners of Public Accounts

Compliance Report for the period October 2011 through September 2012, **ITEM 18**. He said the state's audit was close to flawless and did not have negative comments. He explained the one procedural finding related to two construction projects and allowances for portions of work not advertised for public bid. He said the University has implemented corrections to its procedures.

Chairman Furr called for consideration of development, endowment and investments items. Mr. Yance, Chair of the Development, Endowment and Investments Committee, said a report on endowment and investment performance, **ITEM 19**, was delivered at the Committee of the Whole meeting, and that discussion took place on the annual endowment rankings published by the National Association of College and University Business Offices (NACUBO) and on investment rebalancing for portfolio stability.

Dr. Erdmann presented **ITEM 20** as follows. On motion by Mr. Corcoran, seconded by Dr. Charlton, the resolution was approved unanimously:

**RESOLUTION
JAGUAR ATHLETIC FUND DIRECTORS**

WHEREAS, pursuant to the Amended Bylaws of the Jaguar Athletic Fund, Inc. ("USAJAF"), the Board of the Trustees of the University of South Alabama ("University") shall approve the USAJAF slate of Officers and Directors, and

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

WHEREAS, the Board of Directors of the USAJAF is authorized to nominate Directors consistent with the aforesaid bylaws for consideration and approval by the Board of Trustees of the University, and

WHEREAS, the Nominating Committee of the USAJAF Board of Directors has nominated the following persons for consideration and approval by the Board of Trustees of the University for four (4) year terms beginning June 2014, and these persons have agreed to serve in this capacity if approved,

Mr. John J. Basset
Ms. Shelly Holden, Ed.D.
Mr. C. Wesley Hinkle, Jr.
Mr. Robert A. Marks
Dr. Amy M. Morris
Mr. Alex Pastore
Mr. James H. Shumock
Mr. C. L. Walters

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby approve the aforementioned individuals as members of the Board of Directors of the USAJAF for the terms noted.

Mr. Yance called on Dr. Busta to report on the activities of the offices of Development and Alumni Relations, **ITEM 21**. Dr. Busta introduced Mss. Ann Sirmon, President of the USA National Alumni Association (NAA), and Jessica Callahan, Assistant Director of the Office of Alumni Relations, who shared details on the success of the first annual *JaguarsCare* service project held

on April 26. Ms. Sirmon discussed how the idea evolved to engage alumni in community outreach while raising public awareness for the University. Ms. Callahan talked about the impact individuals and chapters made nationally and internationally, with participation as far-reaching as Mongolia and Scotland. Photos were shown of some participants, and the formation of new chapters in Bangladesh and India was reported. Recognized for their contributions were Dr. Jim Connors, Assistant to the Vice President for Research and Economic Development and former Interim Director of the Office of International Education, and Ms. Brenda Henson, Director of International Student Services and Admissions. Details were shared on President Waldrop's visits to Birmingham and Atlanta to be introduced at chapter meetings.

Chairman Furr announced the creation of the USA Board of Trustees Endowed Scholarship, a concept inspired by the generosity of Mr. Abe Mitchell. He said that gifts to the scholarship fund will be matched through the *Mitchell-Moulton Scholarship Initiative* and that the highest-achieving student in each freshman class would be selected as a Board of Trustees scholar, the first of whom will be introduced at the September Board meeting. Scholarship awards will fund tuition, books, room and board, and, eventually, study abroad opportunities. Chairman Furr thanked the founding Board members, past and present, for leading by example and contributing in excess of the \$125,000 goal. President Waldrop thanked Chairman Furr for making his vision a realization.

Dr. Furr stood and read **ITEM 22** as follows. On motion by Mr. Peek, seconded by Ms. Maye, the resolution was approved unanimously. Dr. Smith joined Dr. Furr and President Waldrop as Trustees and guests gave him a standing ovation. Upon receipt of a commemorative resolution, Dr. Smith shared appreciation for the Board's faith in him to fill the role of Acting President:

**RESOLUTION
COMMENDATION OF DR. JOHN W. SMITH**

WHEREAS, Dr. John W. Smith arrived at the University of South Alabama in 2008 as Vice President for Student Affairs, quickly earning the respect of administrators, faculty, staff and students, and

WHEREAS, Dr. Smith has been a key agent for enhancing student life on campus, including the renovation of the USA Bookstore, Food Court and Student Center; the construction of a centrally located dining facility; and the construction of the Stokes and New residence halls, along with the renovation of others, and,

WHEREAS, Dr. Smith has created strong relationships with USA partners that have resulted in creating positive residential and dining experiences for students and helped build community, and

WHEREAS, Dr. Smith's counsel was highly respected and sought after during the administration of University President V. Gordon Moulton, who appointed Dr. Smith as Special Assistant to the President in 2010, and

WHEREAS, Dr. Smith continued to serve as Vice President during that time, handling duties of both positions with honor, proficiency and aplomb, and

WHEREAS, in February 2013, the Board of Trustees appointed Dr. Smith as Acting President of the University of South Alabama, a reflection of its faith and trust in Dr. Smith to lead the University during a time of uncertainty and transition, and

WHEREAS, Dr. Smith, with integrity and focus, guided the University during this critical period, during which USA's 50th Anniversary was celebrated and the process for reaffirmation of the University's accreditation was achieved, and

WHEREAS, Dr. Smith and his wife, Jeanne, have represented the University with poise and selfless generosity, particularly following the death of President Moulton, and

WHEREAS, Dr. Smith continues his dedicated service to the University of South Alabama as Special Assistant to the President and Vice President for Student Affairs,

THEREFORE, BE IT RESOLVED that the Board of Trustees expresses its heartfelt appreciation to Dr. John W. Smith for his leadership, counsel and continued support of USA's mission of teaching, research, public service and health care.

President Waldrop stood and read **ITEM 23** as follows. On motion by Mr. Peek, seconded by Mr. Corcoran, the resolution was approved unanimously, and a standing round of applause was given in honor of Mr. Wayne Davis, who was accompanied by his wife, Mrs. Laura Davis. Mr. Davis was presented with a commemorative resolution, and he and Mrs. Davis remarked on their experiences during Mr. Davis' tenure at USA. They expressed gratitude to their friends in the room:

**RESOLUTION
COMMENDATION OF MR. M. WAYNE DAVIS**

WHEREAS, Mr. M. Wayne Davis served in many official capacities at the University of South Alabama since his employment on April 25, 1978, including Controller; Associate Vice President for Finance & Controller; Treasurer & Controller; Vice President for Financial Affairs; and Executive Assistant to the President, and

WHEREAS, during Mr. Davis's 36-year tenure with the University, student enrollment grew from 7,084 to 15,311, and

WHEREAS, during Mr. Davis's career the University budget increased from \$62 million to \$700 million, and

WHEREAS, Mr. Davis has contributed his time and expertise to serving as a board member for the University of South Alabama Health Services Foundation, the USA Federal Credit Union, and the USA Research and Technology Corporation, and

WHEREAS, Mr. Davis played a major role in creating the original plan for the implementation of a football program at the University, and

WHEREAS, Mr. Davis worked tirelessly to establish the Jaguar Challenge Golf Tournament, now in its eleventh year, which raises over \$100,000 annually for the USA Athletics Department, and

WHEREAS, Mr. Davis possesses a transcendent financial mind, an uncanny ability to inveigle others with great equanimity, a mystical talent for keeping his weight at a certain level and implausible luck both on and off the golf course,

THEREFORE BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its sincere appreciation to Mr. M. Wayne Davis for his many contributions to the University of South Alabama and offers its best wishes upon his retirement from the Institution he served so well.

Chairman Furr called upon Ms. Maye for presentation of **ITEM 24** as follows. Ms. Maye stood and addressed Ms. Miree, commenting on their close friendship, and she read the resolution, and the Board of Trustees cast a unanimous vote of approval. Trustees and guests stood and applauded in honor of Ms. Miree, who was accompanied by her husband, Mr. Mark Miree. Ms. Miree was presented with a commemorative resolution and a jaguar sculpture. She welcomed the new Trustees and shared heartfelt words with fellow Board members and USA friends, adding that she counted it a privilege to serve on behalf of the University of South Alabama:

**RESOLUTION
COMMENDATION OF MRS. CHRISTIE D. MIREE**

WHEREAS, Mrs. Christie D. Miree was appointed to the Board of Trustees of the University of South Alabama in 2001, and

WHEREAS, during her tenure as a member of the Board, Mrs. Miree played a key role through her service on the Budget and Finance/Audit Committee and the Academic and Student Affairs Committee, for which she served as Chair since 2004, and

WHEREAS, Mrs. Miree has been instrumental to the success of several significant development initiatives, including service on the 50th Anniversary Alumni Annual Fund Leadership Council, and has provided generous financial support for USA's 50th Anniversary Annual Fund and to create the Christie D. Miree National Alumni Association Employee Service Awards Endowment Fund, contributions for which she, as a 1993 graduate of the University, was honored by the USA National Alumni Association with a Distinguished Alumni Award in 2011, and

WHEREAS, Mrs. Miree has served the University with distinction, graciously contributing her time, energy, wisdom and guidance to the growth and development of higher education in the state of Alabama and region, and to the students, alumni, faculty and administration of the University of South Alabama,

NOW, THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its deep appreciation and gratitude to Mrs. Christie D. Miree for her devotion, service and commitment to advancing the interests of the Institution and its constituencies.

Chairman Furr called upon Judge Simon for presentation of **ITEM 25** as follows. Judge Simon stood and expressed appreciation to Mr. Gardner for his dedication to the University. He read the resolution as Mr. Gardner stood with his wife, Mrs. Susan Gardner. On motion by Mr. Peek, seconded by Mr. Corcoran, the resolution was approved unanimously. Mr. Gardner was presented with a commemorative resolution and a jaguar sculpture. He said it had been his pleasure to serve the Institution and work with the late President Gordon Moulton. He regarded USA as a flagship in the region:

**RESOLUTION
COMMENDATION OF MR. J. CECIL GARDNER**

WHEREAS, Mr. J. Cecil Gardner was appointed to the Board of Trustees of the University of South Alabama in 2001, and

WHEREAS, during his tenure as a member of the Board, Mr. Gardner played a key role on numerous important committees, including the Executive Committee, the Academic and Student Affairs Committee, the

Long-Range Planning Committee, the Budget and Finance/Audit Committee and the Development, Endowment and Investments Committee, and

WHEREAS, Mr. Gardner has been instrumental to the success of several significant development initiatives, including service on the Campaign USA Leadership Team and the 50th Anniversary Business Leadership Circle, and has provided generous financial support for the University's Bell Tower Campaign and to Celebrate Hope benefiting the Mitchell Cancer Institute, and

WHEREAS, Mr. Gardner has served the University with distinction, graciously contributing his time, energy, wisdom and guidance to the growth and development of higher education in the state of Alabama and region, and to the students, alumni, faculty and administration of the University of South Alabama,

NOW, THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its deep appreciation and gratitude to Mr. J. Cecil Gardner for his devotion, service and commitment to advancing the interests of the Institution and its constituencies.

Chairman Furr advised that former Trustee Sam Jones could not be in attendance, and he called for consideration of **ITEM 26** as follows. On motion by Ms. Maye, seconded by Mr. Shumock, the resolution was approved unanimously:

**RESOLUTION
COMMENDATION OF MR. SAMUEL L. JONES**

WHEREAS, the Honorable Samuel L. Jones was appointed to the Board of Trustees of the University of South Alabama in 2001, and

WHEREAS, during his tenure as a member of the Board, first as a Mobile County Commissioner and later as Mayor of Mobile, Mr. Jones played a key role on numerous important committees, including the Executive Committee, the Budget and Finance/Audit Committee, the Health Affairs Committee, and the Long-Range Planning Committee, for which he served as Chair since 2008, and

WHEREAS, Mr. Jones has provided generous financial support to the University and has been instrumental to the success of several significant development initiatives, including service on the Campaign USA Leadership Team, the 50th Anniversary Business Leadership Circle and the Mitchell-Moulton Scholarship Initiative Committee, and

WHEREAS, Mr. Jones received a USA Distinguished Service Award in 2008 and addressed graduates as the 2009 Fall Commencement Speaker, and

WHEREAS, Mr. Jones has served the University with distinction, graciously contributing his time, energy, wisdom and guidance to the growth and development of higher education in the state of Alabama and region, and to the students, alumni, faculty and administration of the University of South Alabama,

NOW, THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its deep appreciation and gratitude to the Honorable Samuel L. Jones for his devotion, service and commitment to advancing the interests of the Institution and its constituencies.

Mrs. Lisa Furr was invited to join Chairman Furr for a special announcement, **ITEM 27**. President Waldrop declared the University fortunate for the leadership of Chairman Furr, and he shared background demonstrating the indelible mark the dynamic couple has made on the University of South Alabama. He announced the Furr's commitment of a legacy gift to the Children's & Women's Hospital Excellence Endowment, which funds priority projects of the

hospital. Mr. Bailey stepped forward to present the Furrs a plaque commemorating the naming of the CWH lobby in their honor. The Furrs expressed surprise and gratitude, and Chairman Furr acknowledged Mrs. Furr's full support of the University and of all he has endeavored to accomplish.

Chairman Furr introduced former Trustees Jim Nix, Monty Collins and Herman Thomas, and thanked them for being present. He welcomed new Trustees Chandra Brown Stewart, Ron Jenkins, Sandy Stimpson and Mike Windom.

Chairman Furr called upon Mr. Yance to deliver a special presentation, for which Mr. Abe Mitchell was asked to join them and President Waldrop. Mr. Yance read the following resolution and moved for approval. Mr. Peek seconded and the resolution was approved unanimously. Mr. Mitchell accepted a ceremonial resolution, and Trustees and guests honored him with a standing ovation. He stated he was deeply grateful for the honor of being named an honorary member of the Board of Trustees and pledged to continue in his efforts to advance the mission of the University of South Alabama:

**RESOLUTION
RECOGNITION OF MR. ABRAHAM A. MITCHELL AS HONORARY TRUSTEE**

WHEREAS, Mr. Abraham A. Mitchell has been a tireless advocate for the University of South Alabama, and

WHEREAS, Mr. Mitchell has focused his philanthropy on the University of South Alabama, giving generously and encouraging others to do the same, and

WHEREAS, Mr. Mitchell's commitment of \$50 million in 2013 greatly enhanced the Mitchell College of Business and provided a transformational expansion of educational opportunities for USA students in all disciplines through the endowment of the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, Mr. Mitchell contributed the funds necessary to purchase and renovate a presidential residence for the University, giving the Institution a suitable place to receive guests and house its president, and

WHEREAS, the total amount of giving by the Mitchell family exceeds \$93 million, touching all aspects of the University, and

WHEREAS, Mr. Mitchell has given not only of his resources, but also has provided vast quantities of his time and talent to the University, and

WHEREAS, Mr. Mitchell, offering trusted and wise counsel, has been an invaluable resource to the University's Board of Trustees and leadership, and

WHEREAS, the Board has the discretion to recognize as an honorary trustee any individual who has demonstrated sustained and extraordinary commitment to the mission of the University, and

WHEREAS, such a designation is reserved for rare occasions,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees is deeply appreciative of Mr. Abraham A. Mitchell, who has served the University with distinction and whose counsel and advice is particularly valued by the Board, and

USA Board of Trustees
June 6, 2014
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BE IT FURTHER RESOLVED that the University of South Alabama Board of Trustees hereby recognizes Mr. Mitchell as an honorary trustee.

Judge Simon remarked briefly on the tour by Trustees of the Archaeology Museum held June 5. He said the outstanding exhibits provide a new perspective on the Mobile region.

There being no further business, the meeting was adjourned at 12:49 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

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

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

COMMITTEE OF THE WHOLE

**June 5, 2014
2:15 p.m.**

A meeting of the Committee of the Whole of the USA Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, June 5, 2014, at 2:15 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Trustees Present: Drs. Scott Charlton, Steve Furr and Steve Stokes; Capt. Ron Jenkins; Messrs. Tom Corcoran, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Sandy Stimpson, Mike Windom and Jim Yance; and Mss. Chandra Brown Stewart, Bettye Maye and Arlene Mitchell.

Trustee Absent: Dr. Robert Bentley.

Administration and Others: President Tony Waldrop; Drs. Joe Busta, Joel Erdmann, Julie Estis/ Kevin West/Kelly Woodford (Faculty Senate), Ron Franks, David Johnson, Mike Mitchell and John Smith; Messrs. Terry Albano, Happy Fulford, Stan Hammack, Aaron Long, Christopher Lynch, Norman Pitman and Steve Simmons; and Mss. Lynne Chronister, Kristin Dukes and Danielle Watson (SGA).

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

Upon the call to order, Chairman Furr asked Trustees and guests to introduce themselves, and he called on Mr. Aaron Long, Computer Systems and Software Specialist at the Computer Services Center, to give a brief tutorial on use of the electronic tablets to view the meeting materials.

Chairman Furr discussed **ITEM 4**, a resolution to adopt the revised bylaws of the Board of Trustees (for copies of resolutions, policies and other authorized documents, refer to the Board of Trustees meeting minutes dated June 6, 2014). He reminded the Trustees of previous changes to the bylaws that first required amendments to the Alabama statute governing the University of South Alabama, and said the revisions currently proposed are minor and do not necessitate approval by the Alabama legislature. He noted one such change was the addition of an Audit Committee. On motion duly made and seconded, the Committee agreed unanimously to recommend approval of the resolution by the Board of Trustees.

Chairman Furr introduced **ITEM 5**, a resolution to adopt the revised Presidential Search Guidelines. He said updates were made as a result of the recent search, and he asked Judge Simon, who served as search committee chair, to comment. Noting that the guidelines worked well overall, Judge Simon reported that broadening trustee and constituency involvement would improve the process. Resources provided by the Association of Governing Boards of Universities and Colleges were useful in the assessment of the guidelines. Chairman Furr noted the suggested amendments included appointing the Board Secretary to serve as a member of the

Presidential Search Committee. Dr. Estis, President of the Faculty Senate, expressed agreement with the proposed revisions. On motion duly made and seconded, the Committee agreed unanimously to recommend approval of the resolution by the Board of Trustees.

Chairman Furr called upon Dr. Johnson to address **ITEM 13**, and copies were distributed of a resolution authorizing the rates of tuition, housing and the meal plan, as well as required student fees, for the 2014-2015 academic year, as set forth in the accompanying schedules. Dr. Johnson advised that a thorough analysis of the needs of the University was conducted, from which it was determined that a three-and-one-half percent tuition increase would provide the revenue needed to maintain quality and stay competitive while costing students less than the rates at other research institutions in the state – The University of Alabama, Auburn University and The University of Alabama at Birmingham. He noted the proposal includes a shift to differential tuition for the School of Computing, which would mirror the rates of the Pat Capps Covey College of Allied Health Professions and the College of Nursing. He explained that differential tuition is a means to cover the higher costs of providing education in certain disciplines. Judge Simon asked about the availability of resources to mitigate the increased costs to students. Dr. Johnson and Mr. Christopher Lynch, Interim Director of Enrollment Services, discussed financial aid and scholarship options. Mr. Corcoran asked what percentage of students meet eligibility guidelines for assistance. Mr. Lynch reported that approximately 78 percent of students qualify for financial support. He reported on recruitment efforts and results in other states, saying that 111 prospective students from Illinois, Texas, Pennsylvania and Connecticut had applied, an increase over last year. Mr. Peek inquired about tuition for Web instruction. Dr. Johnson advised that out-of-state tuition is not charged for courses offered online. Dr. Smith talked about efforts to contain housing and meal plan costs, which are significantly lower at USA than at other institutions. He reported on meal plan enhancements. Mr. Simmons advised that the increase as proposed would yield additional revenue of \$3 million. Mr. Peek suggested discussions on providing financial counseling for students. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Chairman Furr called for consideration of **ITEM 16**, a resolution authorizing the President and Vice President for Financial Affairs to place fifty-seven parcels of land located in the southwest corner of the Hillsdale subdivision on the market, as provided by the *Policy and Procedure by Which the University of South Alabama Would Sell or Lease Real Property or Interest Owned by the University of South Alabama*. Mr. Corcoran, Chair of the Budget and Finance Committee, called for comments from Mr. Simmons, who discussed a map of Alabama showing the various counties in which the University owns property. He said the sale of timberland would follow the open-bid process and that real estate agents would be used to sell the residential property. An aerial map of Hillsdale distinguishing property owned by the non-profit organizations DASH (Dependable Affordable Sustainable Housing) for LaGrange, Inc., and Habitat for Humanity was shown. Mr. Simmons said the Administration would issue a public request for proposals for selection of a real estate agent. Mr. Yance asked Dr. Stokes' opinion on timberland market conditions, and Dr. Stokes responded that timberland prices are up and that now is a good time to sell. Also shared was the advice of timber counsel to sell the land as is without thinning the timber. Mr. Simmons said the University would not sell the timberland until the right price is

offered. Mr. Peek recommended separate resolutions for separate sales, and Mr. Shumock asked that the Administration report on the sale results. Mr. Corcoran directed attention to the resolution and, on motion duly made and seconded, the Committee agreed unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Simmons presented **ITEM 16.A**, a resolution authorizing the Vice President for Financial Affairs to issue purchase agreements for acquiring real property owned by the Mobile Area Water and Sewer System (MAWSS) that is located on Catherine and Cox streets at a cost of \$3,548,760 plus closing and inspection fees. The resolution further authorizes the Vice President for Financial Affairs to close on the purchase, provided the inspection shows the functional operability of the structures. The Committee viewed an aerial photo of the property located adjacent to Children's & Women's Hospital and Mr. Simmons gave a description of the buildings. He specified the purchase would be from the USA Hospitals' operating funds and current reserves, and he stated the necessary legal documents were complete, an offer to purchase the property had been made, and completion of the purchase agreements was pending. The plan is for MAWSS to vacate the buildings in one year and for the University to have immediate access to parking on the MAWSS property. Mr. Simmons advised that approval by the Board of Water and Sewer Commissioners of the City of Mobile is pending. Discussion took place about the strategic acquisition of property over time to further the mission of the Hospitals. Mr. Yance noted that the acquisition is in accordance with the University's long-term plan. Mr. Simmons spoke about plans to relocate clinics from the Springhill Avenue Center (SHAC) facility, adding that operations and maintenance costs at SHAC exceed rental revenues. He said the Department of Veterans Affairs, a tenant at SHAC, had plans to relocate. He advised that, in keeping with proper due diligence, an environmental study of the MAWSS property would be conducted to rule out possible ecological hazards. Mr. Corcoran recommended the Administration consider full indemnity coverage as an oversight precaution. Mr. Shumock stated the environmental study would not offer such full indemnity. On motion duly made and seconded, the Committee agreed unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Simmons discussed **ITEM 17**, a resolution authorizing the Vice President for Financial Affairs to proceed with a study and prioritized plan to address campus infrastructure issues. Trustees viewed a graphic presentation demonstrating progress on multiple repair projects on the main campus, as well various utility networks. To illustrate the deterioration of aging structures and utility systems, he showed samples of exhumed drainpipes with severe corrosion. He remarked on the University's commitment to sustainable methods, citing USA's use of a chilled-water central heating and cooling system that is of greater cost efficiency than supporting one HVAC system per building as do many institutions. He reported a cost of \$520,000 to conduct the study with funds set aside from the previous bond issue. He said the University would perform much of the work to save on expenses. On motion duly made and seconded, the Committee agreed unanimously to recommend approval of the resolution by the Board of Trustees.

