UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

MACQUEEN ALUMNI CENTER - CHIEF CALVIN W. MCGHEE GRAND BALLROOM

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https://www.southalabama.edu/departments/trustees/agendas/2020/

DECEMBER 2, 2020
1:30 P.M.

AUDIT COMMITTEE - RON GRAHAM, CHAIR

1 Roll Call
2 Approve: Minutes
3 Report: KPMG Audit Reports, Year Ended September 30, 2020:
  Basic Financial Statements
  Independent Auditors' Report on Internal Control Over Financial Reporting
  Communication to the Audit Committee (SAS #114 Letter)
  Bond Compliance Letter
  Agreed-Upon Procedures Bond Report
  Basic Financial Statements, USA Research and Technology Corporation
  Basic Financial Statements, USA Health Care Authority
4 Report: Alabama Department of Examiners of Public Accounts Compliance Report, Year Ended September 30, 2019

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE - JIM YANCE, CHAIR

5 Roll Call
6 Report: Endowment and Investment Performance * J.P. Morgan
7 Recommendation to Approve: Evaluation of Endowment and Non-Endowment Investment Policies
8 Recommendation to Approve: Officers and Directors of the Jaguar Athletic Fund, Inc.
9 Report: Development and Alumni Relations
10 Recommendation to Approve: Collaboration Between the University of South Alabama and the Mobile County Commission in Support of Project 110
11 Recommendation to Approve: Commendation of Mr. and Mrs. James J. Gosa
12 Recommendation to Approve: Commendation of Dr. and Mrs. Steven H. Stokes for Leading the $150 Million Upward & Onward Campaign

HEALTH AFFAIRS COMMITTEE – STEVE FURR, M.D.

13 Roll Call
14 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments and Reappointments for August, September and October 2020
15 Recommendation to Approve: USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
16 Report: USA Health and College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE - MIKE WINDOM, CHAIR

17 Roll Call
18 Recommendation to Approve: Sabbatical Awards
19 Recommendation to Approve: Faculty Emeritus
20 Report: Academic Affairs
21 Report: Student Affairs
22 Report: Campus Safety
23 Report: Research and Economic Development

LONG-RANGE PLANNING COMMITTEE - CHANDRA BROWN STEWART, CHAIR

24 Roll Call
25 Report: Strategic Planning Process

BUDGET AND FINANCE COMMITTEE - TOM CORCORAN, CHAIR

26 Roll Call
27 Report: University of South Alabama 2020 Financial Report
28 Recommendation to Approve: Restatement of the University of South Alabama Money Purchase Pension Plan
29 Recommendation to Approve: Bond Purchase Agreement for Series 2021 Bonds
30 Recommendation to Approve: Directors of the University of South Alabama Foundation for Research and Commercialization
31 Recommendation to Approve: Rent Supplement Agreement

COMMITTEE OF THE WHOLE - JIMMY SHUMOCK, CHAIR

32 Roll Call
33 Approve: Executive Session

DECEMBER 3, 2020
10:30 A.M.

BOARD OF TRUSTEES - JIMMY SHUMOCK, CHAIR PRO TEMPORE

1 Roll Call
2 Approve: Minutes
3 Approve: Commendation of Mr. and Mrs. James J. Gosa
4 Report: University President
5 Report: Faculty Senate President
6 Report: Student Government Association President
7 Approve: Consent Agenda:
  Officers and Directors of the Jaguar Athletic Fund, Inc.
  Collaboration Between the University of South Alabama and the Mobile County Commission in Support of Project 110
  USA Health Hospitals Medical Staff Appointments and Reappointments for August, September and October 2020
  USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
  Sabbatical Awards
  Faculty Emeritus
  Restatement of the University of South Alabama Money Purchase Pension Plan
  Directors of the University of South Alabama Foundation for Research and Commercialization
  Rent Supplement Agreement
8 Report: Audit Committee
9 Report: Development, Endowment and Investments Committee
10 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
11 Report: Health Affairs Committee
12 Report: Academic and Student Affairs Committee
13 Report: Long-Range Planning Committee
14 Report: Budget and Finance Committee
15 Approve: Bond Purchase Agreement for Series 2021 Bonds
16 Approve: Commendation of Dr. and Mrs. Steven H. Stokes for Leading the $150 Million Upward & Onward Campaign

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING SCHEDULE

WEDNESDAY, DECEMBER 2, 2020:

1:30 p.m.	**Committee Meetings (Consecutive)**	**MacQueen Alumni Center** **Chief Calvin W. McGhee Grand Ballroom**

THURSDAY, DECEMBER 3, 2020:

10:30 a.m.	**Board of Trustees Meeting**	**MacQueen Alumni Center** **Chief Calvin W. McGhee Grand Ballroom**

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UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

STANDING COMMITTEES
2019-2022

EXECUTIVE COMMITTEE:

- James H. Shumock, **Chair *pro tempore***
- Arlene Mitchell, **Vice Chair**
- Katherine Alexis Atkins, **Secretary**
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Kenneth O. Simon
- James A. Yance

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- William Ronald Graham
- Robert D. Jenkins III
- Lenus M. Perkins
- Margie Malone Tuckson
- Michael P. Windom, **Chair**

AUDIT COMMITTEE:

- Katherine Alexis Atkins, **Vice Chair**
- E. Thomas Corcoran
- William Ronald Graham, **Chair**
- Robert D. Jenkins III
- Lenus M. Perkins
- Kenneth O. Simon

BUDGET AND FINANCE COMMITTEE:

- Katherine Alexis Atkins
- Chandra Brown Stewart
- E. Thomas Corcoran, **Chair**
- William Ronald Graham
- Lenus M. Perkins, **Vice Chair**
- Kenneth O. Simon
- Steven H. Stokes, M.D.

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

- Chandra Brown Stewart
- Scott A. Charlton, M.D.
- Arlene Mitchell
- Steven H. Stokes, M.D., **Vice Chair**
- Margie Malone Tuckson
- Michael P. Windom
- James A. Yance, **Chair**

EVALUATION AND COMPENSATION COMMITTEE:

- Scott A. Charlton, M.D.
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Robert D. Jenkins III, **Chair**
- Arlene Mitchell
- Kenneth O. Simon, **Vice Chair**
- Michael P. Windom

LONG-RANGE PLANNING COMMITTEE:

- Chandra Brown Stewart, **Chair**
- Robert D. Jenkins III
- Lenus M. Perkins, **Vice Chair**
- Steven H. Stokes, M.D.
- Michael P. Windom
- James A. Yance

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- Chandra Brown Stewart
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- Arlene Mitchell
- Steven H. Stokes, M.D.
- Margie Malone Tuckson, **Vice Chair**
- James A. Yance
- John V. Marymont, M.D., ex officio
- Edward Panacek, M.D., ex officio
- Tony G. Waldrop, Ph.D., ex officio

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING AGENDA
AND MINUTES

UNIVERSITY OF SOUTH ALABAMA
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COMMITTEE OF THE WHOLE - JIMMY SHUMOCK, CHAIR

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33 Approve: Executive Session

DECEMBER 3, 2020
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BOARD OF TRUSTEES - JIMMY SHUMOCK, CHAIR PRO TEMPORE

1 Roll Call
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- Directors of the University of South Alabama Foundation for Research and Commercialization
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8 Report: Audit Committee
9 Report: Development, Endowment and Investments Committee
10 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
11 Report: Health Affairs Committee
12 Report: Academic and Student Affairs Committee
13 Report: Long-Range Planning Committee
14 Report: Budget and Finance Committee
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16 Approve: Commendation of Dr. and Mrs. Steven H. Stokes for Leading the $150 Million Upward & Onward Campaign

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: November 23, 2020

TO: USA Board of Trustees

FROM: Alexis Atkins
Secretary, Board of Trustees

SUBJECT: Meeting Minutes

Included herein are the unapproved minutes for the Board of Trustees and Audit Committee meetings held on September 10 and 11, 2020. Please review these documents for amendment or approval at the December 2 and 3, 2020, meetings.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

September 11, 2020
10:30 a.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Friday, September 11, 2020, at 10:32 a.m. in the Board Room of the Frederick P. Whiddon Administration Building. Public access was provided via YouTube livestream.

Members Participating:	Present were Steve Furr, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance. Participating by video conference were Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Ron Graham, Arlene Mitchell, Ken Simon and Margie Tuckson.
Members Not Participating:	Alexis Atkins and Kay Ivey.
Administration & Guests:	Present were Monica Ezell, John Smith and Tony Waldrop. Participating by video conference were Terry Albano, Owen Bailey, Claire Cage, Nicole Carr, Neil Chaudhary, Mona and Manoj Chaudhary, Lynne Chronister, John Cleary (Faculty Senate), Angela Coleman, Lizzie Del Rio, Kristin Dukes, Joel Erdmann, Julie Estis, Paul Frazier, Melinda Gratwick (KPMG), Mike Haskins, David Johnson, Andi Kent, Nick Lawkis, Melinda and Louis Mapp, John Marymont, Abe Mitchell, Mike Mitchell, Tia Nickens (SGA), Amanda Price (KPMG), Laura Schratt, Keith Shurbutt (KPMG), Margaret Sullivan, John Todd (MAA), Scott Weldon and Ashley Willson (KPMG).

Upon calling the meeting to order, Chairman Shumock thanked everyone for their participation and discussed how the meeting would proceed. He conveyed enthusiasm for the inaugural home football game in Hancock Whitney Stadium on September 12, 2020. Following the attendance roll call, Chairman Shumock recognized the 19th anniversary of the September 11 terrorist attacks and paid tribute to the late Anne Nix, wife of Trustee Emeritus James P. Nix, who passed away on September 5, 2020. He recognized Ms. Brown Stewart for being named an Alabama Bright Light by the Alabama NewsCenter and for her impending Leadership Alabama graduation; Judge Windom for his recent appointment as a circuit court judge by Governor Ivey; Ms. Mitchell for her recent birthday; and Capt. Jenkins for his September 11 birthday. He presented a plaque to Dr. John Todd in appreciation of his service as President of the USA Medical Alumni Association (MAA) for 2018-2020. He recognized the service of Mr. Patrick Dungan as President of the National Alumni Association (NAA) over 2018-2020, as well as the service of USA alumna Dr. Karen Calametti, who served as an ACHE (Alabama Commission on Higher Education) commissioner representing Alabama's first congressional district. He announced that Governor Ivey recently appointed NAA past president Ms. Ann Sirmon to fill Dr. Calametti's ACHE seat for a nine-year term.

Chairman Shumock called for adoption of the minutes of the Board of Trustees meeting held on June 5, 2020, **Item 1**. On motion by Dr. Stokes, seconded by Mr. Yance, the Board voted unanimously to adopt the minutes.

As to **Item 2**, Chairman Shumock shared context on the Board of Trustees scholarship program and a photo was shown of the previous scholarship recipients. He introduced South Alabama freshman and Board of Trustees Scholar for 2020-2021 Mr. Neil Chaudhary, as well as his parents, Mona and Manoj Chaudhary, and presented Mr. Chaudhary a certificate commemorating his selection. Mr. Chaudhary thanked the Board for the honor.

Chairman Shumock called on Mr. Bailey to present **Item 3** as follows. Mr. Bailey introduced Melinda and Louis Mapp and shared how their stalwart giving and volunteerism in support of USA Health programs had positively impacted the lives of patients and their families. He and Chairman Shumock thanked the Mapps for their generous philanthropy, and Chairman Shumock read the resolution and offered a motion for approval. Judge Windom seconded and the Board voted unanimously to approve the resolution. Mr. Mapp conveyed appreciation for the people of USA Health; expressed excitement for the specialty services that would be available to residents of Baldwin County as a result of USA Health's expansion; and said it was a privilege to be a part of the USA Health mission that would benefit generations to come:

RESOLUTION
COMMENDATION OF MELINDA AND LOUIS MAPP

WHEREAS, Melinda and Louis Mapp have shown unwavering support of USA Health and its academic mission of helping citizens along the Gulf Coast and throughout South Alabama lead longer, healthier lives, and

WHEREAS, the Mapps' desire to provide for USA Health's most vulnerable patients at Children's & Women's Hospital resulted in the creation of the *Mapp Child and Family Life Program* and the *Louis and Melinda Mapp NICU Patient Support Fund*, advanced the establishment of the *Collins Carr Memorial Rooftop Garden* and the *Bridge Program,* and led to enhanced Children's Miracle Network activities, and

WHEREAS, the Mapps have strengthened this partnership through generous support of cancer research at the Mitchell Cancer Institute through its *Celebrate Hope*, *Salty Worm Brackish Classic* and *Delta Bash* events, and

WHEREAS, Melinda and Louis Mapps' support of fundraising events has expanded to include University Hospital's *A Night Honoring Heroes*, benefiting the region's sole Level 1 trauma center and source of unparalleled care for trauma, stroke and burn patients, and

WHEREAS, the Mapps' transformational impact on USA Health is magnified by Louis Mapp's generous commitment to volunteer service to the health system and its patients, including his participation as a simulated stroke patient during a SouthFlight helicopter transfer from Fairhope to the *Fanny R. Meisler Trauma Center* for the purpose of illustrating the lifesaving potential of rapid transport, and

WHEREAS, Louis Mapp invests time each week to work alongside healthcare professionals as a volunteer, serving USA's patients in the *Hollis J. Wiseman Neonatal Intensive Care Unit* and in University Hospital's Intensive Care Unit, and