Chairman Furr deferred to Mr. Yance, Chair of the Development, Endowment and Investments Committee, for presentation of **ITEM 19**, a report on endowment and investment performance.

Mr. Yance called on Messrs. Albano and Pitman to present performance results. Mr. Albano noted that the return out-performed its relative index by .84 percentage points. The return from October 1, 2013, through April 30, 2014, was 7.61 percent versus a relative index of 6.77 percent. Mr. Pitman discussed the specifics of Douglas Lane's underperformance, primarily due to four stocks -- Amgen, Illumina, United Continental and Cerner. Mr. Albano reviewed the asset allocation for the 2014 fiscal year, pointing out that allocations were consistent with the University's investment policy. He reported performance since inception was 5.19 percent versus the relative index of 4.48 percent, an outperformance of .71 percentage points.

Chairman Furr advised Trustees and guests that an exciting announcement would be made at the June 6 Annual Meeting, and he referenced efforts by Dr. Busta.

There being no further business, the meeting was adjourned at 3:33 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

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

RESOLUTION
AMENDMENTS TO BYLAWS OF THE BOARD OF TRUSTEES

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

WHEREAS, a copy of the proposed amended bylaws was mailed to each member of the Board on August 13, 2014, and

WHEREAS, the proposed amended bylaws (a copy of which is attached hereto and incorporated by reference herein) are presented for the Board’s consideration of approval, a vote of eight members being necessary to adopt such amendments, and

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

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

THEREFORE, BE IT RESOLVED, the Board of Trustees approves and adopts the Bylaws of the Board of Trustees as amended.

B Y L A W S
OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF SOUTH ALABAMA

PREAMBLE

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

ARTICLE I

THE BOARD OF TRUSTEES

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

Section 1. **Composition of Board.** Consistent with the 2014 amendatory language to Sections 16-55-2, Code of Alabama 1975, the Board shall consist of **three** members from Mobile County; **five** members from the state at large; **two** members from the United States at large; the Governor, who shall be *ex officio* President of the Board; and **one** each from each of the following state senatorial districts, or combinations thereof, as those districts existed in 1963: (1) Sixteenth and Seventeenth Districts comprising Monroe and Wilcox Counties, and Butler, Conecuh, and Covington Counties, respectively; (2) Nineteenth and Twentieth Districts comprising Choctaw, Clark, and Washington Counties, and Marengo and Sumter Counties, respectively; (3) Twenty-first District comprising Baldwin and Escambia Counties; (4) Twenty-third, Twenty fifth, and Thirtieth Districts comprising Dale and Geneva Counties, Coffee and Crenshaw Counties, and Dallas and Lowndes Counties, respectively; and (5) Thirty-fifth District comprising Henry and Houston Counties.

Section 2. **Election and Term of Office.** The Governor, as an *ex officio* Trustee, serves his or her term of office in correspondence with his or her term of office as Governor of the State of Alabama. In accordance with the statute regarding the University of South Alabama, the Trustees are appointed by the Governor, by and with the advice and consent of the State Senate, and, for those appointed or reappointed after the effective date of the 2014 amendment to said statute, hold office for a term of six years, and until their successors shall be appointed and qualified. Any Trustee appointed to serve a twelve-year term before the effective date of the 2014 amendment will continue to serve for the remainder of that term. As terms expire after that date,

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

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

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

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

Section 6. **Honorary Trustee.** The Board, in its sole discretion, may recognize as an Honorary Trustee any individual who has demonstrated a sustained and extraordinary commitment to the mission of the University. Election of an Honorary Trustee shall occur at any regular meeting of the Board and, because of the prestige of this position, shall occur on very rare occasions. Honorary Trustees shall have no voting rights and will maintain this designation at the pleasure of the Board. Such designation shall confer no responsibilities, duties, rights, privileges, or benefits, but shall constitute recognition of service with distinction to the University. It will also publicly acknowledge that person as particularly suited for counsel and advice to the Board.

Section 7. **Removal of a Trustee.** Under the laws of the State of Alabama, the Board of Trustees has no power to remove one of its members. Section 60 of the Constitution of Alabama, which provides that "[no] person convicted of embezzlement of the public money, bribery, perjury, or other infamous crime, shall be eligible to the legislature, or capable of holding any office of trust or profit in this state" sets forth the constitutional grounds and procedure for removing a Trustee.

ARTICLE II

MEETINGS OF THE BOARD OF TRUSTEES

Section 1. **Annual and Regular Meetings.** The Board shall hold a regular annual meeting each year at the University on the first Monday in June, unless the Board, in regular session, shall determine to hold its annual meeting at some other time and place. Each year at the

annual meeting, the Board shall schedule its regular meetings to be held during the ensuing year, and may designate one such meeting as the annual meeting of the Board. This schedule of meetings then will be recommended to the Governor for approval. The Chair *pro tempore* may cancel or change the date, place or time of a scheduled regular or annual meeting. The President will provide advance notice of such changes or cancellation. In any event, the Board shall meet at least once in each year.

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

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

Section 4. **Quorum.** Seven members of the Board of Trustees shall constitute a quorum, but a smaller number may adjourn from day to day until a quorum is present. A majority of those present shall govern unless a greater number is required hereunder. Members of the Board of Trustees may participate in a meeting of the Board or committee by means of telephone conference, video conference, or similar communications equipment by means of which all persons participating in the meeting may hear each other at the same time. Participation by such means shall constitute presence in person at a meeting for all purposes. However, a majority of a quorum of the members of the Board of Trustees, or, in the event of a meeting of only the executive committee, a majority of a quorum of the executive committee of the Board of Trustees, must be physically present at the location noticed and called for the meeting in order to conduct any business or deliberation. Members of the Board of Trustees and any committees of the board

may not utilize electronic communications or otherwise conduct meetings except as in compliance with the Alabama Open Meetings Act. No Trustee for whom a conflict of interest exists shall vote on such matter before the Board.

Section 5. **Agenda.** The President shall mail to each member of the Board notice of the time and place of any meeting, which shall include an agenda for the meeting, at least ten (10) days prior to the time of meeting. The development and preparation of the agenda for Board meetings shall be vested in the President, who shall place such items on the agenda as are needed for the ongoing operation of the institution and/or that require the approval of the Board. Members of the Board desiring to place any item or items on the agenda for meetings shall inform the President in writing not less than fifteen (15) days prior to the meeting concerning such items, and the President shall include the items in the agenda to be mailed out to the members of the Board in accordance with the foregoing. Any item not included on the agenda mailed to members prior to a meeting may be considered upon the approval of a majority of those present and voting; provided, however, that any discussion or action upon the election of officers of the Board and/or the appointment and/or termination, including a contract renewal, of the President of the University, must be specifically identified on the agenda that was mailed at least ten (10) days prior to the time of meeting. The agenda that is approved by the Board at the commencement of the Board meeting shall be considered the official agenda. The omission of an item from the official agenda shall not invalidate otherwise valid actions by the Board.

Section 6. **Minutes.** Minutes of all meetings of the Board and its committees shall be prepared and distributed promptly to all members of the Board under the direction of the Secretary of the Board. Upon approval by the Board or committee, such minutes shall be maintained permanently and in an accessible manner in the Office of the President under the direction of the Secretary of the Board.

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

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

Section 9. **Meeting Attendance.** Inasmuch as the Board of Trustees has determined that meeting attendance is crucial to the most efficient management of the University and operation of the Board, the names of all Trustees who do not attend at least half the meetings scheduled each Board year will be reported to the Chair *pro tempore* at the next annual meeting of the Board, and the Chair *pro tempore* will then take the actions he or she deems appropriate.

ARTICLE III OFFICERS

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

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

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

vacancies which will occur on such committees, and give final approval to the agenda for the Board meeting.

Section 3. **Vice Chair.** Concurrent with the time of election of the Chair *pro tempore* for the term set forth for the Chair *pro tempore* in Section 2, the Board shall elect from its membership a Vice Chair. In the absence of both the Governor and the Chair *pro tempore*, the Vice Chair shall assume those duties. The Vice Chair shall serve on the Executive Committee.

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

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

ARTICLE IV COMMITTEES

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

members and the chair and the vice chair of the committees shall be appointed by the Chair *pro tempore* for terms concurrent with the term of the Chair *pro tempore*.

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

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

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

matters including, but not limited to, service, honorary designations, efficiency, educational development, and travel. Minutes of the Executive Committee shall be submitted to all members of the Board.

Section 2. **Budget and Finance Committee.** The Budget and Finance Committee shall be responsible for the review and study of budget requests; recommending comprehensive budgets; review and study of real estate transactions and matters related to facilities construction and infrastructure maintenance; and submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board, as deemed necessary and appropriate.

Section 3. **Audit Committee.** The Audit Committee shall be responsible for the oversight and integrity of the financial statements and other financial reports; performance of the University's internal and external audit functions; selection of an external auditor; assurance that the University is performing self-assessment of operating risks and evaluations of internal controls on a regular basis; the study and review of all reports and other correspondence from external auditors; and the submission of audit reports and recommendations to the Board of Trustees. The Executive Director of Internal Audit shall be accountable to the Board of Trustees through the Audit Committee, and shall make reports to the Audit Committee as appropriate.

Section 4. **Long Range Planning Committee.** The Long Range Planning Committee shall be responsible for long range plan recommendations; review of new and existing academic programs; academic planning and organization; mission statement and statements of role and scope; review of planning for new facilities; and other matters which may be referred to it by the President or the Board.

Section 5. **Health Affairs Committee.** The Health Affairs Committee shall be responsible for providing guidance to and receiving reports from staff and administrative personnel responsible for the University of South Alabama Hospitals and Clinics. It will consider and make recommendations requiring Board action relating to the Hospitals and Clinics and the College of Medicine. In addition to committee members designated as provided in these Bylaws, the committee includes, as non-voting *ex officio* members, the President, the Vice President for Health Sciences, Dean of the College of Medicine, the President of the Medical Staff of the University of South Alabama Medical Center and the Vice President for Health Systems.

Section 6. **Academic and Student Affairs Committee.** The Academic and Student Affairs Committee shall be responsible for receiving and reviewing information relevant to issues involving academic affairs and student affairs at the University.

Section 7. **Development, Endowment and Investments Committee.** The Development, Endowment and Investments Committee shall be responsible for establishing policies and guidelines to oversee the University's Development and Alumni Relations programs, invest and manage the University's endowment and other investment funds, and for submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board of Trustees, as deemed necessary and appropriate.

ARTICLE V PRESIDENT AND DUTIES

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

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

ARTICLE VI CONFLICT OF INTEREST

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

Fiduciary duty. Each Trustee has a fiduciary duty to conduct himself or herself without conflict to the interests of the University. When acting within his or her capacity as a Trustee, he or she must subordinate personal, business, third-party, and other interests to the welfare and best interests of the University.

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

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

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

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

- (c) Public disclosure includes public announcement or notification to a superior officer or the attorney general.
- (d) Failing to disclose a conflict of interest is a Class A misdemeanor.

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

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

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

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

Policy regarding Trustees doing business with the University. A conflict of interest exists any time a Trustee seeks to enter into a business relationship with the University. Similar

conflicts may arise through family members or through organizations in which a Trustee serves in a leadership, employment, or ownership capacity.

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

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

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

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

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

ARTICLE VII

SEAL

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



ARTICLE VIII

AMENDMENT OR REPEAL OF BYLAWS

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

13th Edition, September 12, 2014

RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR MAY, JUNE AND JULY 2014**

WHEREAS, the Medical Staff appointments and reappointments for May, June and July 2014 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
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REC'D
OFFICE OF THE PRESIDENT

AUG 14 2014

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

TO: Dr. Tony G. Waldrop
President

FROM: Stan Hammack 

DATE: August 13, 2014

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 May, June and July, 2014

- Credentials Report – May, June and July, 2014

There will be no Medical Staff Bylaws and Rules and Regulations Summary and Revisions this quarter.

SKH:kh

Attachments

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
 May, June, and July 2014

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
Adams, Megumi S., PCT	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine	N/A	N/A	N/A
Allen-Johnson, Jennifer C., MD	Reappoint.	Refer & Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Amonett, Charles R., RN	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine	N/A	N/A	N/A
Angerholzer, Susan L., PA	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery	N/A	N/A	N/A
Baldy, Maureen, DMD	Reappoint.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Baker, Susan, MD	Reappoint.	Active	OB/GYN	Reappoint.	Active	OB/GYN	Reappoint.	Active	OB/GYN
Ballem, Wilma D., ACNP-BC	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine
Barton, Patton M., MD	Reappoint.	Courtesy	OB/GYN	Reappoint.	Courtesy	OB/GYN	N/A	N/A	N/A
Baskovich, Brett W., MD	New Appt.	Active	Pathology	New Appt.	Active	Pathology	New Appt.	Active	Pathology
Bass, Jr., John B., MD	N/A	N/A	N/A	New Appt.	Academic	Internal Medicine	N/A	N/A	N/A
Berg, Marion C., MD	N/A	N/A	N/A	New Appt.	Active	Emergency Med.	N/A	N/A	N/A
Beverly, Tonia, Audiologist	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery
Beville, Lindsey C., PA	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Blair-Elortegui, Judy, MD	Reappoint.	Active	Pediatrics	N/A	N/A	N/A	Reappoint.	Active	Pediatrics
Boyd, Jimmy, PA	Reappoint.	Allied	Orthopaedics	Reappoint.	Allied	Orthopaedics	N/A	N/A	N/A
Brevard, Sidney B., MD	Reappoint.	Active	Surgery/Gen/Trauma	Reappoint.	Active	Surgery/Gen/Trauma	Reappoint.	Active	Surgery/Gen/Trauma
Brevard, Sidney B., MD	Reappoint.	Active	Surgery/Pediatric	Reappoint.	Active	Surgery/Pediatric	Reappoint.	Active	Surgery/Pediatric
Bright, Andrew C., DO	N/A	N/A	N/A	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Brocato, Brian E., DO	New Appt.	Active	OB/GYN	New Appt.	Active	OB/GYN	New Appt.	Active	OB/GYN
Brown, Mark, MD	N/A	N/A	N/A	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A
Brutkiewicz, Barbara, CRNP	Reappoint.	Allied	Pediatrics	N/A	N/A	N/A	Reappoint.	Allied	Pediatrics
Bunch, Dennise, RN	Reappoint.	Allied	Radiology	N/A	N/A	N/A	N/A	N/A	N/A
Busby, Melanie, PA	Reappoint.	Allied	Orthopaedics	Reappoint.	Allied	Orthopaedics	N/A	N/A	N/A
Cameron, Daniel G., MD	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine
Camp, Pamela, ACNP	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery
Carpenter, David C., MD	Reappoint.	Active	OB/GYN	Reappoint.	Active	OB/GYN	N/A	N/A	N/A
Caudill, Jamie B., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Caudill, Jamie B., MD	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
Cheeseman, Kaci M., PA-C	New Appt.	Refer & Follow	Internal Medicine	New Appt.	Refer & Follow	Internal Medicine	N/A	N/A	N/A
Chromiak, Stephen B., MD	New Appt.	Refer & Follow	Family Medicine	New Appt.	Refer & Follow	Family Medicine	N/A	N/A	N/A
Clark, Melanie H., MD	Reappoint.	Active	Radiology	Reappoint.	Active	Radiology	Reappoint.	Active	Radiology
Clarkson, David R., MD	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine
Clements, Lloyd S., MD	Reappoint.	Active	Evaluation Center	N/A	N/A	N/A	N/A	N/A	N/A
Cole, Jason H., MD	Reappoint.	Courtesy	Internal Medicine	Reappoint.	Courtesy	Internal Medicine	N/A	N/A	N/A
Crocker, Percy V., MD	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Davis, Angela A., RN	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine	N/A	N/A	N/A
Davis, Charles Seth, CRNP	New Appt.	Refer & Follow	Family Medicine	New Appt.	Refer & Follow	Family Medicine	N/A	N/A	N/A
Day, Julie E., Path Assist.	New Appt.	Allied	Pathology	New Appt.	Allied	Pathology	N/A	N/A	N/A
DeLeon, Gwendolyn A., MD	N/A	N/A	N/A	New Appt.	Contract/Locums	Emergency Med.	N/A	N/A	N/A