WHEREAS, the Mapps share USA Health's vision to expand academic, world-class healthcare into Baldwin County, providing its citizens with the benefits of access to specialized care, training for healthcare providers and wellness programs, and

> **WHEREAS,** the Mapps' most recent gift of eight acres of property located at the southeast corner of the intersection of Alabama highways 181 and 104 in Fairhope, valued at $2,090,000, will enable USA Health to establish a center for health services with an emphasis on health, wellness, nutrition and prevention,
>
> **THEREFORE, BE IT RESOLVED,** the University of South Alabama Board of Trustees commends Melinda and Louis Mapp and the *Mapp Limited Partnership* for their extraordinary commitment to assuring that the citizens of Mobile and Baldwin counties have access to the highest quality of healthcare, and hereby names the new health services campus in Fairhope the *USA Health Mapp Family Campus*, and
>
> **BE IT FURTHER RESOLVED** that the Board of Trustees extends profound thanks on behalf of the entire USA Health system and the University's faculty, students, and staff, as well as patients and families who will benefit for many years to come from the services and programs offered at the *USA Health Mapp Family Campus* and from the visionary philanthropy of Melinda and Louis Mapp.

Chairman Shumock called for the presentation of **Item 4**, the President's Report. President Waldrop introduced and gave background on Interim Provost and Sr. Vice President for Academic Affairs Dr. Andi Kent, who assumed the position effective September 1, 2020. Dr. Kent, who has served as dean of the College of Education and Special Programs since January 2016, said she was honored to serve the University in this role.

President Waldrop introduced and shared professional history on COVID-19 Response Coordinator Dr. Julie Estis. Dr. Estis expressed appreciation for the opportunity to serve in this position and discussed the University's comprehensive approach to reopen campus for the fall semester, which included implementation of a daily health screening system for students and employees and a COVID-19 contract-tracing unit. She answered questions about protocols for students who test positive for COVID-19 and the potential for engaging with community partners to mitigate the spread of the coronavirus if needed.

President Waldrop called on Dr. Erdmann for an update. Dr. Erdmann reported on the progression of fall sports while meeting the COVID-19 compliance guidelines of the Sun Belt Conference and the NCAA (National Collegiate Athletic Association). He credited Professor of Pediatrics and infectious disease expert Dr. Benjamin Estrada, member of the University's Committee for Reopening Campus, for his wise counsel to the department amid the pandemic. He advised of the implementation of a diversity and inclusion task force charged with guiding South Alabama Athletics through social issues to effect meaningful change. He echoed enthusiasm for the first home football game to be played against Tulane on Abraham A. Mitchell Field at Hancock Whitney Stadium; credited Associate Vice President for Facilities Management Mr. Randy Moon for his oversight of the stadium project; and spoke about the immeasurable impact of national television exposure made possible by Hancock Whitney Stadium.

President Waldrop congratulated Ms. Chronister for being named a 2020 *Woman of Impact* by Yellowhammer News. He stated Ms. Chronister earned this distinction for her involvement in the community and leadership at South, which resulted in the growth of research awards to close to $90 million in 2019. He said a profile on Ms. Chronister would soon be featured in the publication.

President Waldrop provided a summary of South's *Common Read* selection for 2020-2021, Spare Parts, and encouraged Trustees and guests to read the book.

President Waldrop recognized Professor of Sociology, Anthropology and Social Work Dr. David Johnson, thanking him for his exemplary efforts as the former Provost and Senior Vice President for Academic Affairs. He advised that Dr. Johnson would continue to serve on the Committee for Reopening Campus and asked him to share his recommendations relative to the strategic plan update that would soon begin. Dr. Johnson stressed the importance of addressing the enrollment challenge facing all institutions into the future and protecting South's market share. He suggested that the University focus on strengthening programs in the environmental sciences and health sciences, as well as connections with industry partners, particularly in Theodore and Axis, Alabama.

Chairman Shumock called for a report from Faculty Senate President Dr. John Cleary, **Item 5**. Dr. Cleary recognized the Faculty Senate leadership for their efforts, as well as the members of the Executive Committee: Dr. Susan McCready, Past President; Dr. Beth Shepard, Vice President; and Dr. Donna Copeland, Secretary. He thanked the University leadership for working closely with the Faculty Senate on matters unique to the pandemic, including budgetary needs, campus reopening, preparations for the spring semester and promotion of a safe learning environment on campus. He advised of a newly-formed diversity and inclusion committee that would work proactively with campus partners.

Chairman Shumock called for a report from Student Government Association (SGA) President Ms. Tia Nickens, **Item 6**. Ms. Nickens advised of the selection of First Year Council members, who work to help new students get involved on campus; invited those interested in learning more about SGA projects taking shape for the fall semester to contact her; shared details about a pilot laptop rental program; conveyed excitement about diversity and inclusion training that would soon launch with the help of Dr. Frazier; and reported that SGA funded a three-dimensional printer for the Office of Disability Services to help with special student needs.

Chairman Shumock called upon Mr. Weldon, who introduced KPMG Engagement Partner Ms. Ashley Willson. Ms. Willson discussed plans related to the financial audit underway for the 2020 fiscal year, speaking briefly about KPMG's commitment to clients, COVID-19 resilience and readiness, audit scope, and vision for modernizing the audit process. She introduced Lead Partner for the Single Audit Mr. Keith Shurbutt, who made brief remarks, as well as Lead Audit Engagement Managers for the general University and for USA Health Ms. Melinda Gratwick and Ms. Amanda Price, respectively, who briefly covered required communications relative to materiality in the context of the audit, the audit timeline and deliverables, areas of significant risk, involvement of others, and new accounting standards to be implemented in the coming years. Ms. Willson concluded with comments about independence, audit quality and transparency, responsibilities and inquiries.

Chairman Shumock asked former MAA President Dr. John Todd if he would like to say a few words. Dr. Todd shared gratitude for the Board's recognition and stated he was proud to have served the University in this capacity.

Following a brief recess, Chairman Shumock called on Mr. Weldon for the presentation of **Item 8**, the independent audit of the USA Foundation consolidated financial statements and disproportionate share hospital funds combined financial statements for the years ended June 30, 2020 and 2019. Mr. Weldon stated both reports received unqualified opinions and noted the USA Foundation reported an increase in net assets of $3.6 million compared to that reported for fiscal year 2019 of $9.3 million, as well as distributions to the University totaling $10.6 million. He said the reports did not contain unusual or unexpected information.

Chairman Shumock welcomed Executive Director of Internal Audit and Chief Financial Compliance Officer Ms. Laura Schratt to her new role and asked her to address **Item 9** as follows. (To view approved policies and other authorized documents, refer to **Appendix A**). Ms. Schratt explained the recommended changes to the Office of Internal Audit Charter. On motion by Capt. Jenkins, seconded by Dr. Stokes, the Board voted unanimously to approve the resolution:

RESOLUTION
OFFICE OF INTERNAL AUDIT CHARTER

WHEREAS, the purpose of the University of South Alabama's Office of Internal Audit is to provide independent, objective assurance and consulting services that are guided by a philosophy of adding value to improve the operations of the University, and

WHEREAS, the Office of Internal Audit is subject to guidance promulgated by the Institute of Internal Auditors, and

WHEREAS, such guidance by the Institute of Internal Auditors directs the Office of Internal Audit to establish a charter, and

WHEREAS, the purpose of such charter is to address the authority, independence, objectivity, scope of services and responsibilities of the Office of Internal Audit, and

WHEREAS, the most recent Office of Internal Audit Charter was approved in December 2019 and requires update to ensure adherence to the Institute of Internal Audit requirements,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees authorizes approval of the attached University of South Alabama Office of Internal Audit Charter.

Concerning **Item 10**, a report on internal audit activities, Ms. Schratt provided a summary of the factors considered when developing annual internal audit plans, and detailed the components of the internal audit plan for fiscal year 2021. She stated that the 2021 internal audit plan was adopted by the Audit Committee at a meeting on September 10, 2020.

Chairman Shumock called on Mr. Weldon, who informed Board members that, in addition to serving the role of investment manager for the University, Mr. Terry Albano had been promoted to the position of University Treasurer, the role held previously by Mr. Ken Davis, who retired effective September 1, 2020. Mr. Albano said he looked forward to fulfilling his new duties.

Mr. Albano presented **Item 11**, a report on endowment and investment performance, advising of a return on investments of 6.24 percent for the 2020 fiscal year through July 31 versus the relative index performing at 7.38 percent. Despite the endowment having underperformed by 1.14 percent, he noted a gain of 61 basis points since April 30, 2020, and fiscal year earnings totaling approximately $9.7 million. He reviewed manager performance and asset allocation, as well as the annualized performance since inception and fluctuations in the value of the U.S. dollar over the life of the endowment. He reported an endowment value of approximately $167.7 million and overall University earnings of about $92 million.

Chairman Shumock called for a report on the activities of the Division of Development and Alumni Relations, **Item 12**. Ms. Sullivan stated the *Upward & Onward Campaign* would soon conclude and thanked everyone who participated. She reported approximately $154.8 million raised as of September 3, 2020, surpassing the $150 million goal, and emphasized that 14,345 of the nearly 23,000 donors contributing were new donors to the University. She shared that the 100 Black Men of Greater Mobile recently contributed $10,000 to create the *Leadership in Social Justice and Perseverance Endowed Scholarship* and thanked Trustees Tuckson and Simon, Ms. Nickens, Dr. Mitchell and others from the University for serving on the advisory council that would work to raise $500,000 for the scholarship fund. She reported just over $155,000 raised for South's Pandemic Emergency Fund and detailed an array of needs met through these contributions. She thanked Mr. Abe Mitchell for providing in excess of $16.6 million in scholarship matching funds, noting 245 new scholarships created and 186 existing scholarships enhanced during the campaign. She discussed the activities planned in conjunction with the October 2 virtual alumni reunion, including a *Courageous Conversations* alumni panel with Trustees Tuckson and Simon, Ms. Nickens, Mr. Julian MacQueen and Dr. Laurie Owen participating and Dr. Joél Lewis Billingsley from the College of Education and Special Programs moderating. Also detailed were USA Health fundraising events scheduled for the remainder of the year. Ms. Sullivan thanked the Stokeses for leading the *Upward & Onward Campaign*. Dr. Stokes commended Ms. Sullivan and the Development team for their hard work despite the challenges presented in 2020. He stated this campaign would serve as a foundation for the next campaign and thanked everyone involved.

Chairman Shumock called upon Mr. Bailey to present **Item 13** as follows. On motion by Dr. Charlton, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolution:

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR MAY, JUNE AND JULY 2020

WHEREAS, the Medical Staff appointments and reappointments for May, June and July 2020 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

Chairman Shumock asked Dr. Mitchell to address **Item 15** as follows. Dr. Mitchell discussed the collaborative efforts of Mr. Lawkis and Ms. Dukes with regard to new legislation regulating free speech on college campuses statewide and advised of an extensive review of the policy and revisions made in 2017. On motion by Dr. Charlton, seconded by Mr. Graham, the Board voted unanimously to approve the resolution:

RESOLUTION
SPEECH, EXPRESSIVE ACTIVITIES, AND USE OF UNIVERSITY SPACE, FACILITIES, AND GROUNDS POLICY

WHEREAS, new legislation has been enacted by the State of Alabama pertaining to free speech on the campuses of higher education entities in the state, including the University of South Alabama, and

WHEREAS, in compliance with that legislation, revisions have been made to the University of South Alabama's Speech, Expressive Activities, and Use of University Space, Facilities, and Grounds policy, and

WHEREAS, the legislation requires that the board of trustees of each institution submit a report to the Governor and Legislature detailing the course of action implemented to ensure compliance with the requirements of the legislation,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby approves the revised Speech, Expressive Activities, and Use of University Space, Facilities, and Grounds policy as set forth in the attached document, and

BE IT FURTHER RESOLVED that the Board hereby authorizes Dr. Michael Mitchell, Vice President for Student Affairs and Dean of Students, to prepare and file a report on behalf of the Board to the Governor and Legislature which informs of the revision of the Speech, Expressive Activities, and Use of University Space, Facilities, and Grounds policy by the University, as well as other actions taken by the University in order to conform to the requirements of the legislation.

Chairman Shumock called on Provost Kent for a report on the activities of the Division of Academic Affairs, **Item 16**. Provost Kent spoke to the resiliency of the faculty, staff and students in adapting to a variety of teaching modalities for the fall semester, as necessitated by the pandemic. She reported a fall enrollment of 14,244 students, as well as increases in freshman and graduate enrollment. She advised of 176 high school students enrolled in the University's new *Start South* dual-enrollment program, and recognized the hard work of Associate Vice President for Academic Student Success Dr. Nicole Carr and her team, as well as of the faculty, that led to a marked improvement in freshman cohort retention rates. Dr. Carr addressed a question on the primary factors that may drive freshmen to drop out of school.

Chairman Shumock called on Ms. Chronister for a report on the activities of the Division of Research and Economic Development, **Item 18**. Ms. Chronister introduced and shared background on Associate Professor of History Dr. Claire Cage. Dr. Cage discussed her research tracing the rise of forensic medicine in France in the 18th and 19th centuries and how new forms of scientific and medical knowledge gained acceptance and impacted the administration of justice.

Ms. Chronister advised that the U.S. Department of Defense recently granted authority enabling the University to conduct classified research on campus at the "secret" level and the members of South's Security Committee to receive secret security clearance. Additionally, she stated that

Director of Information Security and Compliance Mr. David Furman, designated the University's facility security officer, was approved to work with non-possessing classified research.