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
May, June, and July 2014

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Douglas, Mark J., MD	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Drake, Jeremy M., MD	N/A	N/A	N/A	New Appt.	Contract/Moon.	Emergency Med.	N/A	N/A	N/A
Dubuc, Tammy E., PharmD	New Appt.	Refer & Follow	Internal Medicine	New Appt.	Refer & Follow	Internal Medicine	N/A	N/A	N/A
Durne, Tami L., CRNP	New Appt.	Allied	Neurology	New Appt.	Allied	Neurology	New Appt.	Allied	Neurology
Enley, Roselee R., RN	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine	N/A	N/A	N/A
Fin, Edgar W., MD	Reappoint.	Consulting	Psychiatry	Reappoint.	Consulting	Psychiatry	N/A	N/A	N/A
Gaudet, Alyssa, CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	N/A	N/A	N/A
Glasser, James G., MD	New Appt.	Contract/Locums	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Grenoble, Severin W., MD	Reappoint.	Consulting	Psychiatry	Reappoint.	Consulting	Psychiatry	N/A	N/A	N/A
Hart, Katharine, CRNP	Reappoint.	Allied	Pediatrics	N/A	N/A	N/A	Reappoint.	Allied	Pediatrics
Haygood, Mark A., DO	New Appt.	Consulting	Psychiatry	New Appt.	Consulting	Psychiatry	N/A	N/A	N/A
Holston, Joseph T., CCCA	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery
Hundley, William B., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Hunt, Amanda M., CRNA	Reappoint.	Allied	Anesthesiology	Reappoint.	Allied	Anesthesiology	N/A	N/A	N/A
Johnson, Alfreda M., RN	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine	N/A	N/A	N/A
Justice, Wiley, MD	N/A	N/A	N/A	Reappoint.	Active	Surgery	Reappoint.	Active	Surgery
Kohaut, Edward C., MD	New Appt.	Active	Pediatrics	N/A	N/A	N/A	New Appt.	Active	Pediatrics
Koonce, Cassidy J., MD	N/A	N/A	N/A	Reappoint.	Contract/Moon.	Emergency Med.	N/A	N/A	N/A
Lawrence, III, James M., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	N/A	N/A	N/A
Lawrence, III, James M., MD	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	N/A	N/A	N/A
Lightner, Joel E., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Little, Walter K., Jr., DDS	Reappoint.	Refer & Follow	Surgery	Reappoint.	Refer & Follow	Surgery	N/A	N/A	N/A
Lovell, Christopher M., CRNP	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery
Mauritia-Neumann, Paola J., MD	Reappoint.	Active	Pediatrics	N/A	N/A	N/A	Reappoint.	Active	Pediatrics
McCoy, Amy, MD	Reappoint.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Michalski, Joseph, MD	N/A	N/A	N/A	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Moore, Julie A., Dental Assist.	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Myers, Lori A., MD	N/A	N/A	N/A	Reappoint.	Active	Emergency Med.	N/A	N/A	N/A
Myrick, Gregory R., MD	N/A	N/A	N/A	Reappoint.	Active	Emergency Med.	N/A	N/A	N/A
Naylor, Cynthia, CNIM	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery	N/A	N/A	N/A
Norden, Carole Wiseman, MD	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine	Reappoint.	Active	Internal Medicine
Norris, Florence, RN	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine	N/A	N/A	N/A
Ove, Roger, MD	Reappoint.	Active	Radiology	Reappoint.	Active	Radiology	Reappoint.	Active	Radiology
Overschmidt, Carrie, Audiologist	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery	Reappoint.	Allied	Surgery
Rather, Lydia G., PharmD	New Appt.	Refer & Follow	Internal Medicine	New Appt.	Refer & Follow	Internal Medicine	N/A	N/A	N/A
Rice, Holley, PharmD	New Appt.	Refer & Follow	Internal Medicine	New Appt.	Refer & Follow	Internal Medicine	N/A	N/A	N/A
Roveda, Mary Kelly, MD	Reappoint.	Active	Pathology	Reappoint.	Active	Pathology	Reappoint.	Active	Pathology
Samuels, Derek, MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Scott, William W., MD	New Appt.	Active	Neurosurgery	New Appt.	Active	Neurosurgery	New Appt.	Active	Neurosurgery
Self, John A., CRNA	Reappoint.	Allied	Anesthesiology	Reappoint.	Allied	Anesthesiology	N/A	N/A	N/A
Self, Lauren C., MD	Reappoint.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
May, June, and July 2014

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Sample, Henry, MD	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Sevilla Saez-Benito, Miriam, MD	New Appt.	Consulting	Psychiatry	New Appt.	Consulting	Psychiatry	N/A	N/A	N/A
Shapple, Courtney L., DO	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	N/A	N/A	N/A
Sims, Carrie N., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	N/A	N/A	N/A
Singh, Lalit K., MD	Reappoint.	Consulting	Psychiatry	Reappoint.	Consulting	Psychiatry	N/A	N/A	N/A
Stephens, Joshua A., DO	New Appt.	Consulting	Psychiatry	New Appt.	Consulting	Psychiatry	N/A	N/A	N/A
Tauveka, Paul M., MD	N/A	N/A	N/A	New Appt.	Courtesy	Surgery	N/A	N/A	N/A
Terry, Andrew P., MD	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Ursprung, Nancy M., CRNP	New Appt.	Refer & Follow	Internal Medicine	New Appt.	Refer & Follow	Internal Medicine	N/A	N/A	N/A
Vick, Valerie L., MD	Reappoint.	Courtesy	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Walker, Jr., Albert Bedford, MD	New Appt.	Refer & Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Williams, Jennifer, CRNP	Reappoint.	Allied	Pediatrics	N/A	N/A	N/A	Reappoint.	Allied	Pediatrics
Wills, Lachaca T., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	N/A	N/A	N/A
Wright-Sexton, Laura A., MD	New Appt.	Active	Pediatrics	N/A	N/A	N/A	New Appt.	Active	Pediatrics
Wood, Edmond, MD	N/A	N/A	N/A	New Appt.	Contract/Locums	Emergency Med.	N/A	N/A	N/A
Young, Stephanie B., RN	Reappoint.	Allied	Internal Medicine	Reappoint.	Allied	Internal Medicine	N/A	N/A	N/A
Change Requests									
Barceno, Edward, MD	Changed to	Honorary	Surgery	Changed to	Honorary	Surgery	N/A	N/A	N/A
Chen, Tao, MD	Changed to	Refer & Follow	Anesthesiology	Changed to	Refer & Follow	Anesthesiology	N/A	N/A	N/A
Howell, Druhan L., MD	Changed to	Non-Faculty	Internal Medicine	Changed to	Non-Faculty	Internal Medicine	N/A	N/A	N/A
Howell, Druhan L., MD	Changed to	Non-Faculty	Pediatrics	Changed to	Non-Faculty	Pediatrics	N/A	N/A	N/A
Pant, Amit, MD	Changed to	Refer & Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Seaman, Rachel, MD	N/A	N/A	N/A	Added Priv	Active	Emergency Med.	N/A	N/A	N/A
Thomas, Katherine, DO	Changed to	Refer & Follow	Surgery	Changed to	Refer & Follow	Surgery	N/A	N/A	N/A
Retired/Resigned									
Name									
Alford, Chad M., MD	N/A	N/A	N/A	Reason	Date	Dept.	Reason	Date	Dept.
Bamford, Jeremy A., NPSTY	Resigned	6/30/2014	Neurosurgery	Resigned	6/17/2014	Internal Medicine	Resigned	6/30/2014	Neurosurgery
Bass, John B., Jr., MD	N/A	N/A	N/A	Resigned	5/31/2014	Internal Medicine	Resigned	5/9/2014	Internal Medicine
Blair, Tina, RN	Resigned	5/9/2014	Internal Medicine	Resigned	5/9/2014	Internal Medicine	Resigned	5/9/2014	Internal Medicine
Cale, Michelle, RDH	Resigned	4/8/2014	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Davidson, Deanna, MD	N/A	N/A	N/A	Resigned	4/21/2014	Radiology	Resigned	4/21/2014	Radiology
Davis, M. Jason, CRNA	Resigned	4/4/2014	Anesthesiology	Resigned	4/4/2014	Anesthesiology	Resigned	4/4/2014	Anesthesiology
Dean-Colomb, Windy M., MD	Resigned	6/30/2014	Internal Medicine	Resigned	6/30/2014	Internal Medicine	Resigned	6/30/2014	Internal Medicine
Ferguson, Lee, MD	N/A	N/A	N/A	Resigned	6/30/2014	Emergency Med.	Resigned	6/30/2014	Emergency Med.
Hardy, Warren D., MD	N/A	N/A	N/A	Resigned	6/17/2014	Internal Medicine	Resigned	6/17/2014	Internal Medicine
Harris, Michael J., NPSTY	Resigned	6/30/2014	Neurosurgery	Resigned	6/30/2014	Neurosurgery	Resigned	6/30/2014	Neurosurgery
Hayes, Casey, RDH	Resigned	5/12/2014	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Jubran, Ihab, MD	Resigned	6/30/2014	Peds/Eval Center	N/A	N/A	N/A	N/A	N/A	N/A

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
May, June, and July 2014

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Karumbaiah, Keerthana, MD	N/A	N/A	N/A	Resigned	6/30/2014	Emergency Med.			
Kennedy, Ryan	N/A	N/A	N/A	Resigned	6/30/2014	Emergency Med.			
Kestler, Brienne, PA	Resigned	4/21/2014	Surgery	Resigned	4/21/2014	Surgery			
Key, Christopher D., PA	Resigned	6/9/2014	Orthopaedics	Resigned	6/9/2014	Orthopaedics			
McClellan, Robert, MD	Resigned	5/31/2014	Pediatrics	Resigned	5/31/2014	Pediatrics			
Qureshi, Yasmeen, MD	Resigned	7/1/2014	Radiology	Resigned	7/1/2014	Radiology			
Reed, Jennifer, Dental Assist.	Resigned	6/10/2014	Surgery	N/A	N/A	N/A			
Royals, James, CRNA	Retired	4/30/2014	Anesthesiology	Retired	4/30/2014	Anesthesiology			
Spires, James R., MD	Resigned	4/25/2014	Surgery	N/A	N/A	N/A			
Sieger, Lisa, Scrub Tech	Resigned	4/23/2014	Surgery	N/A	N/A	N/A			
Thompson, Shannon, Dental Assist.	Resigned	6/2/2014	Surgery	N/A	N/A	N/A			
Treadway, Sarah, PharmD	N/A	N/A	N/A	Resigned	4/18/2014	Family Medicine			
Watters, Harriett, RN	Resigned	5/9/2014	Internal Medicine	Resigned	5/9/2014	Internal Medicine			

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

May, June, and July 2014

LEGEND:

New Appt.	New application for medical/allied staff privileges recommended for approval.
Reappt.	Reappointment application for medical/ allied staff privileges recommended for approval.
N/A	No privileges requested.
Change in Status	Added privileges or changed department.
Retired Resigned	Moved, retired or resigned.

RECOMMENDED BY:


Donna Lynn Dyess M.D., Chair of Medical Executive Committee or Chair Elect
USA Children's & Women's Hospital


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


Stanley K. Hammack
Vice President, USA Health Systems

RESOLUTION
PROFESSORS EMERITUS

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

ACADEMIC AFFAIRS:

Roy J. Daigle, Ph.D., Professor of Computer Science
Norris W. Hoffman, Ph.D., Associate Professor of Chemistry
David D. Langan, Ph.D., Professor of Computer Science
Leonard A. Macaluso, Ph.D., Associate Professor of History (*Posthumous*)
Carl C. Moore, Ph.D., Professor of Management
Joseph P. Mozur, Ph.D., Professor of Foreign Languages and Literatures
Joseph A. Nigota, Ph.D., Associate Professor of History (*Posthumous*)
Robert L. Shipp, Ph.D., Professor of Marine Sciences
Frank R. Urbancic, DBA, Professor of Accounting (*Posthumous*)

COLLEGE OF MEDICINE:

Thomas M. Lincoln, Ph.D., Professor of Physiology
Jack W. Olson, Ph.D., Professor of Pharmacology
Glenn L. Wilson, Ph.D., Professor of Cell Biology and Neuroscience

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Zarintaj Aliabadi, PA-C, Pharm. D., Ph.D., Professor of Physician Assistant Studies

and,

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

WHEREAS, in accordance with University policy, the respective faculty committees, Departmental Chair, College Dean, and the Senior Vice President for Academic Affairs or Vice President for Health Sciences, and the President have duly recommended the aforementioned faculty retirees,

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

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



MEMORANDUM

University of South Alabama

Office of Academic Affairs

August 12, 2014

Approved
[Signature]
[Signature]

REC'D
OFFICE OF THE PRESIDENT
AUG 12 2014
UNIVERSITY OF SOUTH ALABAMA

TO: Tony Waldrop
FROM: G. David Johnson
SUBJECT: Emeritus Recommendations

In accordance with recommendations by the faculties, chairs and deans of the respective disciplines and colleges I recommend that the retired University of South Alabama faculty members listed below be granted the status of *Professor Emeritus and Associate Professor Emeritus*, as indicated, effective upon approval by you and the Board of Trustees.

- Dr. Roy J. Daigle, Professor of Computer and Information Sciences, Retired January 2013
- Dr. Norris W. Hoffman, Associate Professor of Chemistry, Retired June 2013
- Dr. David D. Langan, Professor of Computer Science, Retired May 2013
- Dr. Carl C. Moore, Professor of Management, Retired July 2014
- Dr. Joseph P. Mozur, Professor of Foreign Languages and Literatures, Retired May 2013
- Dr. Robert L. Shipp, Professor of Marine Sciences, Retired October 2013

In addition, I also recommend that

- Dr. Leonard A. Macaluso, Associate Professor of History
- Dr. Joseph A. Nigota, Associate Professor of History
- Dr. Frank R. Urbancic, Professor of Accounting

be granted posthumously the title of *Professor Emeritus and Associate Professor Emeritus*, as indicated, effective upon approval by you and the Board of Trustees.

Thank you.

GDJ/nc

UNIVERSITY OF SOUTH ALABAMA



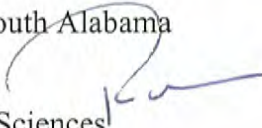
OFFICE OF THE VICE PRESIDENT
FOR HEALTH SCIENCES

REC'D
OFFICE OF THE PRESIDENT

AUG 14 2014

UNIVERSITY OF SOUTH ALABAMA
MOBILE, ALABAMA 36688-0002
FAX: (251) 460-6073

TO: Dr. Tony G. Waldrop
President, University of South Alabama

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

Date: August 13, 2014

SUBJECT: Health Sciences Division Professor Emeritus Recommendations, 2014

Below are my recommendations for the Health Sciences Division Professor Emeritus for 2014. These recommendations are being forwarded to you for your approval and for approval by the Board of Trustees.

RECOMMENDED:

COLLEGE OF MEDICINE:

Thomas M. Lincoln, Ph.D., Professor of Physiology
Jack W. Olson, Ph.D., Professor of Pharmacology
Glenn L. Wilson, Ph.D., Professor of Cell Biology and Neuroscience

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Zarintaj Aliabadi, PA-C, Pharm. D., Ph.D., Professor of Physician Assistant Studies

RESOLUTION

COMMENDATION OF DR. CARL C. MOORE

WHEREAS, Dr. Carl C. Moore has served as Dean of the University of South Alabama Mitchell College of Business for twenty-five years, and

WHEREAS, Dr. Moore has taught at the undergraduate, graduate and doctoral levels at the University of South Alabama for 43 years, and

WHEREAS, during his tenure as Dean, he established the Melton Center for Entrepreneurship, the Center for Real Estate Studies and Economic Development, and led the successful launch of the College's Doctorate in Business Administration, and

WHEREAS, Dr. Moore established and maintained excellent donor relationships that led to the renovation of the Mitchell College of Business building, establishment of the Mitchell Scholars Program and construction of the John Saint Financial Analysis Center and the Joseph and Rebecca Mitchell Learning Resource Center, and

WHEREAS, Dr. Moore was instrumental in bringing the Alabama Banking School to USA, guiding the College through successful re-accreditation by the Association to Advance Collegiate Schools of Business, and the initial accreditation of the College's programs in accounting,

THEREFORE, BE IT RESOLVED, that the University of South Alabama Board of Trustees expresses its appreciation to Dr. Carl C. Moore for his many contributions to the University of South Alabama and offers its best wishes upon his retirement.

RESOLUTION

REVISION TO RESIDENT AND NON-RESIDENT TUITION POLICY

WHEREAS, the Alabama Legislature has enacted legislation through Act 2014-177 that amends Sections 31-6-2, 31-6-4, 31-6-5, 31-6-6, 31-6-11, and 31-6-15 of the Code of Alabama 1975 relating to post-secondary scholarship benefits for dependents of veterans through the Alabama G.I. Dependents' Scholarship Program, and

WHEREAS, one such amendment requires Alabama institutions of higher learning to assess in-state tuition and fees for recipients of this scholarship, and

WHEREAS, these changes require modifications to the Resident and Non-Resident Tuition Policy at the University of South Alabama, and

WHEREAS, the Board of Trustees of the University of South Alabama supports these modifications as part of the University's ongoing commitment to our service men and women, to our veterans, and to their families,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves and adopts the amended Resident and Non-Resident Tuition Policy as set forth in the document attached hereto.



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF ACADEMIC AFFAIRS

REC'D
OFFICE OF THE PRESIDENT

JUL 21 2014

UNIVERSITY OF SOUTH ALABAMA

July 18, 2014

TO: Tony Waldrop
FROM: David Johnson 
SUBJECT: Resident and Non-Resident Tuition Policy

I have attached the revised Resident and Non-Resident Tuition Policy and a draft of a Board of Trustees resolution for your review. This version of the Residency Policy differs slightly from the version we forwarded to you in an earlier correspondence. The modifications were made to improve clarity and to modify a phrase that has been problematic for the Registrar (changing "at the time of admission to the university" to "at the time of registration"). The "at the time of registration" phrase is also consistent with the language in the law.

With your approval, the Registrar has implemented these changes and I would ask that you place this on the agenda of the September 12, 2014 meeting of the Board of Trustees. Once we have Board approval, we will notify the Alabama Commission on Higher Education of our compliance with the changes to the law.

GDJ/nc

attachments

*Approve placing
on BOT agenda
Tony Waldrop*

Residency

RESIDENT AND NON-RESIDENT TUITION POLICY

Students enrolling at the University of South Alabama who come to the state of Alabama from another state [with the exception of the Service Area in Florida (Escambia and Santa Rosa counties) and Mississippi (George, Greene, Harrison, Jackson, Perry, and Stone counties)] for the purpose of attending school will be considered a "non-resident student" for tuition purposes. The Office of Admissions determines a student's residency status at the time of admission. This determination is based on the application information, transcripts, and other documents required for admission and will default to "non-resident" status if any out-of-state information is received. After the initial determination of a student's residency status, the status shall continue unchanged through all registrations at the university until and unless 1) a non-resident student provides satisfactory evidence that they are a resident of Alabama as defined by this policy, or 2) a student classified as a resident is absent from Alabama with the intent to become a resident in another state. Residency status is also reviewed at the time of readmission to the university after any absence of one year (three semesters) or more. At the discretion of the institution, residency status can be reviewed at any time.

A person or, if the person is a minor, the person's supporting person(s) who moves to Alabama or to the Service Area for the primary purpose of attending college shall not be considered to have demonstrated intent to establish domicile in the Alabama or the Service Area and will not generally be considered eligible for classification as a resident student. A person or, if the person is a minor, the person's supporting person(s) who establishes domicile in Alabama or the Service Area for the sole purpose of avoiding Alabama non-resident tuition will be subject to non-resident tuition.

Non-resident students who carry a full-time academic load for the fall or spring semester will be presumed to be in Alabama or in the Service Area for the primary purpose of attending college. These students will not be considered to have demonstrated the intent to establish domicile in Alabama or the Service Area and will remain subject to non-resident tuition.

A "resident student" for tuition purposes is one who, at the time of registration/admission to the university,

- Is not a "minor" and is a resident of the state of Alabama and has been a resident of the state for a least one year (12 consecutive months) immediately preceding the date of registration; or
- Is a "minor" whose "supporting person(s)" is a resident of the state of Alabama and has been a resident of the state for at least one year immediately preceding the date of registration; or
- **Is a recipient of the Alabama G.I. Dependents' Scholarship administered through the Alabama Department of Veterans Affairs; or**
- One who, at the time of registration, is not a "minor" and:
 - Is a full-time (not temporary) employee of the University of South Alabama or is the spouse of such an employee; or
 - Is employed as a graduate assistant or fellow at the University of South Alabama; or
 - Is able to verify full-time permanent employment within the state of Alabama and shall commence said employment not more than 90 days after registration (first day of classes) with the institution, or is the spouse of such an employee; or
 - Is a member or the spouse of a member of the United States military on full-time active duty stationed in Alabama under orders for duties other than attending school; or
 - Is a resident of any county within the University of South Alabama's Service Area (Florida: Escambia and Santa Rosa counties; and Mississippi: George, Greene, Harrison,

- Jackson, Perry, and Stone counties) and has been a resident of that county for at least one year immediately preceding the date of registration; or
- Has been a member of the Alabama National Guard for a period of at least two years immediately preceding the student qualifying for resident tuition and continues to be a member of the Alabama National Guard while enrolled at the University of South Alabama; or
- Is a veteran of the Armed Forces of the United States, provided that the veteran has become a resident of Alabama and satisfies one of the following conditions:
 1. The veteran has served on active duty for a continuous period of time, not less than two years, and has received an honorable discharge as verified by a United States Department of Defense Form 214 within five years of enrolling at the University of South Alabama.
 2. The veteran is currently serving in a reserve component of the Armed Forces of the United States as verified by a memorandum from the commanding officer of the veteran student.
 3. The veteran has been assigned a service-connected disability by the United States Department of Veterans Affairs; or
- Is in a program or takes courses within an interstate consortium of colleges or universities that either offers reciprocal resident student tuition to residents of Alabama in the program or courses offered by colleges or universities not within Alabama, or is enrolled in a program or courses through an interstate consortium of colleges or universities that assesses tuition at a uniform rate for all students enrolled in that course or program; or
- Is an accredited member of or the spouse of an accredited member of a consular staff assigned to duties in Alabama; or
- One who, at the time of registration, is a "minor" and whose "supporting person(s)":
- Is a full-time employee (not temporary) of the University of South Alabama; or
- Is able to verify full-time permanent employment within the state of Alabama and shall commence said employment not more than 90 days after registration (first day of classes) with the institution; or
- Is a member of the United States military on full-time active duty stationed in Alabama under orders for duties other than attending school; or
- Is an accredited member of a consular staff assigned to duties in Alabama; or
- Is a resident of any county within University of South Alabama's Service Area and has been a resident of that county for at least one year immediately preceding the date of registration.