Chairman Shumock asked Mr. Weldon to address the quarterly financial statements for the nine months ended June, 30, 2020, **Item 19**. Mr. Weldon reported an increase in net position by approximately $75 million as contrasted with that of approximately $25 million reported for the same period in 2019. He detailed the contributing factors, which included operational improvements implemented by USA Health that accounted for approximately half of the increase, as well as increases in state appropriations and investment gains totaling close to $5 million. He added that a change in actuarial assumptions by the Teachers' Retirement System caused a decrease in retiree health insurance accrual, indicating that, while this did not impact cash, it did have a positive impact on operations by about $18 million. He expressed optimism that the favorable financial trend would continue for the remainder of the fiscal year.

Chairman Shumock called on Ms. Dukes for presentation of **Item 20** as follows. Ms. Dukes shared background on the contracts process facilitated through the Office of the General Counsel, noting approximately 2,200 contracts handled the previous year. She stated that delegating the President the power to designate signature authority would improve efficiencies in contract processing. On motion by Judge Simon, seconded by Judge Windom, the Board voted unanimously to approve the resolution:

RESOLUTION
CONTRACT OFFICERS

WHEREAS, since the inception of the University of South Alabama, the President of the University has been authorized to sign general contractual agreements and documents for and on behalf of the Board of Trustees, and

WHEREAS, other individuals and positions of the University have, from time to time, been given authority by the Board of Trustees to sign such contractual agreements and documents on behalf of the Board of Trustees, and

WHEREAS, the need for the ability to designate signature authority arises between meetings of the Board of Trustees such that it would contribute to the smoother and efficient operation of the University for the President to be able to confer signature authority to University officials as the need arises,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby conveys upon the President of the University of South Alabama the authority to delegate signature authority for and on behalf of the University of South Alabama and its Board of Trustees to University officials as the President sees fit for contractual instruments, agreements, grants, and other similar legal documents that have been reviewed and approved by the Office of General Counsel.

Chairman Shumock called on Mr. Weldon to discuss **Item 21** as follows. Mr. Weldon introduced and gave background on Director of Tax Accounting Ms. Lizzie Del Rio, who succeeded Mr. Ken Davis in this role. Ms. Del Rio gave a summation of the resolution and, on motion by Judge Simon, seconded by Dr. Stokes, the Board voted unanimously to approve the resolution:

RESOLUTION
AMENDMENT OF THE EMPLOYMENT AGREEMENT OF PRESIDENT TONY G. WALDROP

WHEREAS, in 2014, the University of South Alabama entered into an employment agreement with Tony G. Waldrop (the "President"), which included a provision to provide the President with the benefit of a Section 457(f) retirement plan (the "TRS Mirror Plan"), designed pursuant to the tax laws then in effect, and

WHEREAS, the enactment of the Tax Cuts and Jobs Act in 2017 changed tax laws in such a way that the repayment terms of the existing TRS Mirror Plan create adverse tax consequences to the President in the event of his vesting in the Alabama's Teachers' Retirement System, and

WHEREAS, the amendment of the President's employment agreement to modify the repayment terms of the TRS Mirror Plan will result in a fair and equitable treatment of such repayments, if necessary, and

WHEREAS, the amendment of the President's employment agreement will result in no additional benefits to the President, but will ameliorate adverse tax consequences,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby authorizes the Chairman of the Board to execute the amendment to the employment agreement of President Tony G. Waldrop to effect the recommended changes.

Mr. Weldon shared information pertaining to the University's decision to opt out of the federal payroll tax deferral plan. He and Mr. Lawkis discussed CARES (Coronavirus Aid, Relief and Economic Security) Act stimulus distributions and expectations.

Chairman Shumock asked Mr. Weldon to address **Item 22** as follows. Mr. Weldon advised of a $1.1 billion balanced budget proposal for the 2020-2021 fiscal year and stated the primary drivers for the recommendation included a 1.2 percent decline in enrollment and increases in state appropriations of 2.8 percent, dining rates of 2.5 percent, employer health insurance premiums of 10 percent and employee health insurance premiums of 5 percent. He pointed out that tuition and housing rates remained the same as in 2019-2020. He gave an overview of the changes in budgeted revenues and expenses and answered a question related to bond refinancing. On motion by Mr. Yance, seconded by Mr. Perkins, the Board voted unanimously to approve the resolution:

RESOLUTION
UNIVERSITY TOTAL BUDGET FOR 2020-2021

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2020-2021 University of South Alabama Total Budget, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees approves the 2020-2021 Total Budget as a continuation for 2021-2022 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2021-2022 fiscal year.

Chairman Shumock called on Ms. Chronister to present **Item 23** as follows. Ms. Chronister detailed the particulars of the resolution and, on motion by Mr. Yance, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolution:

RESOLUTION
AMENDED BYLAWS OF THE UNIVERSITY OF SOUTH ALABAMA RESEARCH AND TECHNOLOGY CORPORATION

WHEREAS, pursuant to the Amended Bylaws of the University of South Alabama Research and Technology Corporation ("the Corporation"), the University of South Alabama Board of Trustees ("the University") and the Corporation shall jointly approve any future amendment to the Bylaws of the Corporation, and

WHEREAS, the Corporation amended the Bylaws in Article III, Sections 3.2(a), 3.2(b), and 3.2(c), revising the number of unaffiliated directors comprising the Board of Directors of the Corporation from four (4) to five (5) and revising the number of ex-officio directors from three (3) to four (4) to include the Treasurer/Investment Manager of the University; Article IX, Section 9.2, to grant the Board of Directors of the Corporation the power to appoint check signatories by resolution from time to time as it deems necessary; and Article IX, Section 9.7, to increase the limit of pecuniary obligation which can be undertaken by the Corporation or any of its directors, officers or employees for obligations which are deemed necessary for normal operations of the assets of the Corporation to Fifty Thousand Dollars ($50,000.00), and

WHEREAS, the Board of Directors of the Corporation approved the Amended Bylaws of the Corporation at its meeting on August 31, 2020,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees does hereby approve the Amended Bylaws of the University of South Alabama Research and Technology Corporation as set forth in the attached document.

Ms. Chronister presented **Item 24** as follows. On motion by Mr. Yance, seconded by Mr. Perkins, the Board voted unanimously to approve the resolution:

RESOLUTION
DIRECTORS OF THE UNIVERSITY OF SOUTH ALABAMA 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 or reappoint current directors consistent with the aforesaid for consideration and confirmation by the Board of Trustees of the University, and

WHEREAS, the Board of Directors of the Corporation has elected and hereby nominates both Mr. David Rodgers and Mr. Donald L. Langham (reelection) to serve as directors for four (4) year terms beginning September 2020 and expiring September 2024,

THEREFORE, BE IT RESOLVED, that the University of South Alabama Board of Trustees does hereby authorize the aforementioned individuals to serve as directors of the University of South Alabama Research and Technology Corporation as set forth.