A non-resident student is one who does not meet the criteria for a "resident student" as specified in the preceding section.

The ultimate determination of residency status shall be made by the institution. In determining whether the student is in fact a resident of Alabama or a resident of the Service Area for the purposes of assessing a student non-resident fee, the burden of proof is on the student. A student can change their status from non-resident to resident student only by establishing a physical presence and place in Alabama or in the predefined Service Area and by providing clear and convincing evidence that, for 12 consecutive months prior to the semester of registration, this presence and place has been the student's or, if the student is a minor, the student's supporting person's single location at which they reside with the intent of remaining in that location indefinitely as evidenced by more substantial connections with that place than with any other place and not for the purposes of obtaining an education.

Definitions:

- **Minor Students:** Minor Students are those students who lack the capacity to contract under the law of the State of Alabama because of their age (persons under 19 years of age or persons under 18 years of age if married) excluding those persons whose disabilities of non-age have been removed by a court of competent jurisdiction for a reason other than establishing a legal residence in Alabama.
- **Residence:** For the purpose of this policy, a residence shall be the single location at which a person resides with the intent of remaining in that location indefinitely as evidenced by more substantial connections with that place than with any other place and not for the purposes of obtaining an education.
- **Resident:** A person or, if the person is a minor, the person's supporting person(s) whose residence is in the ~~s~~State of Alabama or the defined Service Area and not for the purposes of obtaining an education.
- **Residence of a Minor Student:** The residence of a minor student shall be the residence of his or her supporting parent unless neither parent has legal custody. When neither parent has legal custody, the residence of the minor student shall be the residence of the person having legal custody of the minor student.
- **Supporting person:** If the student's parents are living together, the "supporting person(s)" may be either or both of the parents. If the parents are divorced or living separately, then either the parent having legal custody or the parent providing the greater amount of financial support of the two (verified by a copy of the most recent income tax return.) If both parents are deceased or if neither had legal custody, then supporting person shall be established in the following order: legal custodian of the student, and, if none, the guardian, and, if none, the conservator.
- **Service Area:** The following counties in the states of Florida and Mississippi shall be defined as the University of South Alabama Service Area: in Florida: Escambia and Santa Rosa; in Mississippi: George, Greene, Harrison, Jackson, Perry, and Stone.
- **Resident/Non-resident Student:** In determining resident or non-resident classification, the primary issue is one of intent. If a person is in Alabama primarily for the purpose of obtaining an education, that person shall be considered a non-resident student.

How does a Non-resident student request reclassification of residency status for tuition purposes?

To be reclassified for tuition purposes, a non-resident student must prove by sufficient evidence, as determined by the institution, that he or she is a resident of the state of Alabama. A student's status as a resident student is determined by one of the following methods by proving that:

- The student has a residence in the state of Alabama which means the specific address in Alabama at which they reside; that they intend to remain there indefinitely; that they have more substantial connections with Alabama than with any other state; and that the student has established a physical presence and place that has been their true, fixed, and permanent place of habitation for the 12 consecutive months preceding the semester of registration; or
- The student is not a "minor" and is a full-time employee (not temporary) of the University of South Alabama or is the spouse of such an employee; or
- The student is able to verify full-time permanent employment within the state of Alabama and shall commence said employment not more than 90 days after registration (first day of classes) with the institution, or is the spouse of such an employee; or
- The student is a member or the spouse of a member of the United States military on full-time active duty stationed in Alabama under orders for duties other than attending school; or
- The student is a recipient of the Alabama G.I. Dependents' Scholarship administered through the Alabama Department of Veterans Affairs; or

- The student is a resident of any county within the University of South Alabama's Service Area and has been a resident of that county for at least one year immediately preceding the date of registration; or
- The student has been a member of the Alabama National Guard for a period of at least two years immediately preceding the student qualifying for resident tuition and continues to be a member of the Alabama National Guard while enrolled at the public institution of higher education; or
- The student is in a program or takes courses within an interstate consortium of colleges or universities that either offers reciprocal resident student tuition to residents of Alabama in the program or courses offered by colleges or universities not within Alabama, or is enrolled in a program or courses through an interstate consortium of colleges or universities that assesses tuition at a uniform rate for all students enrolled in that course or program; or
- The student is an accredited member of or the spouse of an accredited member of a consular staff assigned to duties in Alabama.

If the student is a minor, then the minors "supporting person," as that term is defined in the Non-resident Tuition Policy statement, must meet similar tests which are described in the Non-resident Tuition Policy.

In determining whether a student has a residence in Alabama, the University will evaluate the presence or absence of connections with the state of Alabama including, but not limited to, the following:

- Continuous physical presence in the state for a purpose other than attending school except for temporary absences for travel, military service, temporary employment, etc.
- Payment of income tax to the State of Alabama or Service Area in the previous calendar year.
- Voter registration in the State of Alabama or Service Area; more significantly certification of voting in the State of Alabama or Service Area that initially occurred at least 12 months prior to the initial registration of the student in Alabama at a public institution of higher education.
- Evidence of employment in the State of Alabama or Service Area for the 12 consecutive months prior to the semester of registration.
- In-state address and date shown on selective service registration, driver's license, automobile title registration, hunting and fishing license, insurance policies, stock and bond registrations, last will and testament, annuities, or retirement plans.
- Ownership of personal property in the state and payment of state taxes thereon (e.g. automobile, boat, etc.) and possession of state license plates.
- Ownership of a residence or other real property in the state and payment of state ad valorem taxes thereon; more significantly ownership of a residence other than the place where the student resides while in school.
- Residence in the state of a spouse, parents, or children.
- Transfer of all banking services to Alabama, such as "checking **and** savings" accounts, safe deposit boxes, and/or investment accounts.
- Financial transactions in the state or Service Area.
- Previous periods of residency in the state continuing for 12 months or more.
- Possession of state or local licenses to do business or practice a profession in the state.
- Membership in religious, professional, business, civic, or social organizations in the state not connected to their status as a student.
- Location within the state of the high school from which the individual graduated.
- Financial independence from non-Alabama resident parents or other relatives.
- Military records, such as Leave & Earning Statements, showing an in-state address. CO Letter indicating date of Assignment in Alabama or Service Area (for Active Duty Military).
- Documentation that Alabama is home state of record for returning military personnel.

This list is not meant to be all inclusive and merely describes examples of supporting evidence which may be considered in the determination of whether a student has more substantial

connections with the state of Alabama than any other state. Supplying such supporting evidence does not guarantee classification as a resident.

For a student who is not a minor, factors which may show more connections with a state other than Alabama include, but are not limited to, the following:

- Student maintains ties with another state such as maintaining a driver's license in another state, or owning a house in another state.
- Student begins living in Alabama shortly before or only after being admitted to attend school in an Alabama university.
- Student lives in Alabama only while in school and returns repeatedly to another state during summer term, vacations, and holidays.
- A parent or other person who is not an Alabama resident provides more than minimal or occasional financial support.
- Student leaves personal possessions in another state and only brings to Alabama what is necessary for temporary stay.
- Student receives PLUS loan money from parents who are not Alabama residents.
- Student receives personal loans other than from a financial institution.
- Student obtains loans with co-borrowers who are non-Alabama residents.
- Student receives financial aid that requires the student to be a resident of another state.

Online Programs

Tuition and fees for programs delivered in a distance format are assessed based on a separate schedule approved by the Board of Trustees.

International Student Residency Status

In general, international students may apply for residence reclassification but must have the ability to remain indefinitely in the United States and otherwise meet the requirements of the Alabama Code and Board Rule 202. More specifically, a person must be a Permanent Resident Alien, Political Asylee, Political Refugee, or hold an A, E, G, H, I, L, O, P, R, TC, TD or TN visa to be eligible for review as an in-state resident for tuition purposes. Students who hold a B, F, J, or M visa are not eligible to establish Alabama residency unless their supporting person is an Alabama resident or is a full-time employee of a company party to an Alabama Free Trade Agreement.

Academic Common Market Non-Resident Tuition Remission

Academic Common Market (ACM) non-resident tuition remission (exemption) is available to students from certain states for specific academic programs. Application must be made first with the awarding state. The student must be a legal resident of that state and approved for a specific major at the University of South Alabama. Both undergraduate and graduate students are eligible to apply. The waiver is 100 percent of the non-resident tuition remission and will remain at this level unless the student's field of study changes, or a student no longer has full-time status.

A qualified student must maintain full-time status, remain in academic good standing and comply with all the requirements of the degree program. If a student changes their major from the approved ACM certified major, then they must inform the Office of the Registrar at USA of the change of status. The student will be responsible for the non-resident tuition for the remaining semesters at the University of South Alabama. To be eligible for the non-resident tuition remission during the first semester of enrollment, applications and resident verification must be submitted to and approved by the Office of the Registrar prior to the first day of class.

For more information about submission and deadlines, please contact the Office of the Registrar at (251) 460-6251. Students seeking information on the Academic Common Market waiver should contact the Academic Common Market at:

Southern Regional Education Board
592 10th St. N.W.
Atlanta, GA 30318-5776

Main phone: (404) 875-9211

Main fax: (404) 872-1477

[http://www.sreb.org/page/1304/academic common market.html](http://www.sreb.org/page/1304/academic%20common%20market.html)

RESOLUTION

**AUTHORIZATION TO NEGOTIATE AND SIGN CONTRACT EXTENSION
FOR FOOD SERVICE**

WHEREAS, the current food service contract with Aramark expires on June 30, 2020, and Aramark has expressed an interest in restructuring the contract if there is an extension of the termination date, and

WHEREAS, financial benefits will accrue to the University from a restructuring and extension of the contract, and

WHEREAS, approval by the Board of Trustees is required to extend the contract,

THEREFORE, BE IT RESOLVED, pursuant to Code of Alabama, Section 41-16-27 (g), the Board of Trustees authorizes the President to negotiate and sign a contract extension with Aramark that is within the limits and requirements allowed by law, and

BE IT FURTHER RESOLVED, any contract extension will not increase meal plan rates for the current academic year.

UNIVERSITY OF SOUTH ALABAMA

VICE PRESIDENT FOR STUDENT AFFAIRS
AND SPECIAL ASSISTANT TO THE PRESIDENT



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

TO: Tony Waldrop, President

FROM: John W. Smith,  Vice President for Student Affairs and
Special Assistant to the President

DATE: September 2, 2014

RE: Aramark Contract

Our current contract with Aramark ends on June 30, 2020. Because of the growth of the University and our on-campus housing, I believe we have the opportunity to change the structure of the contract and improve the financial arrangements for the University. I have had preliminary discussions with Aramark about the re-structuring of the contract and they have indicated a willingness to do this if there is an extension of the contract. My intent would be to make the changes to the contract with no increase in the current meal plan rates. Therefore, I recommend the attached resolution for your consideration to present to the Board of Trustees.

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Nine Months Ended June 30, 2014 and 2013

Unaudited

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Nine Months Ended June 30, 2014 and 2013

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University of South Alabama

Management's Discussion and Analysis

Introduction

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

Financial Highlights

At June 30, 2014, the University had total assets and deferred outflows of \$1,079,694,000 total liabilities of \$576,270,000 and net position of \$503,424,000. University net position increased \$10,434,000 for the nine months ended June 30, 2014 compared to an increase of \$15,207,000 for the nine months ended June 30, 2013. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the University at and for the nine months ended June 30, 2014 and 2013 follow (in thousands):

Condensed Statements of Net Position

	2014	2013
<i>Assets and deferred outflows</i>		
Current	\$ 380,669	\$ 334,272
Capital and other noncurrent assets	689,109	707,744
Deferred outflows	9,916	-
	<u>1,079,694</u>	<u>1,042,018</u>
<i>Liabilities</i>		
Current	153,309	131,721
Noncurrent	422,961	441,561
	<u>576,270</u>	<u>573,282</u>
<i>Net Position</i>		
Net Investment in Capital Assets	227,597	228,651
Restricted, nonexpendable	38,668	35,672
Restricted, expendable	61,429	53,056
Unrestricted	175,730	151,357
	<u>\$ 503,424</u>	<u>\$ 468,736</u>

University of South Alabama

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2014	2013
<i>Operating revenues</i>		
Tuition and fees	\$ 87,254	\$ 81,466
Hospital revenues, net	197,506	189,634
Other	88,470	92,269
	<u>373,230</u>	<u>363,369</u>
<i>Operating expenses</i>		
Salaries and benefits	318,158	304,414
Supplies and other services	110,713	105,378
Other	37,165	37,016
	<u>466,036</u>	<u>446,808</u>
Operating loss	(92,806)	(83,439)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	77,772	76,239
Other, net	17,587	11,342
Net nonoperating revenues, net	<u>95,359</u>	<u>87,581</u>
Other revenues, expenses, gains or losses	7,881	11,065
Increase in net position	10,434	15,207
<i>Net Position</i>		
Beginning of period	492,990	453,529
End of period	<u>\$ 503,424</u>	<u>\$ 468,936</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 position 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 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

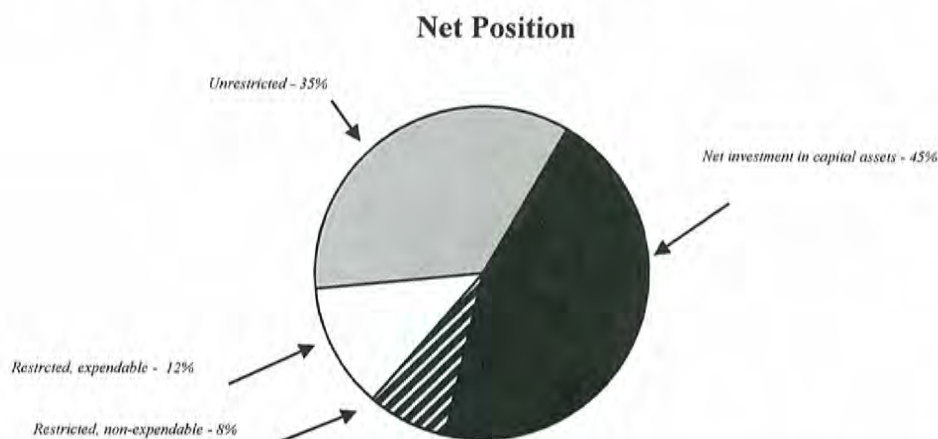
University of South Alabama

Management's Discussion and Analysis (continued)

accounting, whereby revenues are recognized when the goods or services are 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, accrued liabilities and unrecognized revenue.

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 position is subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

University of South Alabama

Management's Discussion and Analysis (continued)

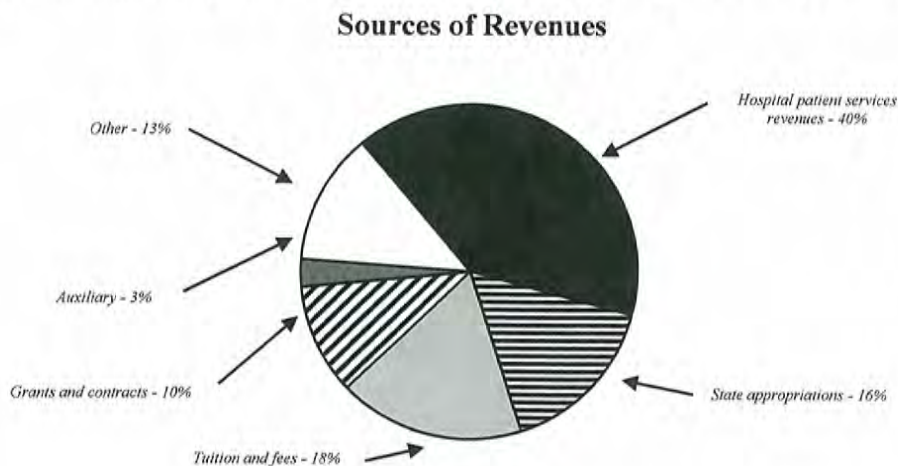
Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic and research programs and initiatives as well as capital projects.

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:

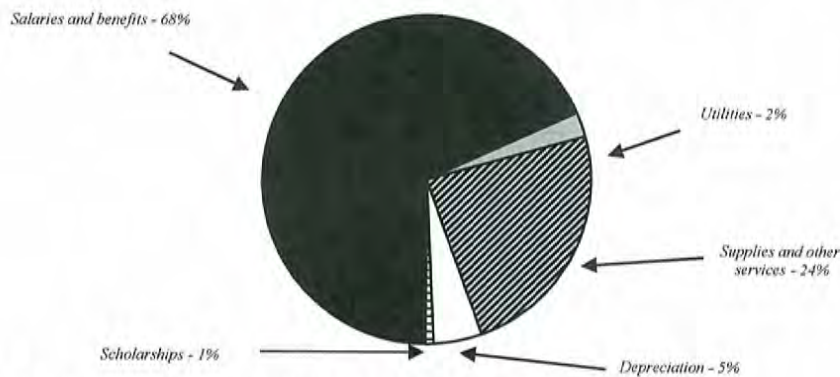


University of South Alabama

Management's Discussion and Analysis (continued)

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 and construction planning continued on the Medical Professional Office Building and a major renovation of the Student Center. Additionally, several other smaller construction and renovation projects at the University and Hospitals remained ongoing during the current period. The construction of New Hall and the expansion of the USA Children's and Women's Hospital were essentially completed in fiscal 2013. In fiscal 2012, the renovation of the University Bookstore and the Campus Entrance Portals were placed into service.

In June 2013, the University issued the University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, with a face value of \$50,000,000. The net proceeds of these bonds will be used to fund the construction of a new professional medical office building as well as other construction and other capital projects on the main campus of the University.

In March 2014, the University issued the University Facilities Revenue Refunding Bond, Series 2014-A, with a face value of \$21,245,000. The net proceeds of this bond will be used to refund the University's Series 2004 bonds in April 2014.

University of South Alabama

Management's Discussion and Analysis (continued)

The University's bond credit rating is A1 as rated by Moody's Investors Services and A+ as rated by Standard and Poor's Rating Services. Neither rate has changed during 2013 or 2014.

In order to realize debt service savings currently from future debt refunding, in January 2008, the University entered into synthetic advance refundings of the outstanding Series 2004 and 2006 bonds. These transactions were 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 interest rate swaps with respect to the Series 2004 and 2006 bonds. A portion of this payment is considered a borrowing and is included in the long-term debt of the University. The fair value component of the refunding associated with the swaps is considered an investment derivative and, as such, the change in the fair value component is reflected as a component of investment income.

In December 2013, the counterparty exercised its option to force the University to enter into a swap transaction. See Note 7 for a complete discussion of this transaction.

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

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

A state appropriation in the amount of approximately \$105,639,000 was authorized and received for the year ended September 30, 2012.

University of South Alabama

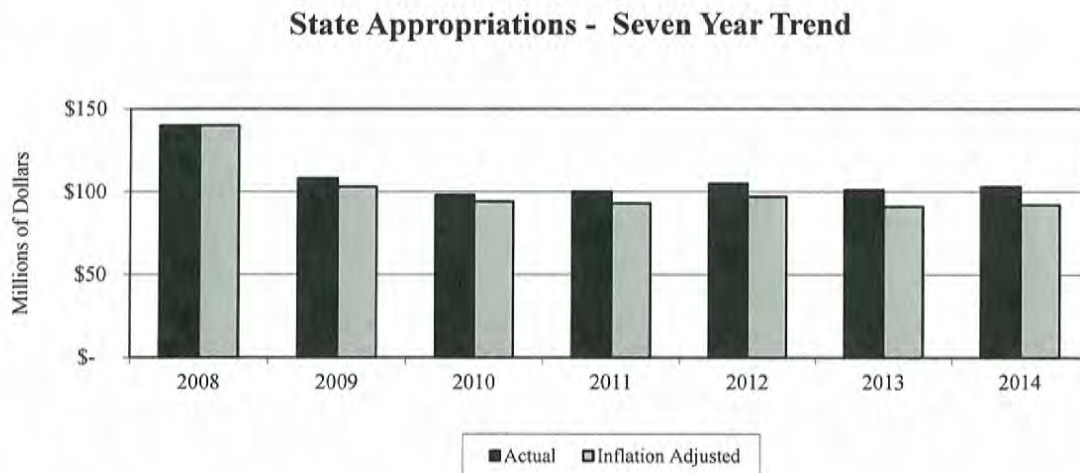
Management's Discussion and Analysis (continued)

A state appropriation in the amount of approximately \$102,585,000 was authorized and received for the year ended September 30, 2013.

A state appropriation in the amount of approximately \$102,696,000 has been authorized and is being received for the year ending September 30, 2014. While no announcement has been made, the University is aware that reductions in its 2014 appropriation are possible.

A state appropriation in the amount of approximately \$103,424,000 has been authorized for the year ending September 30, 2014. The University is aware that reductions in its 2014 appropriation are possible.

State appropriations (actual and adjusted for inflation) for the last seven 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.

University of South Alabama

Management's Discussion and Analysis (continued)

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2014 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Position

June 30, 2014 and 2013

(In thousands)

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 59,700	\$ 93,879
Investments, at fair value	186,590	120,899
Net patient service receivables	47,372	29,380
Accounts receivable, affiliates	15,447	30,457
Accounts receivable, other	54,055	46,317
Notes receivable, net	6,699	4,013
Prepaid expenses, inventories and other	10,806	9,329
Total current assets	380,669	334,274
Noncurrent assets		
Restricted cash and cash equivalents	39,740	96,931
Restricted investments	37,299	-
Investments, at fair value	624	976
Accounts receivable	4,054	3,869
Notes receivable, net	4,668	8,000
Other noncurrent assets	27,106	36,128
Capital assets (net of accumulated depreciation)	575,618	561,840
Total noncurrent assets	689,109	707,744
Deferred outflows	9,916	-
Total assets and deferred outflows	1,079,694	1,042,018
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	63,576	45,579
Unrecognized revenue	72,532	73,176
Deposits	2,922	2,171
Current portion of long-term debt	14,279	10,795
Total current liabilities	153,309	131,721
Noncurrent liabilities		
Long-term debt	381,280	393,977
Other long-term liabilities	41,681	47,584
Total noncurrent liabilities	422,961	441,561
Total liabilities	576,270	573,282
Net position		
Net investment in capital assets	227,597	228,651
Restricted, nonexpendable		
Scholarships	17,165	15,418
Other	21,503	20,254
Restricted, expendable		
Scholarships	15,735	10,310
Other	45,694	42,746
Unrestricted	175,730	151,357
Total net position	\$ 503,424	\$ 468,736

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Nine Months Ended June 30, 2014 and 2013

(In thousands)

	<u>2014</u>	<u>2013</u>
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 87,254	\$ 81,466
Patient services and other (net of contractual allowances and bad debt expense)	197,506	189,634
Federal grants and contracts	13,742	11,720
State grants and contracts	5,777	4,770
Private grants and contracts	32,913	40,083
Auxiliary enterprises (net of scholarship allowances)	13,126	12,046
Other operating revenues	22,912	23,650
Total operating revenues	<u>373,230</u>	<u>363,369</u>
Expenses		
Operating expenses		
Salaries and benefits	318,158	304,414
Supplies and other services	110,713	105,378
Scholarships and fellowships	3,684	3,458
Utilities	11,262	10,126
Depreciation and amortization	22,219	23,432
Total operating expenses	<u>466,036</u>	<u>446,808</u>
Operating loss	(92,806)	(83,439)
Nonoperating revenues (expenses)		
State appropriations	77,772	76,239
Investment income and gains (losses) on investments	9,360	6,733
Interest on indebtedness	(10,061)	(9,716)
Other nonoperating revenues	22,494	20,627
Other nonoperating expenses	(4,206)	(6,302)
Net nonoperating revenues	<u>95,359</u>	<u>87,581</u>
Income before other revenues, expenses, gains or losses	2,553	4,142
Capital appropriations	2,489	84
Capital gifts and grants	560	8,698
Additions to endowment	4,832	2,283
Increase in net position	<u>10,434</u>	<u>15,207</u>
Net position		
Beginning of period	492,990	453,529
End of period	<u>\$ 503,424</u>	<u>\$ 468,736</u>

See accompanying notes to basic financial statements.

University of South Alabama

Statement of Cash Flows

Nine Months Ended June 30, 2014 and 2013

(in thousands)

	2014	2013
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 58,638	\$ 58,904
Receipts from and on behalf of patients and third-party payers	193,230	191,498
Receipts from grants and contracts	56,109	55,993
Receipts related to auxiliary enterprises	10,877	9,552
Payments to suppliers and vendors	(119,747)	(131,252)
Payments to employees and related benefits	(321,657)	(304,714)
Payments for scholarships and fellowships	(3,683)	(3,458)
Other operating receipts	31,946	39,003
Net cash used in operating activities	(94,287)	(84,474)
Cash flows from noncapital financing activities:		
State appropriations	69,131	67,798
Endowment gifts	4,832	2,283
Agency funds received	701	1,303
Agency funds disbursed	(510)	(1,298)
Student loan program receipts	(68,915)	66,360
Student loan program disbursements	68,923	(66,516)
Other nonoperating revenues	22,550	29,267
Other nonoperating expenses	(6,473)	(6,302)
Net cash provided by noncapital financing activities	90,239	92,895
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	41,245	50,000
Capital gifts and grants	572	9,663
Purchases of capital assets	(24,703)	(47,886)
Proceeds from sale of capital assets	3,698	3,556
Principal payments on capital debt	(47,590)	(6,235)
Interest payments on capital debt	(10,483)	(9,603)
Net cash provided by (used in) capital and related financing activities	(37,261)	(505)
Cash flows from investing activities:		
Interest and dividends on investments	4,035	3,436
Proceeds from sales of investments	(93,343)	21,529
Purchases of investments	8,934	(45,426)
Net cash provided by (used in) investing activities	(80,374)	(20,461)
Net decrease in cash and cash equivalents	(121,683)	(12,545)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	221,123	203,355
End of period	\$ 99,440	\$ 190,810

University of South Alabama

Statement of Cash Flows

Nine Months Ended June 30, 2014 and 2013

(in thousands)

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (92,806)	\$ (83,439)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	22,219	23,432
Changes in operating assets and liabilities, net:		
Student receivables	(42,652)	(37,061)
Net patient service receivables	(18,318)	(2,542)
Grants and contracts receivables	2,282	(2,034)
Other receivables	(1,837)	12,520
Prepaid expenses, inventories, and other	(325)	1,738
Accounts payable and accrued liabilities	13,016	(20,818)
Unrecognized revenue	24,134	23,730
Net cash used in operating activities	\$ <u>(94,287)</u>	\$ <u>(84,474)</u>

See accompanying notes to basic financial statements.

University of South Alabama
Notes to Financial Statements
June 30, 2014

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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable 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.

During 2013, the University adopted GASB Statement No. 61, the Financial Reporting Entity: Omnibus, which amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether criteria organization should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria, 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, 39 and 61.

GASB Statement No. 61 requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 61. Based on these criteria, the University reports the Professional Liability Trust Fund, the General Liability Trust Fund and the USA HealthCare Management, LLC as blended component units. For quarterly reporting purposes, only the USA HealthCare Management, LLC is presented as a blended component unit.

University of South Alabama
Notes to Financial Statements
June 30, 2014

Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in a separate professional liability trust fund (the PLTF) in which the University, USAHSF, 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 and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president.

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.

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

University of South Alabama
Notes to Financial Statements
June 30, 2014

retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with the GASB.

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
June 30, 2014

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

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

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

Certain buildings are componentized for depreciation purposes.

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

Unrecognized 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. This lease was terminated in July 2013. As such no amounts remain in unrecognized revenue at December 31, 2013 related to this transaction.

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

University of South Alabama
Notes to Financial Statements
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designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board, to meet current expenses for any purpose. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

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

Scholarship Allowances and Student Financial Aid

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

Donor Restricted Endowments

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

Classification of Revenues

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

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

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

Gifts and Pledges

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

Grants and Contracts

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

Net Patient Service Revenue

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

Recently Adopted Accounting Pronouncements

In 2013, the University adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 amends GASB Statements No. 14 and 39 and modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 61 requires that for organizations that previously were included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Statement No. 61 also established criteria to require inclusion based on other additional factors, such as organization board appointment, financial benefit or

University of South Alabama
Notes to Financial Statements
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burden and operational management of the organization. The adoption of this statement had no financial reporting entity impact on the University's component units; however it did require additional disclosures for blended component units.

In 2013, the University also adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2014. Retroactive application of the standard was required for all prior periods presented.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reports as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The University had historically deferred certain debt financing costs related to its bond issues and was amortizing those costs over the term of the related bond issue. GASB Statement No. 65 requires that debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred.

Compensated Absences

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

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.

University of South Alabama
Notes to Financial Statements
June 30, 2014

Reclassifications

Certain amounts in the 2013 basic financial statements have been reclassified to conform to 2014 classification.

2. Income Taxes

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

3. Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2013, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$9,778,000,000.

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.

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

Credit Risk and Concentration of Credit Risk

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

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

Interest Rate Risk

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

5. Derivative Transactions – Synthetic Advance Refunding

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

Objective of the derivative transaction

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

Terms

A summary of the transactions is as follow:

University of South Alabama
Notes to Financial Statements
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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

In December 2013, Wells Fargo exercised its option related to the Series 2004 swaption. As a result, the University was forced to enter into an interest rate swap. Additionally a payment of \$803,000, reported as other non-operating revenue in the statements of revenues, expenses and changes in net position, was received from Wells Fargo to cover the cost of refinancing the 2004 bonds. See Note 7 for a complete discussion of this transaction.

If the counterparty exercises its option in 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 \$100,000,000 for the 2006 bonds, of the underlying swap contract. Simultaneously, the University would call outstanding 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 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 2006 bonds.

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

Financial statement presentation

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

University of South Alabama
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	<u>2004 Bonds</u>	<u>2006 Bonds</u>
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.

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

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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 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.

University Facilities Revenue Capital Improvement Bond, Series 2013-A, 2.83% payable through August 2033.

University Facilities Revenue Capital Improvement Bond, Series 2013-B, 2.83% payable through August 2033.

University Facilities Revenue Capital Improvement Bond, Series 2013-C, 2.78% payable through August 2025

University Facilities Revenue Refunding Bond, Series 2014-A, 68% of one-month LIBOR rate plus .73%, payable through March 2024

Borrowing arising from swaption, Series 2004 Bonds

Borrowing arising from swaption, Series 2006 Bonds

University of South Alabama
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Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds include Children's and Women's Hospital revenues in amounts not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and Series 1999 Capital Appreciation Bonds 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. The 2012-A and 2012-B bonds began maturing in August 2013. The 2012-A Bond is redeemable beginning in August 2021. The 2012-B Bond is redeemable beginning in January 2015. The 2013-A, 2013-B and 2013-C Bonds begin maturing in August 2014 and are redeemable beginning in June 2023.

In January 2008, the University entered into synthetic advance refundings 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 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. Derivative Transaction - Interest Rate Swap

The University is a party to a derivative with Wells Fargo Bank, N. A. (Wells Fargo), the counterparty. As more fully described in Note 5, in December 2013, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2004 bonds to enter into an interest rate swap agreement with the University with an effective date of March 15, 2014. The resulting derivative is a "receive-variable, pay-fixed" interest rate swap. As part of the overall plan of the synthetic refunding of the 2004 bonds, the University refunded those bonds in April 2014 with proceeds from the 2014-A bonds.

Objective of the transaction. As noted the interest rate swap was the result of the original January 2008 synthetic advance refunding of the Series 2004 bonds. The object of that transaction was to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

University of South Alabama
Notes to Financial Statements
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The swap will terminate in March 2024, when the 2014 bond matures. The notional amount of the swap will at all times match the outstanding principal amount of the bond. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 4.9753% and receives on a monthly basis a variable payment of 68% of the one-month London Interbank Offered Rate (LIBOR) plus .25%. Conversely, the Series 2014-A bond bears interest on a monthly basis at .68% of the one-month LIBOR rate plus .73%.

Fair value. The interest rate swap had a negative fair value of approximately \$(9,138,000) at March 31, 2014.

The changes in fair value are reported as a deferred outflow on the statements of net position since the interest rate swap is a hedging derivative instrument.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Interest rate risk. As the LIBOR decreases, the net payment on the swap increases. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payment on the Series 2014-A bonds. The University's exposure is limited to .48% of the notional amount, the difference in the payment from the counter party and the interest payment on the 2014-A bonds.

Credit risk. As of March 31, 2014, the University was not exposed to credit risk on the interest rate swap because it had a negative fair value. However, if interest rates change and the fair value of the derivative become positive, the University would have a gross exposure to credit risk in the amount of the derivatives' fair value. The counterpart was rated Aa3 by Moody's Investor Services and AA- by Standard & Poor's Ratings Services as of September 30, 2013.

Termination risk. The University may be required to terminate the swap based on certain standard default and termination events, such as failure to make payments, breach of agreement, and bankruptcy. As of the current date, no events of termination have occurred.

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

University of South Alabama
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	Variable rate loan		Interest rate	Total
	Principal	Interest	swap, net	
2014	\$ -	175	951	1,126
2015	470	400	1,837	2,707
2016	490	643	1,568	2,701
2017	615	916	1,265	2,796
2018	640	1,088	1,059	2,787
2019-2023	30,575	4,406	2,914	37,895
2024	8,455	150	82	8,687
	<u>\$ 41,245</u>	<u>7,778</u>	<u>9,676</u>	<u>58,699</u>

8. Net Patient Service Revenue

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

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

Medicare – Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospitals are reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Hospitals generally are reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospitals and audits by the Medicare fiscal intermediary. The cost report for the USA Medical Center has been audited 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

University of South Alabama
Notes to Financial Statements
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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.

9. 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 to the Infirmary. The original lease was 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. The lease provided for its termination, 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 was deemed by the Infirmary as significant, as defined by the lease. The hospital was operating as Mobile Infirmary West.

In October 2012, officials of the Infirmary publicly announced the closing of the Mobile Infirmary West effective October 31, 2012.

As a result of the closing of the hospital, in May 2013, the University's Board of Trustees determined that it was in the best interest of the University to sell Knollwood Hospitals, all related furniture and equipment, adjacent medical office buildings, and land. As such,

University of South Alabama
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the Board approved a resolution authorizing University management to seek proposals for the sale of Knollwood and proceed with negotiations with potential buyers. Subsequent to a public advertisement and negotiation period, the University and Infirmary entered into a Purchase and Sale Agreement (the Agreement), dated June 3, 2013. The Agreement called for the sale of all land, building, furniture and equipment at Knollwood to the Infirmary. Following a period of due diligence, the transaction was closed on July 19, 2013.

10. Employee Benefits

Retirement and Pension Plans

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

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

All employees covered by this retirement plan must contribute 7.5% of their eligible earnings to TRS. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually.

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

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.

University of South Alabama
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June 30, 2014

Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. 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.

11. Risk Management

The University, USAHSF and the LLC participate in the professional liability trust fund and the University, LLC, RTC, HSF and SAMSF participate 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.

University of South Alabama
Notes to Financial Statements
June 30, 2014

12. 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.

13. Commitments and Contingencies

Grants and Contracts

The University had been awarded certain amounts in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

Letter of Credit

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

Litigation

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

Rent Supplement Agreement

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. These agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the

University of South Alabama
Notes to Financial Statements
June 30, 2014

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.

14. Significant New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 changes accounting and financial reporting for entities participating in certain pension plans and will be effective for the year ending September 30, 2015. In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposal of government operations and will be effective for the year ending September 30, 2015. In November 2013, the GASB issued Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date*. GASB Statement No. 71 is was issued as an amendment of GASB Statement No. 68 with an objective of addressing an issue regarding application of the transition provisions of Statement No. 68 relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 71 will be effective for the year ending September 30, 2015.

The effect of the implementation of GASB Statements Nos. 68, 69 and 71 on the University has not been determined.

RESOLUTION

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

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

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

WHEREAS, Danny K. Patterson and Ms. Cheryl Coleman Williams were elected to serve as directors for four-year terms which concluded in June 2014 but continue to serve pursuant to the Corporation’s Amended Bylaws, which provide that directors hold office until their successors have been duly elected and qualified; and

WHEREAS, the Board of Directors of the Corporation has nominated for consideration and confirmation by the Board of Trustees of the University Mr. Danny K. Patterson and Ms. Cheryl Coleman Williams for additional four (4) year terms beginning September 2014, and these persons have agreed to serve in this capacity if elected,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby elect as Directors of the USA Research and Technology Corporation Mr. Danny K. Patterson and Ms. Cheryl Coleman Williams, both for four (4) year terms beginning September 2014.



MEMORANDUM

University of South Alabama
Office of the Vice President for Research
and Economic Development

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

Date: September 3, 2014

REC'D
Office of the President

SEP 09 2014

To: President Tony G. Waldrop

University of South Alabama

From: Lynne Chronister
Vice President for Research and Economic Development

Subject: Agenda Item for September 12, 2014 University of South Alabama Board of Trustees Meeting: Resolution—Reappointment of Danny Patterson and Cheryl Williams as Directors of the USA Research and Technology Corporation Board of Directors

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama concerning the reappointment of Danny Patterson and Cheryl Williams as Directors of the USA Research and Technology Corporation Board of Directors. 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.

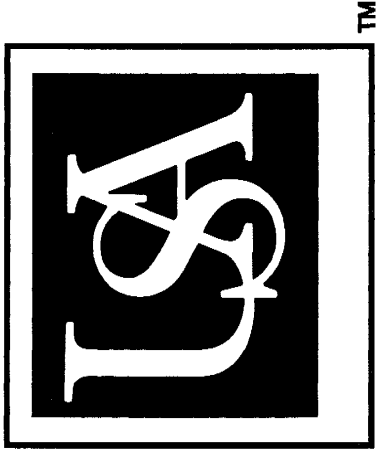
Attachment

RESOLUTION

UNIVERSITY TOTAL BUDGET FOR 2014-2015

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2014-2015 University of South Alabama Total Budget, which includes both the University General Budget and the Hospitals and Clinics Budget, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees approves the 2014-2015 Total Budget as a continuation budget for 2015-2016 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2015-2016 fiscal year.



**UNIVERSITY OF SOUTH ALABAMA
BUDGET
2014-2015**

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UNIVERSITY OF SOUTH ALABAMA
2014-2015 BUDGET SUMMARY
TOTAL CURRENT FUNDS

	2014-2015 BUDGET		2013-2014 BUDGET
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
TUITION AND FEES	\$ 140,531,932	\$	\$ 140,531,932
STATE APPROPRIATIONS	103,973,584		103,973,584
FEDERAL GRANTS AND CONTRACTS	3,960,832	44,233,000	48,193,832
STATE AND LOCAL GRANTS AND CONTRACTS	626,938	6,641,000	7,267,938
PRIVATE GIFTS, GRANTS AND CONTRACTS	52,776,500	14,602,000	67,378,500
MOBILE RACING COMMISSION	50,000		50,000
ENDOWMENT INCOME	200,000		200,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,648,750		3,648,750
HOSPITALS	364,040,993		364,040,993
MITCHELL CANCER INSTITUTE	17,395,054		17,395,054
AUXILIARY ENTERPRISES	20,926,182		20,926,182
OTHER SOURCES	10,562,752	2,624,000	13,186,752
TOTAL REVENUES	<u>718,693,517</u>	<u>68,100,000</u>	<u>786,793,517</u>
EXPENDITURES AND MANDATORY TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	117,812,869	9,500,000	127,312,869
RESEARCH	4,736,709	16,300,000	21,036,709
PUBLIC SERVICE	40,485,053	15,000,000	55,485,053
ACADEMIC SUPPORT	20,544,077		20,544,077
STUDENT SERVICES	25,291,719	900,000	26,191,719
INSTITUTIONAL SUPPORT	29,732,139		29,732,139
OPERATION AND MAINTENANCE OF PLANT	27,906,914	700,000	28,606,914
SCHOLARSHIPS	20,245,839	25,700,000	45,945,839
EDUCATIONAL AND GENERAL EXPENDITURES	<u>286,755,319</u>	<u>68,100,000</u>	<u>354,855,319</u>
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	14,906,863		14,906,863
LOAN FUND MATCHING GRANTS	150,000		150,000
TOTAL EDUCATIONAL AND GENERAL	<u>301,812,182</u>	<u>68,100,000</u>	<u>369,912,182</u>
HOSPITALS (INCLUDING DEBT SERVICE OF \$7,929,421):	<u>367,250,953</u>		<u>367,250,953</u>
MITCHELL CANCER INSTITUTE (INCLUDING DEBT SERVICE OF \$622,307):	<u>22,535,514</u>		<u>22,535,514</u>
AUXILIARY ENTERPRISES:			
EXPENDITURES	16,540,653		16,540,653
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	4,213,495		4,213,495
TOTAL AUXILIARY ENTERPRISES	<u>20,754,148</u>		<u>20,754,148</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>712,552,797</u>	<u>68,100,000</u>	<u>780,652,797</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
DEPRECIATION - RENEWALS AND REPLACEMENTS	(12,088,275)		(12,088,275)
OTHER TRANSFERS	5,797,555		5,797,555
MOBILE RACING COMMISSION	(50,000)		(50,000)
NET DECREASE IN FUND BALANCES			
PROCEEDS FROM SALE OF BROOKLEY			
NET AFTER TRANSFERS	<u>\$</u>	<u>\$</u>	<u>\$</u>