Chairman Shumock called on Associate Vice President for Institutional Effectiveness Dr. Angela Coleman for a report on the 2020 scorecard, **Item 25**. Dr. Coleman reviewed that the scorecard charts progress toward achievement of the institutional priorities of the strategic plan. She commented briefly on the areas with demonstrated improvement, such as graduation rates, service-learning participation and international collaborations among the faculty, and emphasized that many of the strides made were driven by data. She called the first series of scorecards implemented at South a success in terms of translating the strategic plan into tangible progress and conveyed the hope for enhancements with the next strategic plan.

Concerning **Item 26** as follows, Dr. Coleman reported on the postponement of strategic planning activities, set to begin during the 2020 spring semester, due to the coronavirus crisis, adding that, in light of the unprecedented change over recent months, it would be prudent for the current strategic plan to be extended one year in order that new data could be collected to drive the next generation of the strategic plan. Chairman Shumock asked if this would affect the SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) accreditation reaffirmation process. Dr. Coleman anticipated that a justification of this action in light the circumstances as part of the University's report to the SACSCOC would not be met with opposition. On motion by Judge Windom, seconded by Ms. Brown Stewart, the Board voted unanimously to approve the resolution:

RESOLUTION
UNIVERSITY STRATEGIC PLAN EXTENSION

WHEREAS, the University of South Alabama Board of Trustees approved the University of South Alabama Strategic Plan (2016-2020) in December 2015 to guide advancement of the University's priorities, and

WHEREAS, the Board of Trustees consistently used data to monitor the University's progress on its priorities and ensure the University's continued commitment to achieving its mission, and

WHEREAS, the University had to direct much of its energy and resources to addressing the challenges it faced due to the pandemic caused by the novel coronavirus in March 2020, and

WHEREAS, strategic planning efforts were paused to respond to the pandemic and to consider the potential impacts of the novel coronavirus on the University's future priorities and objectives,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees authorizes an extension of the University of South Alabama Strategic Plan (2016-2020) to December 2021.

Brief information was shared on the coordination of diversity activities across units and Dr. Frazier's role; expectations related to the decennial SACSCOC reaffirmation of accreditation review; and a *Table for the Fallen* remembrance taking place at Veterans Memorial Plaza, sponsored by the Office of Veteran Affairs to honor victims of the September 11, 2001, terrorist attacks.

In accordance with the provisions of the Alabama Open Meetings Act, Chairman Shumock made a motion to convene an executive session for an anticipated duration of 15 minutes for the purpose of discussing good name and character, **Item 27**. He stated Ms. Dukes had submitted the required written declaration for the minutes and that the Board meeting would effectively adjourn at the conclusion of the executive session. Capt. Jenkins seconded and the Board voted unanimously at 12:59 p.m. to convene an executive session at 1:10 p.m., as recorded below:

AYES:
- Ms. Brown Stewart
- Dr. Charlton
- Mr. Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Judge Simon
- Dr. Stokes
- Ms. Tuckson
- Judge Windom
- Mr. Yance

There being no further business, the meeting was adjourned at 1:17 p.m.

Attest to:	Respectfully submitted:
Katherine Alexis Atkins, Secretary	James H. Shumock, Chair *pro tempore*

APPENDIX A

UNIVERSITY OF SOUTH ALABAMA

DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY PURSUANT TO ALABAMA ACT 2014-133

PROPERTY ADDRESS:
175 N. Lafayette Street
Mobile, AL 36604

Parcel Number: 29-07-25-0-005-192.001
Key Number: 2043513

APPRAISAL INFORMATION:
No appraisal obtained. The Mobile County Revenue Commissioner's office reported a 2020 appraised value of $634,200.00.

CONTRACTS RELATED TO THE PURCHASE:
Attached as Exhibit "A"

PURCHASE TERMS:
Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:
Unrestricted Funds

Inst. # 2020068244 Pages: 1 of 3 I certify this instrument filed on: 11/6/2020 8:51 AM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $11.50 DeedTx: $0.00 MinTx $0.00
Clerk: KROBINSON

GTCT 93877

STATE OF ALABAMA

COUNTY OF MOBILE

STATUTORY WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS, that **ALTAPOINTE HEALTH SYSTEMS, INC.**, an Alabama Corporation, the Grantor, for and in consideration of the sum of **TWO HUNDRED TEN THOUSAND AND 00/100 DOLLARS ($210,000.00)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA,** a Public Body Corporate of the State of Alabama, the Grantee, does hereby GRANT, BARGAIN, SELL AND CONVEY unto the said Grantee, subject to the provisions hereinafter contained, all that real property in the County of Mobile, State of Alabama, described as follows:

BEGINNING AT THE SOUTHWEST CORNER OF LAFAYETTE AND CENTER STREETS, RUN NORTHWESTWARDLY, ALONG THE SOUTHERN RIGHT-OF-WAY OF CENTER STREET, 239.66 FEET; THENCE WITH AN INTERIOR ANGLE OF 79 DEGREES 19 MINUTES 54 SECONDS, RUN SOUTHWARDLY, ALONG A FENCE LINE, 154.01 FEET; THENCE WITH AN INTERIOR ANGLE OF 86 DEGREES 52 MINUTES 14 SECONDS, RUN EASTWARDLY, 113.43 FEET; THENCE WITH A DEFLECTION ANGLE TO THE RIGHT OF 85 DEGREES 41 MINUTES 04 SECONDS, RUN SOUTHWARDLY, 16.09 FEET; THENCE WITH A DEFLECTION ANGLE TO THE LEFT OF 86 DEGREES 02 MINUTES 25 SECONDS, RUN EASTWARDLY, 62.53 FEET; THENCE WITH AN INTERIOR ANGLE OF 90 DEGREES 33 MINUTES 05 SECONDS, RUN NORTHWARDLY, 30.94 FEET; THENCE WITH A DEFLECTION ANGLE TO THE RIGHT OF 89 DEGREES 03 MINUTES 17 SECONDS, RUN EASTWARDLY 68.89 FEET TO A POINT OF THE WEST RIGHT-OF-WAY OF LAFAYETTE STREET; THENCE WITH AN INTERIOR ANGLE OF 87 DEGREES 11 MINUTES 32 SECONDS, RUN NORTHWARDLY ALONG SAID WEST RIGHT-OF-WAY OF LAFAYETTE STREET, 80.60 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

PROPERTY ADDRESS: 175 North Lafayette Street, Mobile, AL 36608.

Together with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS SUBJECT TO THE FOLLOWING:

1. Any law ordinance or governmental regulation requiring the preparation, approval and/or

recordation of any plat of property described herein.

2. Easement granted Alabama Power Company by Providence Hospital by instrument dated April 6, 1970 and recorded in Real Property Book 966, Page 488.

3. Easement granted Alabama Power Company by Providence Hospital by instrument dated October 13, 1981 and recorded in Real Property Book 2315, Page 598.