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	HOSPITALS	MITCHELL CANCER INSTITUTE	AUXILIARY ENTERPRISES	2014-2015 BUDGET	2013-2014 BUDGET
REVENUES:							
TUITION AND FEES	\$ 129,258,468	\$ 11,273,464	\$ 8,638,445	\$ 5,050,000		\$ 140,531,932	\$ 129,155,907
STATE APPROPRIATIONS	62,869,452	27,415,687				103,973,584	102,695,500
FEDERAL GRANTS AND CONTRACTS	810,832	3,150,000				3,960,832	4,110,832
STATE AND LOCAL GRANTS AND CONTRACTS	441,349	185,589				626,938	353,938
PRIVATE GIFTS, GRANTS AND CONTRACTS	2,976,500	49,800,000				52,776,500	52,926,500
MOBILE RACING COMMISSION		50,000				50,000	75,000
ENDOWMENT INCOME		200,000				200,000	200,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,648,750					3,648,750	3,348,750
HOSPITALS			364,040,993			364,040,993	341,038,478
MITCHELL CANCER INSTITUTE				17,395,054		17,395,054	17,308,677
AUXILIARY ENTERPRISES - SALES AND SERVICES					20,926,182	20,926,182	20,053,374
OTHER SOURCES	9,062,752	1,500,000				10,562,752	10,412,752
TOTAL REVENUES	209,068,103	93,574,740	372,679,438	22,445,054	20,926,182	718,693,517	681,679,708
EDUCATIONAL AND GENERAL:							
INSTRUCTION	79,473,629	38,339,240				117,812,869	112,428,086
RESEARCH	2,576,709	2,160,000				4,736,709	4,550,106
PUBLIC SERVICE	3,466,377	37,018,676				40,485,053	40,802,472
ACADEMIC SUPPORT	15,779,890	4,764,187				20,544,077	19,982,683
STUDENT SERVICES	23,510,614	1,781,105				25,291,719	23,890,458
INSTITUTIONAL SUPPORT	26,347,386	3,384,753				29,732,139	28,201,087
OPERATION AND MAINTENANCE OF PLANT	22,265,578	5,641,336				27,906,914	26,845,865
SCHOLARSHIPS	19,010,839	1,235,000				15,521,802	15,521,802
EDUCATIONAL AND GENERAL EXPENDITURES	192,431,022	94,324,297				286,755,319	272,222,559
MANDATORY TRANSFERS FOR:							
PRINCIPAL AND INTEREST	14,506,420	400,443				14,906,863	15,002,563
LOAN FUND MATCHING GRANTS	150,000					150,000	171,239
TOTAL EDUCATIONAL AND GENERAL	207,087,442	94,724,740				301,812,182	287,396,361
HOSPITALS:							
EXPENDITURES AND MANDATORY TRANSFERS			367,250,953			367,250,953	350,373,636
MITCHELL CANCER INSTITUTE:							
EXPENDITURES AND MANDATORY TRANSFERS				22,535,514		22,535,514	22,364,649
AUXILIARY ENTERPRISES:							
EXPENDITURES					16,540,653	16,540,653	15,704,297
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST					4,213,495	4,213,495	4,131,446
TOTAL AUXILIARY ENTERPRISES					20,754,148	20,754,148	19,835,743
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	207,087,442	94,724,740	367,250,953	22,535,514	20,754,148	712,352,797	679,970,389
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):							
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,764,539)	1,200,000	(5,386,485)	(1,765,217)	(172,034)	(12,088,275)	(10,188,115)
OTHER TRANSFERS	2,783,878	(50,000)	(42,000)	1,855,677		5,797,555	4,553,796
MOBILE RACING COMMISSION						(50,000)	(75,000)
NET INCREASE (DECREASE) IN FUND BALANCES						0	(4,000,000)
PROCEEDS FROM SALE OF BROOKLEY						0	4,000,000
NET AFTER TRANSFERS	\$	\$	\$	\$	\$	\$	\$

**UNIVERSITY OF SOUTH ALABAMA
2014-2015 BUDGET SUMMARY
RESTRICTED CURRENT FUNDS**

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2014-2015 BUDGET	2013-2014 BUDGET
REVENUES:					
FEDERAL GRANTS AND CONTRACTS	\$ 30,672,000	\$ 10,934,000	\$ 2,627,000	\$ 44,233,000	\$ 49,800,000
STATE AND LOCAL GRANTS AND CONTRACTS	4,320,000	1,848,000	473,000	6,641,000	6,700,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	8,708,000	5,494,000	400,000	14,602,000	7,450,000
OTHER	1,500,000	924,000	200,000	2,624,000	5,300,000
TOTAL REVENUES	45,200,000	19,200,000	3,700,000	68,100,000	69,250,000
EXPENDITURES:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	8,000,000	1,300,000	200,000	9,500,000	12,250,000
RESEARCH	3,500,000	10,800,000	2,000,000	16,300,000	16,900,000
PUBLIC SERVICE	7,500,000	6,000,000	1,500,000	15,000,000	9,900,000
STUDENT SERVICES	900,000			900,000	850,000
OPERATIONS AND MAINTENANCE OF PLANT	300,000	400,000		700,000	1,500,000
SCHOLARSHIPS	25,000,000	700,000		25,700,000	27,850,000
TOTAL EXPENDITURES	45,200,000	19,200,000	3,700,000	68,100,000	69,250,000
NET INCREASE (DECREASE) IN FUND BALANCES	\$	\$	\$	\$	\$

**UNIVERSITY OF SOUTH ALABAMA
OPERATIONS AND MAINTENANCE
2014-2015 BUDGET
UNRESTRICTED CURRENT FUNDS**

	2014-2015 BUDGET	2013-2014 BUDGET
REVENUES:		
TUITION AND FEES	\$ 129,258,468	\$ 118,175,125
ALLOCATION OF STATE APPROPRIATIONS	62,869,452	62,393,618
FEDERAL GRANTS AND CONTRACTS	810,832	960,832
STATE GRANTS AND CONTRACTS	441,349	166,349
PRIVATE GIFTS, GRANTS AND CONTRACTS	2,976,500	3,176,500
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,648,750	3,348,750
OTHER SOURCES	9,062,752	8,912,752
TOTAL REVENUES	209,068,103	197,133,926
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	79,473,629	75,451,517
RESEARCH	2,576,709	2,490,106
PUBLIC SERVICE	3,466,377	3,637,550
ACADEMIC SUPPORT	15,779,890	15,207,451
STUDENT SERVICES	23,510,614	22,029,134
INSTITUTIONAL SUPPORT	26,347,386	23,922,524
OPERATION AND MAINTENANCE OF PLANT	22,265,578	21,793,422
SCHOLARSHIPS	19,010,839	14,598,202
EDUCATIONAL AND GENERAL EXPENDITURES	192,431,022	179,129,906
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	14,506,420	14,602,120
LOAN FUND MATCHING GRANTS	150,000	171,239
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	207,087,442	193,903,265
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	2,783,878	1,183,878
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,764,539)	(4,414,539)
NET INCREASE (DECREASE) IN FUND BALANCES	\$	\$

UNIVERSITY OF SOUTH ALABAMA
COLLEGE OF MEDICINE
2014-2015 BUDGET
UNRESTRICTED CURRENT FUNDS

	2014-2015 BUDGET	2013-2014 BUDGET
REVENUES:		
TUITION AND FEES	\$ 11,273,464	\$ 10,980,782
ALLOCATION OF STATE APPROPRIATIONS	27,415,687	26,724,725
FEDERAL GRANTS AND CONTRACTS	3,150,000	3,150,000
STATE GRANTS AND CONTRACTS	185,589	187,589
PRIVATE GIFTS, GRANTS AND CONTRACTS	49,800,000	49,750,000
MOBILE RACING COMMISSION	50,000	75,000
ENDOWMENT INCOME	200,000	200,000
OTHER SOURCES	1,500,000	1,500,000
TOTAL REVENUES	<u>93,574,740</u>	<u>92,568,096</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EDUCATIONAL AND GENERAL:		
INSTRUCTION	38,339,240	36,976,569
RESEARCH	2,160,000	2,060,000
PUBLIC SERVICE	37,018,676	37,164,922
ACADEMIC SUPPORT	4,764,187	4,775,232
STUDENT SERVICES	1,781,105	1,861,324
INSTITUTIONAL SUPPORT	3,384,753	4,278,563
OPERATION AND MAINTENANCE OF PLANT	5,641,336	5,052,443
SCHOLARSHIPS	1,235,000	923,600
EDUCATIONAL AND GENERAL EXPENDITURES	<u>94,324,297</u>	<u>93,092,653</u>
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	400,443	400,443
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>94,724,740</u>	<u>93,493,096</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	1,200,000	1,000,000
MOBILE RACING COMMISSION	(50,000)	(75,000)
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$</u>	<u>\$</u>

**UNIVERSITY OF SOUTH ALABAMA
HOSPITALS
2014-2015 BUDGET
UNRESTRICTED CURRENT FUNDS**

REVENUES:			
GROSS PATIENT REVENUES	\$ 550,850,413	\$ 539,258,147	
CONTRACTUAL ADJUSTMENTS	239,149,777	237,319,521	
OTHER ADJUSTMENTS	2,066,394	2,753,047	
OTHER MEDICAID ADJUSTMENTS	(15,444,761)		
TOTAL DEDUCTIONS FROM REVENUES	<u>225,771,410</u>	<u>240,072,568</u>	
NET PATIENT REVENUES	325,079,003	299,185,579	
ALLOCATION OF STATE APPROPRIATIONS	8,638,445	8,577,157	
MOBILE COUNTY HOSPITAL BOARD	15,307,500	15,027,210	
MOBILE COUNTY INDIGENT CARE BOARD	533,000	533,000	
MEDICAID DISPROPORTIONATE SHARE	8,896,462	16,899,854	
OTHER REVENUES	<u>14,225,028</u>	<u>9,392,835</u>	
TOTAL REVENUES	<u>372,679,438</u>	<u>349,615,635</u>	
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
NURSING SERVICES	97,639,504	95,204,217	
PROFESSIONAL SERVICES	93,445,778	92,017,657	
GENERAL DIVISION	19,739,615	18,880,083	
ADMINISTRATIVE DIVISION	60,306,791	51,795,569	
MEDICAL EDUCATION	17,810,558	17,579,521	
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>70,379,286</u>	<u>68,544,567</u>	
TOTAL EXPENDITURES	<u>359,321,532</u>	<u>344,021,614</u>	
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	7,929,421	6,352,022	
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>367,250,953</u>	<u>350,373,636</u>	
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
DEPRECIATION - DISPROPORTIONATE SHARE	(5,386,485)	(3,200,000)	
DEPRECIATION - RENEWALS AND REPLACEMENTS	<u>(42,000)</u>	<u>(41,999)</u>	
NET INCREASE (DECREASE) IN FUND BALANCES		<u>(4,000,000)</u>	
PROCEEDS FROM SALE OF BROOKLEY		4,000,000	
NET AFTER TRANSFERS		<u>\$</u>	

UNIVERSITY OF SOUTH ALABAMA
MITCHELL CANCER INSTITUTE
2014-2015 BUDGET
UNRESTRICTED CURRENT FUNDS

	2014-2015 BUDGET	2013-2014 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	\$ 24,297,971	\$ 22,989,505
ALLOCATION OF STATE APPROPRIATIONS	5,050,000	5,000,000
OTHER REVENUES	4,282,589	2,879,217
TOTAL REVENUES	<u>33,630,560</u>	<u>30,868,722</u>
LESS: CONTRACTUAL ADJUSTMENTS	<u>11,185,506</u>	<u>8,560,045</u>
NET REVENUES	<u>22,445,054</u>	<u>22,308,677</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
PROFESSIONAL SERVICES	10,736,207	11,324,559
ADMINISTRATIVE DIVISION	10,161,248	8,818,819
FUNDED DEPRECIATION	1,765,216	2,355,946
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>1,015,752</u>	<u>1,588,335</u>
TOTAL EXPENDITURES	<u>23,678,423</u>	<u>24,087,659</u>
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	<u>622,307</u>	<u>632,936</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>24,300,730</u>	<u>24,720,595</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	<u>1,855,676</u>	<u>2,411,918</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ <u> </u></u>	<u>\$ <u> </u></u>

**UNIVERSITY OF SOUTH ALABAMA
AUXILIARY ENTERPRISES
2014-2015 BUDGET
UNRESTRICTED CURRENT FUNDS**

	<u>HOUSING</u>	<u>FOOD SERVICES</u>	<u>BOOKSTORE</u>	<u>2014-2015 BUDGET</u>	<u>2013-2014 BUDGET</u>
REVENUES:					
RENTAL INCOME	\$ 9,253,967	\$	\$	9,253,967	9,063,317
SALES			10,260,000	10,260,000	9,589,000
COMMISSION INCOME		943,455		943,455	911,550
OTHER INCOME	250,760		218,000	468,760	489,507
TOTAL REVENUES	<u>9,504,727</u>	<u>943,455</u>	<u>10,478,000</u>	<u>20,926,182</u>	<u>20,053,374</u>
LESS: COST OF GOODS SOLD					
			7,812,635	7,812,635	7,155,060
NET REVENUES	<u>9,504,727</u>	<u>943,455</u>	<u>2,665,365</u>	<u>13,113,547</u>	<u>12,898,314</u>
EXPENDITURES:					
SALARIES AND WAGES	1,543,886		935,729	2,479,615	2,369,175
EMPLOYEE BENEFITS	304,239		314,400	618,639	572,766
OTHER EXPENDITURES	3,957,758	492,770	1,179,236	5,629,764	5,607,296
TOTAL EXPENDITURES	<u>5,805,883</u>	<u>492,770</u>	<u>2,429,365</u>	<u>8,728,018</u>	<u>8,549,237</u>
NET OPERATING INCOME	<u>3,698,844</u>	<u>450,685</u>	<u>236,000</u>	<u>4,385,529</u>	<u>4,349,077</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):					
MANDATORY TRANSFERS:					
PRINCIPAL AND INTEREST	(3,526,810)	(450,685)	(236,000)	(4,213,495)	(4,131,446)
NON-MANDATORY TRANSFERS:					
RENEWALS AND REPLACEMENTS	(172,034)			(172,034)	(217,631)
TOTAL TRANSFERS	<u>(3,698,844)</u>	<u>(450,685)</u>	<u>(236,000)</u>	<u>(4,385,529)</u>	<u>(4,349,077)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**UNIVERSITY OF SOUTH ALABAMA
STATE APPROPRIATIONS**

	2014-2015 APPROPRIATIONS	2013-2014 APPROPRIATIONS
EDUCATION TRUST FUND	\$ 103,423,584	\$ 102,695,500
GENERAL FUND	550,000	1,000,000
TOTAL APPROPRIATIONS	\$ 103,973,584	\$ 103,695,500

UNIVERSITY OF SOUTH ALABAMA

FISCAL YEAR 2014-2015

BUDGET HIGHLIGHTS

**University of South Alabama
State Appropriations**

	Fiscal Year 2014-2015		Fiscal Year 2013-2014		
Education Trust Fund:					
O & M	\$	62,839,452	63.86%	\$ 62,393,618	63.86%
College of Medicine		26,915,687	27.36%	26,724,725	27.36%
Hospitals		8,638,445	8.78%	8,577,157	8.78%
		<u>98,393,584</u>	<u>100.00%</u>	<u>97,695,500</u>	<u>100.00%</u>
Center for Real Estate and Economic Development		30,000			
MCI		1,500,000		1,000,000	
COM		<u>500,000</u>		<u>1,000,000</u>	
Subtotal Education Trust Fund		100,423,584		99,695,500	
Education Trust Fund Special Appropriations:					
MCI		<u>3,000,000</u>		<u>3,000,000</u>	
Total Education Trust Fund Appropriations		103,423,584		102,695,500	
General Fund-Appropriations					
Alabama Cancer Research Consortium		50,000			
Other-MCI		<u>500,000</u>		<u>1,000,000</u>	
Total Appropriation	\$	<u>103,973,584</u>		\$ <u>103,695,500</u>	

UNIVERSITY OF SOUTH ALABAMA



OFFICE OF PUBLIC RELATIONS

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Jeb Schrenk
USA Office of Public Relations
(251) 460-6633

Aug. 25, 2014

USA Enrollment Tops Record 16,000 Students; Big Increases in Graduate Students and First-Time Freshmen Highlight Report

The University of South Alabama has reached another milestone, with record enrollment surpassing 16,000 students for the 2014 fall semester. Records were set in several categories such as new student enrollment, first-time freshman enrollment, graduate student enrollment, African-American enrollment and average freshman ACT score.

In all, 16,055 students are enrolled for classes, a 4.9 percent increase from the previous year. This includes a 16 percent increase in graduate students.

“The increase in student enrollment is a reaffirmation of the quality and accessibility of the University of South Alabama,” said President Dr. Tony G. Waldrop. “These types of numbers do not happen by accident. It’s through the hard work of faculty and staff and the support of the community that we are able to continue to grow the University.”

At a Monday morning news conference, Waldrop said he expects the University to continue to add students through managed growth. “We believe in growth with quality,” he said.

This fall’s increase adds 744 students to the 15,311 enrolled this time last year.

“That’s one of the largest increases in the history of the institution,” said Dr. David Johnson, senior vice president for academic affairs. “This is an indication of the strength of our academic programs and a continued increase in demand for undergraduate and graduate offerings at USA.”

In addition to total student enrollment, there were records this year in:

- First-time freshmen: 2,073
- Graduate students: 4,023
- New graduate students: 1,107
- New students: 4,457

**OPERATIONS AND MAINTENANCE
FISCAL YEAR 2014-2015
BUDGET CHANGES**

	FY2015 CHANGES**
Revenue Changes:	
State Appropriation Increase	\$ 476,000
Tuition Increase of 3.5% (Net to O&M)	3,734,000
Enrollment Increase	3,500,000
Total Revenue Changes	7,710,000
Expenditure Changes:	
Academic Programs:	
Scholarships	(2,073,000)
College of Nursing	(1,021,000)
College of Allied Health	(143,000)
Faculty Promotions (tenure and promotions)	(260,000)
Other	(202,000)
Total Academic Programs	(3,699,000)
General University:	
Fringe Benefits	(459,000)
Cost Recoveries & Other	323,000
Salary Increase (includes fringe benefits)	(1,875,000)
Contingency	(2,000,000)
Total General University	(4,011,000)
Total Expenditure Changes	(7,710,000)
Current Year Change	\$ 0

** The continuing budget deficit of \$15,145,581 remains in the FY2015 budget.

**COLLEGE OF MEDICINE
FISCAL YEAR 2014-2015
BUDGET CHANGES**

REVENUE CHANGES

Increase in state appropriation	\$ 690,962
Increase in tuition and fees	367,682
Other	(52,000)
Total	<u>1,006,644</u>

EXPENDITURE AND TRANSFER CHANGES

Increase in departmental funding	(818,971)
Increase tuition waivers and other miscellaneous expenditures	(456,400)
Salary Increase Beginning 01/01/15 (includes fringe benefits)	(200,000)
Change in transfers to/from self supporting, endowments and other	400,275
Decrease in budgeted position funding	68,452
Total	<u>(1,006,644)</u>

Net 2014-2015 CHANGES	\$ <u><u>0</u></u>
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HOSPITALS
FISCAL YEAR 2014-2015
BUDGET ASSUMPTIONS

Description	Favorable (Unfavorable) to Budget
Net Revenue Improvements	\$5,110,458
Medicaid Model Adjustments	11,757,916
Health Insurance (3%) and PEEHIP Increase	(766,784)
Funded Depreciation changes	(2,186,483)
HSIS Infrastructure/Meaningful Use	(2,584,139)
Salary Increase (includes fringe benefits)	(3,380,516)

RESOLUTION
SALARY INCREASE

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

WHEREAS, the proposed 2014-2015 fiscal year budget is a balanced budget that includes a proposed two-percent continuing salary increase that is possible because of ongoing diligent management of finances, enrollment growth and a modest tuition increase, and

WHEREAS, this two-percent increase would be across the board for eligible administrators and faculty employed on or before August 15, 2014, and eligible staff employed on or before the effective date, and

WHEREAS, this salary increase would be effective approximately January 1, 2015, and subject to the standard University personnel guidelines and procedures and other adjustments as approved by the President, and

WHEREAS, this salary increase would apply to all eligible employees of the University of South Alabama --- those in the University General Division and at the Hospitals and Clinics,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves a two-percent increase as described herein, for eligible current salaried or hourly regular administrators and faculty employed prior to August 15, 2014, and eligible current salaried or hourly regular staff employed on or before the effective date.



SEP 05 2014

UNIVERSITY OF SOUTH ALABAMA
Vice President for Financial Affairs
AD 170

University of South Alabama

MEMORANDUM

*Approved to
add to BOT agenda*

TO: President Tony G. Waldrop
FROM: Stephen H. Simmons *Stephen H. Simmons*
SUBJECT: Salary Increase for Eligible University Employees
DATE: September 4, 2014

The University had a balanced budget for the 2013-14 fiscal year. This was accomplished through careful budget management by our administrators, faculty and staff in the University General Division and at the Hospitals and Clinics. For the 2014-15 fiscal year, we are also presenting a balanced budget that includes a proposed two-percent continuing salary increase, effective approximately January 1, 2015. This is possible because of continuing diligent management of finances at all levels of the University, growth in enrollment and a modest tuition increase.

Attached to this memorandum is a proposed resolution to present to the Board of Trustees for this salary increase. If approved, this two-percent increase would be across the board for eligible administrators and faculty employed on or before August 15, 2014, and eligible staff employed on or before the effective date. It would apply to all eligible employees of the University of South Alabama --- those in the University General Division and at the Hospitals and Clinics. This increase would be subject to the standard University personnel guidelines and procedures and other salary adjustments as approved by the President.

With your approval, this item will be added to the agenda for consideration by the Board of Trustees at its September 12, 2014, meeting.

SHS/cbm

Attachment

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the
Years Ended June 30, 2014 and 2013, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of South Alabama Foundation:

We have audited the accompanying consolidated financial statements of the University of South Alabama Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2014 and June 30, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014 and June 30, 2013, and the related consolidated activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

August 21, 2014

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS AS OF JUNE 30, 2014 AND 2013 (Dollars in thousands)

	2014	2013
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 670	\$ 900
INVESTMENTS AT FAIR VALUE:		
Equity securities	133,236	114,193
Timber and mineral properties	156,320	154,332
Real estate	31,007	31,010
Other	6,054	6,040
OTHER ASSETS	<u>702</u>	<u>647</u>
TOTAL	<u>\$ 327,989</u>	<u>\$ 307,122</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 163	\$ 126
Note payable — University of South Alabama	3,954	7,783
Other liabilities	<u>736</u>	<u>677</u>
Total liabilities	<u>4,853</u>	<u>8,586</u>
NET ASSETS:		
Unrestricted	62,701	64,280
Temporarily restricted	90,909	64,862
Permanently restricted	<u>169,526</u>	<u>169,394</u>
Total net assets	<u>323,136</u>	<u>298,536</u>
TOTAL	<u>\$ 327,989</u>	<u>\$ 307,122</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2014 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 5,620	\$ 25,356	\$ -	\$ 30,976
Rents, royalties, and timber sales	3,727	193	17	3,937
Interest and dividends	194	1,879	6	2,079
Gifts		2	55	57
Other income	9			9
Required match of donor contributions	(54)		54	
Interfund interest	(165)	165		
Net assets released from program restrictions (Note 8)	1,548	(1,548)		
	<u>10,879</u>	<u>26,047</u>	<u>132</u>	<u>37,058</u>
Total revenues, gains, losses, and other support				
EXPENDITURES:				
Program services:				
Faculty support	2,332			2,332
Scholarships	1,066			1,066
Other academic programs	1,117			1,117
	<u>4,515</u>	<u>-</u>	<u>-</u>	<u>4,515</u>
Total program services				
Management and general	1,771			1,771
Other investment expense	2,011			2,011
Depletion expense	3,882			3,882
Depreciation expense	108			108
Interest expense	171			171
	<u>12,458</u>	<u>-</u>	<u>-</u>	<u>12,458</u>
Total expenditures				
(DECREASE) INCREASE IN NET ASSETS	(1,579)	26,047	132	24,600
NET ASSETS — Beginning of year	64,280	64,862	169,394	298,536
NET ASSETS — End of year	<u>\$ 62,701</u>	<u>\$ 90,909</u>	<u>\$ 169,526</u>	<u>\$ 323,136</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2013 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 9,182	\$ 11,758	\$ -	\$ 20,940
Rents, royalties, and timber sales	3,501		16	3,517
Interest and dividends	485	1,474	6	1,965
Gifts		1	15	16
Other income	70			70
Required match of donor contributions	(111)		111	
Interfund interest	(118)	118		
Net assets released from program restrictions (Note 8)	<u>1,376</u>	<u>(1,376)</u>		
Total revenues, gains, losses, and other support	<u>14,385</u>	<u>11,975</u>	<u>148</u>	<u>26,508</u>
EXPENDITURES:				
Program services:				
Faculty support	2,379			2,379
Scholarships	982			982
Other academic programs	<u>1,088</u>			<u>1,088</u>
Total program services	4,449	-	-	4,449
Management and general	1,724			1,724
Other investment expense	1,796			1,796
Depletion expense	3,391			3,391
Depreciation expense	83			83
Interest expense	<u>290</u>			<u>290</u>
Total expenditures	<u>11,733</u>	<u>-</u>	<u>-</u>	<u>11,733</u>
INCREASE IN NET ASSETS	2,652	11,975	148	14,775
NET ASSETS — Beginning of year	<u>61,628</u>	<u>52,887</u>	<u>169,246</u>	<u>283,761</u>
NET ASSETS — End of year	<u>\$ 64,280</u>	<u>\$ 64,862</u>	<u>\$ 169,394</u>	<u>\$ 298,536</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Dollars in thousands)

	2014	2013
OPERATING ACTIVITIES:		
Increase in net assets	\$ 24,600	\$ 14,775
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(30,976)	(20,940)
Depletion	3,882	3,391
Depreciation and amortization	186	215
Interest expense	171	290
Changes in operating assets and liabilities:		
Other assets	(36)	(29)
Accounts payable	37	(56)
Other liabilities	59	40
Net cash used in operating activities	<u>(2,077)</u>	<u>(2,314)</u>
INVESTING ACTIVITIES:		
Purchase of securities	(881)	(897)
Sale of securities	7,008	7,500
Proceeds from sale of real estate		162
Proceeds from sale of equipment	51	
Reforestation of timber property	(157)	(187)
Purchase of furniture, fixtures, and equipment	<u>(174)</u>	<u>(35)</u>
Net cash provided by investing activities	<u>5,847</u>	<u>6,543</u>
FINANCING ACTIVITIES — Payment on notes payable	<u>(4,000)</u>	<u>(4,000)</u>
Net cash used in financing activities	<u>(4,000)</u>	<u>(4,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(230)	229
CASH AND CASH EQUIVALENTS — Beginning of year	<u>900</u>	<u>671</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 670</u>	<u>\$ 900</u>

See notes to consolidated financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Dollars in thousands)

1. ORGANIZATION

The University of South Alabama Foundation (the "Foundation") was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes and to assist in developing and advancing the University of South Alabama (the "University") in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements include the accounts of the Foundation's wholly owned subsidiaries Knollwood Development, Inc., Shubuta Timber Services, Inc. and Brookley Bay Front Properties, LLC (hereinafter BBFP), an Alabama Limited Liability Company. All significant intercompany transactions have been eliminated in consolidation.

Net Assets — In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained on the accrual basis in accordance with the principles of "fund accounting." Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions using three classifications: permanently restricted, temporarily restricted, and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

The Foundation considers all of its assets to be endowment assets for the support of the University. It therefore classifies all of its assets as "endowment funds" for purpose of required disclosures for such funds. In the absence of directions imposed by donors to utilize such funds for specific programs or purposes at the University, the Foundation classifies the net assets of such funds as "unrestricted."

Support and Expenses — Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods.

When a donor restriction expires; i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from program restrictions.

The Foundation sometimes receives restricted contributions that are conditional on the Foundation matching the contribution. Upon approval of the Board of Directors, such matches are reported as a reclassification of unrestricted net assets to restricted net assets.

Cash Equivalents — The Foundation considers temporary cash investments with an original maturity date of three months or less when purchased to be cash equivalents. The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximate their fair value.

Investments in Securities — Investments in marketable equity securities with readily determinable fair market values are maintained and administered in a common pool and are recorded at fair value based on quoted market prices of each security in the accompanying consolidated statements of financial position. Separate accounts are maintained for each fund, as applicable.

Investments in Commonfund — The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad.

The Foundation’s units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month with the request or notification required by the 20th day of the month. Further information about Commonfund’s valuation procedures are as follows:

In the Multi-Strategy Equity Fund and the International Equity Fund, as managed by the Commonfund, equity securities listed on securities exchanges are valued at the last sale price except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as crossfund investments) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The

amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements and the differences could be material.

Timber — Timber and timberlands, including logging roads, are stated at fair value, based on an independent appraisal, derived from the application of the cost approach, the sales comparison approach, and the income capitalization approach, less the accumulated depletion for timber when harvested. The Foundation capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, seedling purchases, planting, herbicide application, and thinning of tree stands to improve growth. Timber costs, such as real estate taxes, forest management personnel salaries and fringe benefits, and other costs related to the timberlands, are expensed as incurred.

Timber sale revenues for clear-cut or lump-sum sales are recognized when legal ownership of the timber transfers to the purchaser. Timber deeds set forth the legal rights and responsibilities of the buyer, and at closing the full amount of the sale is due and payable and recognized at that time. Revenues from thinning of tree stands to improve growth are recognized as revenue as the buyer harvests the timber that is to be thinned. Timberland depletion is calculated on a unit cost basis and recognized when the related revenue is recognized.

Mineral Properties — Mineral properties are stated at estimated fair market value as determined by independent appraisals. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production.

Real Estate — Real estate held for investment is stated at its estimated fair value based on independent appraisals.

Common Investment Pool — On June 5, 2006, the board of directors of the Foundation approved the establishment of a new investment pool, which consists of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in land and timber, consisting of approximately 55,600 acres of timberland, known as the Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the Disproportionate Share Hospital Funds to the Foundation's Equitable Timber Fund.

Investment Income — Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case, it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

Income Tax Status — The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation's investments include marketable equity securities valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of underlying investments and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to

estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the Foundation's consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximates their fair value.
- Equity securities include investments in marketable equity securities and investments in Commonfund.

Marketable Equity Securities: Fair values are based on quoted market prices of each security that is actively traded in a public market. The Foundation's investment in such marketable equity securities was \$71,080 and \$57,870 at June 30, 2014 and 2013, respectively.

Investments in Commonfund: Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets. The Foundation's investment in Commonfund portfolios was \$62,156 and \$56,323 at June 30, 2014 and 2013, respectively.

- **Timber, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- Other consists primarily of the Foundation's interest in the Stallworth Land Company (the "Company"), a timberland management company (see Note 4).

4. INVESTMENTS

Investment income for the years ended June 30, 2014 and 2013, consisted of the following:

	2014	2013
Unrealized gains	\$ 28,429	\$ 18,296
Realized gains	<u>2,547</u>	<u>2,644</u>
Net realized and unrealized gains on investments	<u>30,976</u>	<u>20,940</u>
Timber sales	3,132	2,764
Rents	634	605
Royalties	<u>171</u>	<u>148</u>
Rents, royalties, and timber sales	<u>3,937</u>	<u>3,517</u>
Interest and dividends	<u>2,079</u>	<u>1,965</u>
Total investment income	<u>\$ 36,992</u>	<u>\$ 26,422</u>

Investment-related expenses of \$295 and \$259 are included in the Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2014 and 2013, respectively.

As further described in Note 5, BBFP, whose sole member is the University of South Alabama Foundation, acquired from the University certain real estate known as the Brookley Complex on November 10, 2010. The purchase price, before adjustment for imputed financing costs and transaction costs, was \$20,000.

Real estate at June 30, 2014 and 2013, consisted of the following property held:

	2014	2013
Land and land improvements — held for investment	\$ 29,926	\$ 29,910
Building and building improvements — held for investment	<u>1,081</u>	<u>1,100</u>
Total	<u>\$ 31,007</u>	<u>\$ 31,010</u>

Other — Investments at June 30, 2014 and 2013, include an equity interest in a timberland management company. That Company's primary asset consists of timberland. The Foundation's proportionate share of the fair value of that Company is based upon the valuation of the trustee responsible for the management of the Company and the timber valuation. The equity interest resulted from a bequest known as the Stallworth Gift, which was received through bequest and devise under the Will of N. Jack Stallworth.

Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The Foundation's investment assets at June 30, 2014 and 2013, are summarized as follows:

Description	Fair Value Measurements at June 30, 2014			
	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	Total
Marketable equity securities	\$ 71,080	\$ 62,156	\$ -	\$ 133,236
Timber and mineral properties			156,320	156,320
Real estate			31,007	31,007
Other investments			<u>6,054</u>	<u>6,054</u>
	<u>\$ 71,080</u>	<u>\$ 62,156</u>	<u>\$ 193,381</u>	<u>\$ 326,617</u>

Description	Fair Value Measurements at June 30, 2013			Total
	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	
Marketable equity securities	\$ 57,870	\$ 56,323	\$ -	\$ 114,193
Timber and mineral properties			154,332	154,332
Real estate			31,010	31,010
Other investments			6,040	6,040
	<u>\$ 57,870</u>	<u>\$ 56,323</u>	<u>\$ 191,382</u>	<u>\$ 305,575</u>

For the year ended June 30, 2014, activity in investment assets valued at fair value based on unobservable values is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
Beginning balance	\$ 154,332	\$ 31,010	\$ 6,040	\$ 191,382
Total gains realized/unrealized	5,503	28	14	5,545
Acquisitions		2		2
Reforestation	367			367
Depreciation/depletion	<u>(3,882)</u>	<u>(33)</u>		<u>(3,915)</u>
Ending balance	<u>\$ 156,320</u>	<u>\$ 31,007</u>	<u>\$ 6,054</u>	<u>\$ 193,381</u>

For the year ended June 30, 2013, activity in investment assets valued at fair value based on unobservable values is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
Beginning balance	\$ 153,574	\$ 31,040	\$ 5,522	\$ 190,136
Total gains realized/unrealized	3,876		518	4,394
Acquisitions		3		3
Reforestation	273			273
Depreciation/depletion	<u>(3,391)</u>	<u>(33)</u>		<u>(3,424)</u>
Ending balance	<u>\$ 154,332</u>	<u>\$ 31,010</u>	<u>\$ 6,040</u>	<u>\$ 191,382</u>

Endowment — The Foundation's endowment funds consist of individual funds established for a variety of purposes. Endowment funds include both donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Law — The Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter, unless otherwise determined by the Foundation. The Board

of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds. The Foundation, accordingly, classifies each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

Endowment net asset composition at June 30, 2014, by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ 40,089	\$ 90,909	\$ 169,526	\$ 300,524
Board-Designated Endowment Funds	<u>22,612</u>	<u> </u>	<u> </u>	<u>22,612</u>
Total	<u>\$ 62,701</u>	<u>\$ 90,909</u>	<u>\$ 169,526</u>	<u>\$ 323,136</u>

Endowment net asset composition at June 30, 2013, by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ 41,482	\$ 64,862	\$ 169,394	\$ 275,738
Board-Designated Endowment Funds	<u>22,798</u>	<u> </u>	<u> </u>	<u>22,798</u>
Total	<u>\$ 64,280</u>	<u>\$ 64,862</u>	<u>\$ 169,394</u>	<u>\$ 298,536</u>

Changes in endowment net assets during the year ended June 30, 2014, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	<u>\$ 41,482</u>	<u>\$ 22,798</u>	<u>\$ 64,862</u>	<u>\$ 169,394</u>	<u>\$ 298,536</u>
Investment return:					
Investment income	3,873	57	2,072	23	6,025
Net unrealized and realized gains	4,833	787	25,356		30,976
Interfund interest	<u>(170)</u>	<u>5</u>	<u>165</u>	<u> </u>	<u> </u>
Total investment return	8,536	849	27,593	23	37,001
Gifts			2	55	57
Required match	(54)			54	
Net assets released from restrictions	2,583	(1,035)	(1,548)		
Expenditures	<u>(12,458)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(12,458)</u>
Net change	<u>(1,393)</u>	<u>(186)</u>	<u>26,047</u>	<u>132</u>	<u>24,600</u>
Ending balance	<u>\$ 40,089</u>	<u>\$ 22,612</u>	<u>\$ 90,909</u>	<u>\$ 169,526</u>	<u>\$ 323,136</u>

Changes in endowment net assets during the year ended June 30, 2013, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	<u>\$ 38,518</u>	<u>\$ 23,110</u>	<u>\$ 52,887</u>	<u>\$ 169,246</u>	<u>\$ 283,761</u>
Investment return:					
Investment income	3,824	232	1,474	22	5,552
Net unrealized and realized gains	8,720	462	11,758		20,940
Interfund interest	<u>(123)</u>	<u>5</u>	<u>118</u>	<u> </u>	<u> </u>
Total investment return	12,421	699	13,350	22	26,492
Gifts			1	15	16
Required match	(111)			111	
Net assets released from restrictions	2,387	(1,011)	(1,376)		
Expenditures	<u>(11,733)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(11,733)</u>
Net change	<u>2,964</u>	<u>(312)</u>	<u>11,975</u>	<u>148</u>	<u>14,775</u>
Ending balance	<u>\$ 41,482</u>	<u>\$ 22,798</u>	<u>\$ 64,862</u>	<u>\$ 169,394</u>	<u>\$ 298,536</u>

5. NOTE PAYABLE

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010, resolution revoked the May 22, 2008, resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP, an Alabama limited liability company, having as its sole member the Foundation, purchased the Brookley Complex from the University of South Alabama for \$20,000 payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was discounted to its present value at the prime interest rate of 3.25% which approximates the rate at which BBFP could have borrowed the amount payable. Imputed interest expense was approximately \$171 for the year ended June 30, 2014.

Future maturities of the note for years ending June 30 are as follows:

2015	\$ 4,000
Discount on Note Payable	<u>(46)</u>
	<u>\$ 3,954</u>

It is further the intention and expectation of the Board of the Foundation, as reflected in the resolution adopted May 27, 2010, that after BBFP has completed payment of the purchase price, the Foundation would begin funding to the University an annual target distribution of 3% of the net assets of the DSH Funds held by the Foundation, commencing in its fiscal year next following the year in which payment is completed and subject to certain financial and other conditions.

During the period over which the note is outstanding, the University retains ownership and usage rights of all buildings and improvements on the Brookley Complex property and an exclusive easement over the land for five years. Ownership of such buildings and improvements transfers to BBFP at the time the note is fully paid unless the parties agree to extend use by the University. BBFP may at its option, prepay the note, and take ownership of the buildings and improvements prior to the scheduled maturity date of the note.

6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	2014	2013
Instruction	\$ 28,110	\$ 23,222
Hospital, clinics, and related programs	38,406	21,791
College of medicine — other than instruction	12,447	9,902
Student aid	6,749	5,870
Other	<u>5,197</u>	<u>4,077</u>
Total	<u>\$ 90,909</u>	<u>\$ 64,862</u>

7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, only the income from the following permanently restricted net assets was permitted to be used for the purposes indicated:

	2014	2013
Hospital, clinics, and related programs	\$ 131,586	\$ 131,586
Instruction	19,711	19,608
Student aid	9,207	9,198
College of medicine — other than instruction	2,134	2,131
Other	<u>6,888</u>	<u>6,871</u>
Total	<u>\$ 169,526</u>	<u>\$ 169,394</u>

8. NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS

Expenses were incurred that met temporary purpose-related restrictions on the use of certain net assets, resulting in a reclassification of net assets from temporarily restricted to unrestricted during the years ended June 30, 2014 and 2013, as follows:

	2014	2013
Instruction	\$ 1,288	\$ 1,226
Student aid	195	103
Other	<u>65</u>	<u>47</u>
Total	<u>\$ 1,548</u>	<u>\$ 1,376</u>

9. OTHER RELATED-PARTY TRANSACTIONS

At June 30, 2014 and 2013, net assets held by the Foundation, irrevocably for the benefit, as determined by the Foundation, of the University's hospitals, clinics, and related programs (Disproportionate Share Hospital Funds), were \$169,992 and \$153,377, respectively.

10. RETIREMENT PLANS

The Foundation sponsors a contributory defined-contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately \$144 and \$135 for the years ended June 30, 2014 and 2013, respectively.

11. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through August 21, 2014, which represents the date the consolidated financial statements were available to be issued, and made the determination that no events occurred subsequent to June 30, 2014, that would require disclosure in or would be required to be recognized in the consolidated financial statements.