4. Rights of tenants in possession as tenants only and terms and provisions of all agreements and instruments recorded or unrecorded, creating such rights.

5. Ad Valorem Taxes for the year 2020 and subsequent taxes.

ALL REFERENCES BEING TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed on this the 4 day of Nov, 2020.

ALTAPOINTE HEALTH SYSTEMS, INC.,
An Alabama Corporation

By: ______________________
Julie Bellcase
Its: Vice President of Operations

STATE OF ALABAMA

COUNTY OF MOBILE

I, the undersigned Notary Public in and for said State and County, hereby certify that **Julie Bellcase,** whose name as **Vice President of Operations** of **AltaPointe Health Systems, Inc., an Alabama Corporation** is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she, in her capacity and with full authority, executed the same voluntarily for and as the act of said company on the day the same bears date.

Given under my hand and notarial seal on this the 4 day of Nov, 2020.

____
NOTARY PUBLIC
My Commission Expires: 4/6/2021

The Grantee's Address is:

775 N. University Blvd., Ste. 150
Mobile, AL 36608

The Grantor's Address is:

5750 A Southland Drive
Mobile AL 36693

THIS INSTRUMENT PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

UNIVERSITY OF SOUTH ALABAMA

DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY PURSUANT TO ALABAMA ACT 2014-133

PROPERTY ADDRESS:

NEC of Fillingim St and Caton Ave.
Mobile, Alabama 36617

Parcel Number: 29-02-44-0-027-075.XXX
Key Number: 700566

APPRAISAL INFORMATION:

No appraisal obtained. The Mobile County Revenue Commissioner's office reported a 2020 value of $15,600.00.

CONTRACTS RELATED TO THE PURCHASE:

Attached as Exhibit "A"

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

USA PROPERTIES
775 N. University Blvd. | Suite 150 | Mobile, Alabama 36608-4548
TEL: (251) 460-6100 | FAX: (251) 461-1765 | SouthAlabama.edu

Inst. # 2020048551 Pages: 1 of 4 I certify this instrument filed on: 8/12/2020 3:46 PM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $14.00 DeedTx: $0.00 MinTx $0.00
Clerk: JHANCOCK ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **LYNDA H. BAIRD,** a married woman, the Grantor, who is conveying separate property that does not constitute a part of her or her spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **ONE THOUSAND SIXTY TWO AND 50/100 DOLLARS ($1,062.50)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Sixteenth (1/16) interest in that real property in the County of Mobile State of Alabama, described as follows:

Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.

ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.

ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.

The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real

property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.

2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for herself, and for her heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that she is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that she is in the quiet and peaceable possession of said property; and that she does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and seal on this the 4 day of August, 2020.

Lynda H. Baird (SEAL)
LYNDA H. BAIRD

STATE OF ALABAMA

COUNTY OF Tuscaloosa

I, the undersigned Notary Public in and for said State and County, hereby certify that **LYNDA H. BAIRD,** whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 4 day of August, 2020.

JOANNA FAIR NOTARY PUBLIC ALABAMA STATE AT LARGE

NOTARY PUBLIC, State at Large
My Commission expires: 09/15/2020

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
4518 Northport Lake Drive East
Northport, Alabama 35473

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020055024 Pages: 1 of 4 I certify this instrument filed on: 9/8/2020 4:25 PM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $14.00 DeedTx: $0.00 MinTx $0.00
Clerk: KROBINSON ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **DANA WILSON EARNEST,** a married woman, the Grantor, who is conveying separate property that does not constitute a part of her or her spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **SEVEN HUNDRED EIGHT AND 33/100 DOLLARS ($708.33)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA,** the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Twenty- Fourth (1/24) interest in that real property in the County of Mobile State of Alabama, described as follows:

> Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.
>
> ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.
>
> ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.
>
> The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.
>
> EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real

property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.
2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for herself, and for her heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that she is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that she is in the quiet and peaceable possession of said property; and that she does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and seal on this the 21 day of August, 2020.

Dana W Earnest (SEAL)
DANA WILSON EARNEST

STATE OF Florida

COUNTY OF Hillsborough

I, the undersigned Notary Public in and for said State and County, hereby certify that **DANA WILSON EARNEST,** whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 21 day of August, 2020.

IRENE MARTIN
MY COMMISSION # HH 003138
EXPIRES: May 25, 2024
Bonded Thru Notary Public Underwriters

Irene Martin
NOTARY PUBLIC, State at Large
My Commission expires: 5/25/2024

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
14303 Hensel Lane Apt.135
Tampa, FL 33613

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251)342-9172

Inst. # 2020045361 Pages: 1 of 3 I certify this instrument filed on: 7/30/2020 11:51 AM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $11.50 DeedTx: $0.00 MinTx $0.00
Clerk: KROBINSON ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **LEON D. HERRING, JR.**, a married man, the Grantor, who is conveying separate property that does not constitute a part of his or his spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **FOUR THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS ($4,250.00)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Fourth (1/4) interest in that real property in the County of Mobile State of Alabama, described as follows:

Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; less and except right of way for Fillingim Street.

ALSO LESS AND EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.

ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.

The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.
2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for himself, and for his heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that he is seized of an indefeasible estate in fee simple in and to said property; that he has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that he is in the quiet and peaceable possession of said property; and that he does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal on this the 29th day of July, 2020.

_______________________(SEAL)
LEON D. HERRING, JR.

STATE OF ALABAMA

COUNTY OF MOBILE

I, the undersigned Notary Public in and for said State and County, hereby certify that **LEON D. HERRING, JR.**, whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, he executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 29th day of July 0, 2020.

NOTARY PUBLIC, State at Large
My Commission expires: 8-3-22

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
3775 Rhonda Drive South
Mobile, Alabama 36608

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020045355 Pages: 1 of 3 I certify this instrument filed on: 7/30/2020 11:39 AM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $20.50 DeedTx: $0.50 MinTx $0.00
Clerk: KROBINSON ERecorded

STATE OF ALABAMA
COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **CYNTHIA WILLIAMS HILLERY n/k/a CYNTHIA COTTRELL, AS TRUSTEE OF THE RESIDUAL TRUST ESTABLISHED UNDER ARTICLE 8 OF THE LAST WILL AND TESTAMENT OF KATHLEEN C. HOFHEINS,** for and in consideration of the sum of **FOUR THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS ($4,250.00)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Fourth (1/4) interest in that real property in the County of Mobile State of Alabama, described as follows:

Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.

ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.

ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.

The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.

2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for herself, and for her successors and assigns, hereby covenants with the said Grantee, its successors and assigns, that she is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that she is in the quiet and peaceable possession of said property; and that she does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and seal on this the 27 day of July, 2020.