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UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Disproportionate Share Hospital Funds
Combined Financial Statements as of and
for the Years Ended June 30, 2014 and 2013, and
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of South Alabama Foundation:

We have audited the accompanying combined financial statements of the Disproportionate Share Hospital Funds (the “DSH Funds”) of the University of South Alabama Foundation (the “Foundation”), which comprise the combined statements of financial position as of June 30, 2014 and June 30, 2013, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DSH Funds' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DSH Funds' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the DSH Funds as of June 30, 2014 and June 30, 2013, and the related combined activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

August 21, 2014

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

**DISPROPORTIONATE SHARE HOSPITAL FUNDS
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2014 AND 2013
 (Dollars in thousands)**

ASSETS	2014	2013
INVESTMENTS:		
New Investment Pool — interest in	\$ 165,453	\$ 149,143
Real estate	3,700	3,700
RECEIVABLE FROM AFFILIATES	<u>839</u>	<u>534</u>
TOTAL	<u>\$ 169,992</u>	<u>\$ 153,377</u>
NET ASSETS		
NET ASSETS:		
Unrestricted	\$ -	\$ -
Temporarily restricted	38,406	21,791
Permanently restricted	<u>131,586</u>	<u>131,586</u>
Total net assets	<u>169,992</u>	<u>153,377</u>
TOTAL	<u>\$ 169,992</u>	<u>\$ 153,377</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2014 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$12	\$ 15,413	\$ -	\$ 15,425
Interest and dividends		1,101		1,101
Interfund interest		101		101
Total revenues, gains, and other support	<u>12</u>	<u>16,615</u>	<u>-</u>	<u>16,627</u>
EXPENDITURES:				
Other investment expense	<u>12</u>			<u>12</u>
Total expenditures	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
INCREASE IN NET ASSETS		16,615		16,615
NET ASSETS AT BEGINNING OF YEAR		<u>21,791</u>	<u>131,586</u>	<u>153,377</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 38,406</u>	<u>\$ 131,586</u>	<u>\$ 169,992</u>

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2013 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 3,282	\$ 5,654	\$ -	\$ 8,936
Interest and dividends	444	698		1,142
Interfund interest	28	59		87
Total revenues, gains, and other support	3,754	6,411	-	10,165
EXPENDITURES:				
Other investment expense	12			12
Total expenditures	12	-	-	12
INCREASE IN NET ASSETS	3,742	6,411		10,153
NET ASSETS AT BEGINNING OF YEAR	(3,742)	15,380	131,586	143,224
NET ASSETS AT END OF YEAR	\$ -	\$ 21,791	\$ 131,586	\$ 153,377

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA
FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Dollars in thousands)

	2014	2013
OPERATING ACTIVITIES:		
Increase in net assets	\$ 16,615	\$ 10,153
Adjustments to reconcile increase in net assets to		
Net cash provided by operating activities:		
Net unrealized gain on investments	(15,940)	(9,526)
Loss on sale of investments	515	590
Changes in operating assets and liabilities:		
Receivable from affiliate	(305)	(120)
Net cash provided by operating activities	885	1,097
INVESTING ACTIVITIES:		
Purchases of securities	(1,242)	(1,235)
Sale of securities	357	138
Net cash used in investing activities	(885)	(1,097)
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS—Beginning of year		
CASH AND CASH EQUIVALENTS—End of year	\$ -	\$ -

See notes to combined financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

DISPROPORTIONATE SHARE HOSPITAL FUNDS NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (DOLLARS IN THOUSANDS)

1. ORGANIZATION

The University of South Alabama Foundation (the "Foundation" or "USAF") was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the "University") in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income and contributions.

The Disproportionate Share Hospital Funds (the "DSH Funds") were matching funds disbursed by the Health Care Financing Administration of the U.S. Department of Health and Human Services to the states through their Medicaid agencies for the purpose of compensating hospitals, such as those operated by the University, that provided medical care and treatment to a disproportionate share of indigent patients in their respective areas.

Access to the DSH Funds for Alabama was made possible by the University of South Alabama Foundation Board, beginning in October 1989, when the Board of the Foundation approved the entry into the matching program. Over a one-year period, the Foundation made a monthly revolving contribution of \$2 million, which yielded approximately \$24 million in federal grant monies. The Board of Trustees of the University adopted a resolution in March 1990, authorizing the transfer of the DSH Funds to the Foundation to be held by it to preserve and ensure the continued viability of the University of South Alabama Hospitals ("University Hospitals") and their overall mission.

Litigation relating to the transfer of the DSH Funds was settled in November 1993, when an agreement was reached among the Department of Examiners of Public Accounts of the State of Alabama, the Board of Trustees of the University, and the Board of Directors of the Foundation, which required that all Medicaid disproportionate share hospital funds received through September 30, 1994, be transferred to the Foundation and held irrevocably for the benefit, as determined by the Foundation, of the University Hospitals and clinics and the other programs of the University that benefit such hospitals and clinics. Further, the agreement recognized the Foundation as the lawful holder and owner of the DSH Funds and that the investment and management of the DSH Funds were solely within the authority of the Foundation's Board.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying combined financial statements include the DSH Funds and Knollwood Development, Inc., a wholly owned subsidiary of the Foundation and an affiliate originally funded by DSH Funds. All significant interfund transactions have been eliminated in combination.

Net Assets — In order to ensure observance of limitations and restrictions placed on the use of the resources available to the DSH Funds, the accounts of the DSH Funds are maintained on the accrual basis in accordance with the principles of "fund accounting." Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation

presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions, using three classifications: permanently restricted; temporarily restricted; and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Support — Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents — Temporary cash investments with an original maturity date of three months or less when purchased are considered to be cash equivalents. The carrying amounts reported in the accompanying combined statements of financial position for cash and cash equivalents approximate their fair values.

Investments in Securities — Investments in equity securities are maintained and administered in a common pool by the Foundation. Amounts presented in these combined financial statements represent the DSH Funds proportionate share of the Foundation's investments.

Investments in Commonfund — The Commonfund for Nonprofit Organizations ("Commonfund") is a membership corporation that operates investment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad.

The Foundation's units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the unit values of each of its Funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Commonfund redemptions are paid on the last day of the month with the request or notification required by the 20th day of the month. Further information about Commonfund's valuation procedures follows.

In the Multi-Strategy Equity Fund and the International Equity Fund, as managed by Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation System (NASDAQ), for which the NASDAQ Official Closing Price is used. In the absence of either, the current

bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as “crossfund investments”) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the financial statements and the differences could be material.

Investment Income — Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying combined statement of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund’s net assets.

Income Allocation — The DSH Funds participate in the New Investment Pool (the “Pool”) as described in Note 4. Funds that participate in the Pool, including DSH Funds, receive a monthly allocation of income and loss experienced by the Pool. Allocations made by the Pool to its participants are based on the relative participation levels of investment in the Pool by each participating fund.

Income Tax Status — The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The DSH Funds participate in the Foundation’s New Investment Pool (see Note 4). The New Investment Pool consists of the Foundation’s investment in marketable securities, valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of the

underlying investments, and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility, and to estimation risk in the case of assets for which market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the DSH Fund’s financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying combined statement of financial position for cash and cash equivalents approximates its fair value.
- **Equity Securities:** Includes investments in marketable securities and investments in Commonfund:

Marketable Equity Securities: Fair values are based on quoted market prices of each security with readily determinable fair values.

Investments in Commonfund: Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets.

- **Timberland, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.

4. INVESTMENTS

Investments consisted of participation in the Foundation's pooled investment funds. On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consists of (1) all marketable equity securities held by the Foundation, and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund (3) and the Foundation's interest in the Brookley Complex acquired November 10, 2010. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable for principal and interest owed by the Equitable Timber Fund to the DSH at June 30, 2006. All pooled investment activity subsequent to June 30, 2006, is allocated between DSH Funds and other USAF funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

Investment income for the years ended June 30, 2014 and 2013, consisted of the following:

	2014	2013
Unrealized gains	\$ 15,940	\$ 9,526
Realized losses	(515)	(590)
Interest and dividends	1,101	1,142
Interfund interest	<u>101</u>	<u>87</u>
	<u>\$ 16,627</u>	<u>\$ 10,165</u>

Real estate at June 30, 2014 and 2013, consisted of land and land improvements.

Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The New Investment Pool's observable values consist of investments in exchange traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices. The New Investment Pool's other observable values are an investment in a managed fund held by a third party. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The DSH Funds' unobservable values consist of its interest in the New Investment Pool's timberland and real estate with fair values based on extensive independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The Foundation's Investment Pool assets are summarized as follows:

Fair Value Measurements at June 30, 2014				
Description	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	Total
New Investment Pool interest in marketable equity securities	\$ 71,080	\$ 62,156	\$ -	\$ 133,236
New Investment Pool interest in timber			108,000	108,000
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
	<u>\$ 71,080</u>	<u>\$ 62,156</u>	<u>\$ 134,700</u>	<u>\$ 267,936</u>

Fair Value Measurements at June 30, 2013				
Description	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	Total
New Investment Pool interest in marketable equity securities	\$ 57,870	\$ 56,323	\$ -	\$ 114,193
New Investment Pool interest in timber			105,600	105,600
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
	<u>\$ 57,870</u>	<u>\$ 56,323</u>	<u>\$ 132,300</u>	<u>\$ 246,493</u>

For the year ended June 30, 2014, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable values is as follows:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
Beginning balance	\$ 105,600	\$ 23,000	\$ 3,700	\$ 132,300
Total realized and unrealized gains	4,933			4,933
Reforestation	352			352
Depletion	<u>(2,885)</u>	<u> </u>	<u> </u>	<u>(2,885)</u>
Ending balance	<u>\$ 108,000</u>	<u>\$ 23,000</u>	<u>\$ 3,700</u>	<u>\$ 134,700</u>

For the year ended June 30, 2013, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable values is as follows:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
Beginning balance	\$ 105,500	\$ 23,000	\$ 3,700	\$ 132,200
Total realized and unrealized gains	2,741			2,741
Reforestation	230			230
Depletion	<u>(2,871)</u>	<u> </u>	<u> </u>	<u>(2,871)</u>
Ending balance	<u>\$ 105,600</u>	<u>\$ 23,000</u>	<u>\$ 3,700</u>	<u>\$ 132,300</u>

The DSH Funds' holds a proportionate interest in the value of the Foundation's Investment Pool. On June 30, 2014, the value of DSH units in the Pool was \$165,453 and at June 30, 2013, the value of DSH units in the Pool was \$149,143.

5. RELATED-PARTY TRANSACTIONS

At June 30, 2014 and 2013, receivables from affiliated entities totaled \$839 and \$534, respectively. These amounts are due to the DSH Funds from other entities owned by the Foundation. These receivables earn interest at a standard market rate, based on the applicable federal rates (rates used for federal tax purposes). Interest income was \$101 and \$87 for the years ended June 30, 2014 and 2013, respectively. As described in Note 4, effective June 30, 2006, the DSH Funds participate in the Pool of the Foundation and the DSH Funds earn a proportionate share of investment income of the Pool.

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Foundation's Board of Directors authorized in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010, resolution revoked the May 22, 2008, resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, Brookley Bay Front Properties, LLC (here and after BBFP), an Alabama Limited Liability Company, whose sole member is the University of South Alabama Foundation, purchased the Brookley Complex from the University of

South Alabama for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest bearing installment note for Sixteen Million Dollars (\$16,000).

It is further the intention and expectation of the Board of the Foundation, as reflected in the resolution adopted May 27, 2010, that after BBFP has completed payment of the purchase price, the Foundation would begin funding to the University an annual target distribution of 3% of the net assets of the DSH Funds held by the Foundation, commencing in its fiscal year next following the year in which payment is completed and subject to certain financial and other conditions.

During the period over which the note is outstanding, the University retains ownership and usage rights of all buildings and improvements on the Brookley Complex property and an exclusive easement over the land for five years. Ownership of such buildings and improvements transfers to BBFP at the time the note is fully repaid unless the parties agree to extend use by the University. BBFP, may at its option, prepay the note, and take ownership of the buildings and improvements prior to the scheduled maturity of such note.

6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, temporarily restricted net assets of \$38,406 and \$21,791, respectively, were available for the support of hospitals, clinics, and related programs of the University.

7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, permanently restricted net assets of \$131,586 and \$131,586, respectively, are restricted to investments in perpetuity, the income from which may be used for the support of hospitals, clinics, and related programs of the University.

8. ENDOWMENT

Interpretation of the Law — The University of South Alabama Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds.

The Foundation, accordingly, classifies each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

9. SUBSEQUENT EVENTS

The DSH Funds evaluated subsequent events through August 21, 2014, which represents the date the combined financial statements were available to be issued, and made the determination that no events occurred subsequent to June 30, 2014, that would require disclosure in or would be required to be recognized in the combined financial statements.

* * * * *



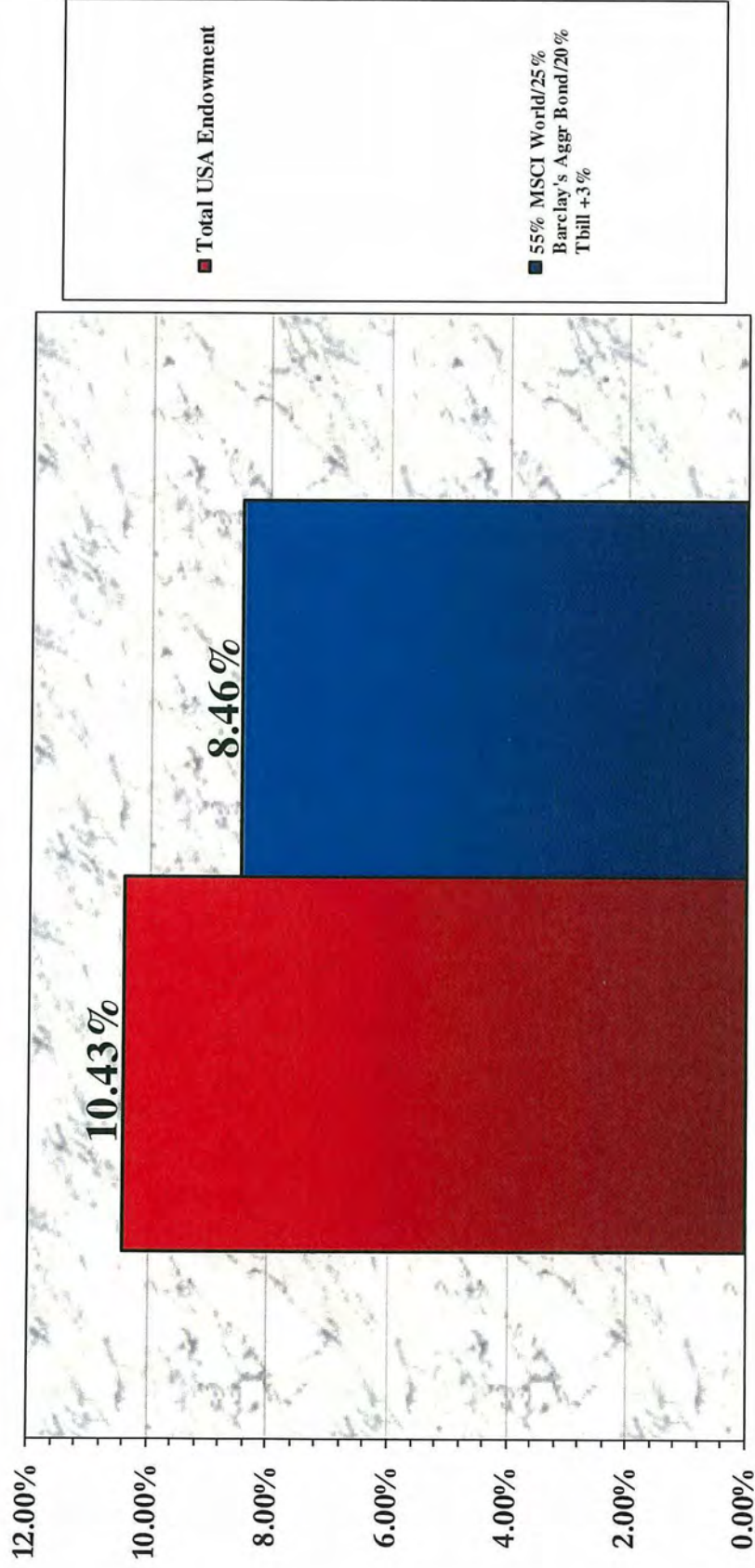
University of South Alabama Endowment Investment Performance Review / Analysis

Fiscal Year
2014

TOTAL USA ENDOWMENT FISCAL YEAR 2014 October 1, 2013 To July 31, 2014



Balance: \$ 143,619,797

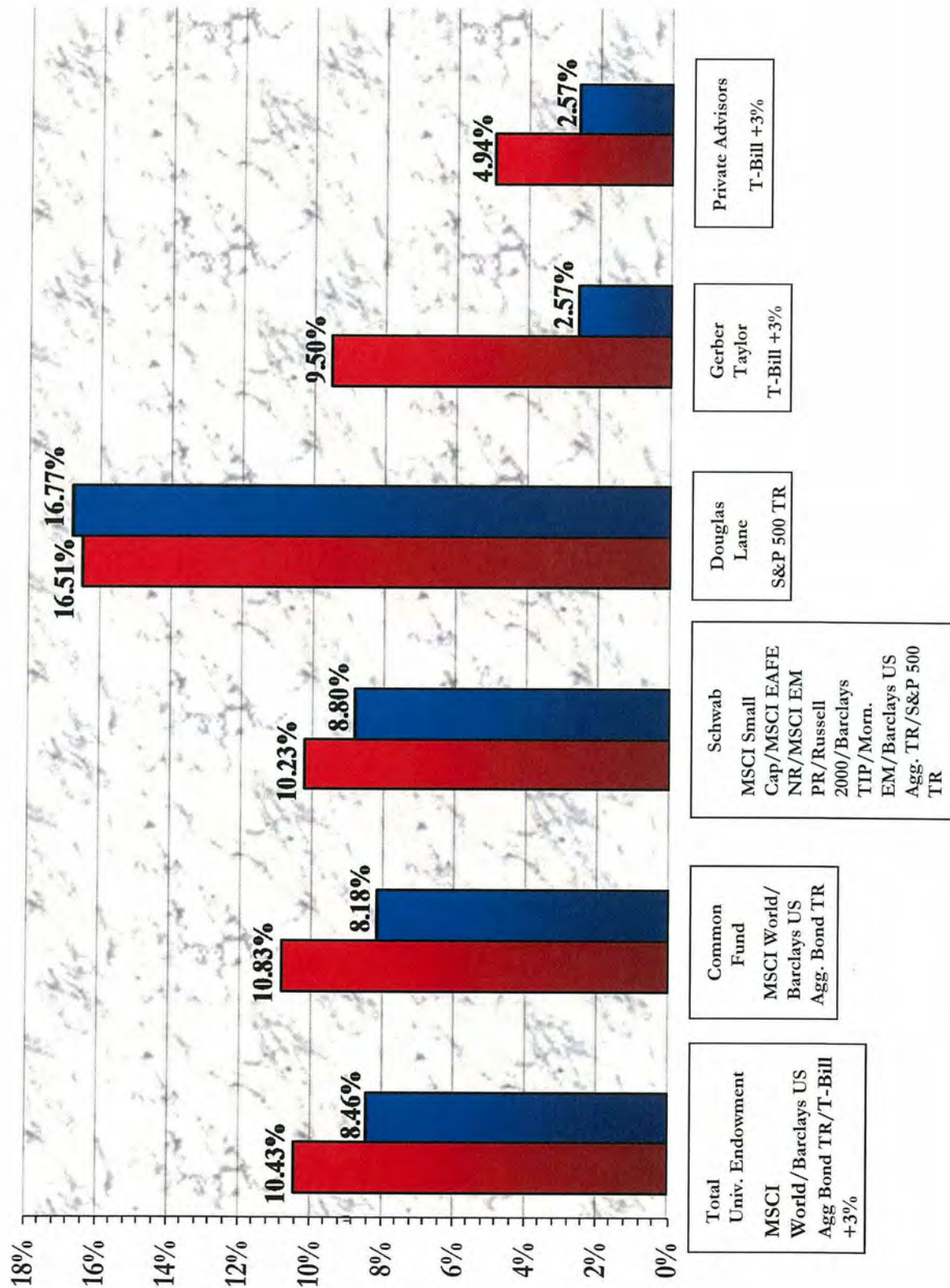


Outperformed 1.97 %

ENDOWMENT FUND MANAGERS

FISCAL YEAR 2014

October 1, 2013 To July 31, 2014



TOTAL USA ENDOWMENT BREAKDOWN

FISCAL YEAR 2014



Manager	Money Market	Large Cap Equity	Small Cap Equity	International	Fixed/MMKT	Hedge	Total	%
Private Advisors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,314,578	\$ 7,314,578	5%
Schwab	\$ 63	\$ 7,236,653	\$ 8,408,300	\$ 17,147,289	\$ 5,411,668	\$ -	\$ 38,203,974	27%
Doug Lane	\$ 332,087	\$ 7,447,646	\$ -	\$ -	\$ -	\$ -	\$ 7,779,733	5%
Common Fund	\$ -	\$ 36,417,254	\$ -	\$ -	\$ 31,064,803	\$ -	\$ 67,482,057	47%
Gerber Taylor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,839,455	\$ 22,839,455	16%
Total	\$ 332,150	\$ 37,101,553	\$ 8,408,300	\$ 17,147,289	\$ 36,476,471	\$ 30,154,033	\$ 143,516,797	100%
%	0%	36%	6%	12%	25%	21%	100%	
Policy %		25-55%	0-8%	5-15%	15-35%	10-30%	100%	

**TOTAL USA ENDOWMENT
SINCE INCEPTION
APRIL 1, 2000 To July 31, 2014
Annualized**

Balance: \$ 143,619,797