Cynthia Cottrell (SEAL)

CYNTHIA WILLIAMS HILLERY n/k/a CYNTHIA COTTRELL, AS TRUSTEE OF THE RESIDUAL TRUST ESTABLISHED UNDER ARTICLE 8 OF THE LAST WILL AND TESTAMENT OF KATHLEEN C. HOFHEINS

STATE OF ALABAMA

COUNTY OF Mobile

I, the undersigned Notary Public in and for said State and County, hereby certify that **CYNTHIA WILLIAMS HILLERY n/k/a CYNTHIA COTTRELL,** whose name as **TRUSTEE OF THE RESIDUAL TRUST ESTABLISHED UNDER ARTICLE 8 OF THE LAST WILL AND TESTAMENT OF KATHLEEN C. HOFHEINS** is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily as such trustee and with full authority on the day the same bears date.

Given under my hand and notarial seal on this the 27 day of July, 2020.

Emily Jabb Fondi Watson
NOTARY PUBLIC, State at Large
My Commission expires: 8/1/2021

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
57 S. JULIA ST
MOBILE, AL 36604

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020047937 Pages: 1 of 4 I certify this instrument filed on: 8/10/2020 3:32 PM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $14.00 DeedTx: $0.00 MinTx $0.00
Clerk: BFRANKS ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **SHARON HOFHEINS IVES,** a married woman, the Grantor, who is conveying separate property that does not constitute a part of her or her spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **FOUR THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS ($4,250.00)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Fourth (1/4) interest in that real property in the County of Mobile State of Alabama, described as follows:

> Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.
>
> ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.
>
> ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.
>
> The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.
>
> EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real

property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.
2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for herself, and for her heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that she is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that she is in the quiet and peaceable possession of said property; and that she does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and seal on this the 21 day of August, 2020.

Sharon Hofheins Ives (SEAL)
SHARON HOFHEINS IVES
Sharon Hofheins Ives

STATE OF ALABAMA

COUNTY OF Lee

I, the undersigned Notary Public in and for said State and County, hereby certify that **SHARON HOFHEINS IVES,** whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 2nd day of August, 2020.

NOTARY PUBLIC, State at Large
My Commission expires:

TINA COOK
NOTARY PUBLIC
Exp. Mar. 18, 2023
ALABAMA STATE AT LARGE

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
804 West Point Parkway
Opelika, Alabama 36801

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020048041 Pages: 1 of 4 I certify this instrument filed on: 8/10/2020 4:34 PM
Doc:. D Don Davis, Judge of Probate Mobile County, AL Rec: $14.00 DeedTx: $0.00 MinTx $0.00
Clerk: BFRANKS ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **JOHN RANDALL HOFHEINS**, a single man, the Grantor, for and in consideration of the sum of **ONE THOUSAND SIXTY TWO AND 50/100 DOLLARS ($1,062.50)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA**, the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Sixteenth (1/16) interest in that real property in the County of Mobile State of Alabama, described as follows:

> Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.
>
> ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of d 07.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.
>
> ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.
>
> The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.
>
> EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.

2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for himself, and for his heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that he is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that he is in the quiet and peaceable possession of said property; and that he does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal on this the ____ day of 7/16/2020, 2020.

_____________________ (SEAL)
JOHN RANDALL HOFHEINS

STATE OF Florida

COUNTY OF Osceola

I, the undersigned Notary Public in and for said State and County, hereby certify that **JOHN RANDALL HOFHEINS,** whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 16 day of July, 2020.

Notary Public State of Florida
Michelle May Geberth
My Commission GG 250221
Expires 08/19/2022

Michelle May Geberth
NOTARY PUBLIC, State at Large
My Commission expires: 8/19/2022

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
2430 Heron Ct
St Cloud, Fl 34771

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020048043 Pages: 1 of 4 I certify this instrument filed on: 8/10/2020 4:34 PM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $14.00 DeedTx: $0.00 MinTx $0.00
Clerk: BFRANKS ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **CYNTHIA WILSON RODEN,** a married woman, the Grantor, who is conveying separate property that does not constitute a part of her or her spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **SEVEN HUNDRED EIGHT AND 34/100 DOLLARS ($708.34)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA,** the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Twenty- Fourth (1/24) interest in that real property in the County of Mobile State of Alabama, described as follows:

> Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.
>
> ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.
>
> ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.
>
> The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.
>
> EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real

property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.

2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for herself, and for her heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that she is seized of an indefeasible estate in fee simple in and to said property; that she has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that she is in the quiet and peaceable possession of said property; and that she does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand and seal on this the 3rd day of August, 2020.

Cynthia Wilson Roden (SEAL)
CYNTHIA WILSON RODEN

STATE OF GA

COUNTY OF Henry

I, the undersigned Notary Public in and for said State and County, hereby certify that **CYNTHIA WILSON RODEN**, whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, she executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 3 day of August, 2020.

Courtney Thompson
NOTARY PUBLIC, State at Large
My Commission expires: 04-20-2021

COURTNEY THOMPSON NOTARY PUBLIC EXP. APR. 20, 2021 HENRY COUNTY, GA

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
1060 Declaration Court
McDonough, Georgia 30253

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

Inst. # 2020051918 Pages: 1 of 3 I certify this instrument filed on: 8/26/2020 11:24 AM
Doc: D Don Davis, Judge of Probate Mobile County, AL Rec: $20.50 DeedTx: $0.50 MinTx $0.00
Clerk: KROBINSON ERecorded

STATE OF ALABAMA

COUNTY OF MOBILE

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS that **JOHN WOODROW WILSON,** a married man, the Grantor, who is conveying separate property that does not constitute a part of his or his spouse's homestead property within the meaning of §6-10-3, *Code of Alabama* (1975), for and in consideration of the sum of **SEVEN HUNDRED EIGHT AND 33/100 DOLLARS ($708.33)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantor by **UNIVERSITY OF SOUTH ALABAMA,** the Grantee, does hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, an undivided One Twenty- Fourth (1/24) interest in that real property in the County of Mobile State of Alabama, described as follows:

Beginning 68 feet East of the intersection of the North right of way of Fillingim Street and the East right of way of Caton Avenue, thence North 208 feet, thence East 150 feet, thence South 209 feet, thence West 150 feet to the Point of Beginning in Grant Section 44, Township 4 South, Range 1 West, Mobile County, Alabama; Less & Except right of way for Fillingim Street.

ALSO LESS & EXCEPT: Commence at the intersection of the East right of way line of Caton Avenue and the North line of Fillingim Street; thence run North 75 degrees 22 minutes 13 seconds East a distance of 67.50 feet to the Point of Beginning; thence run North 15 degrees 39 minutes 56 seconds West a distance of 8.06 feet to a point; thence run North 79 degrees 39 minutes 45 seconds East a distance of 107.67 feet to a point on the North right of way line of Fillingim Street; thence run South 75 degrees 22 minutes, 13 seconds West along the North right of way line of Fillingim Street a distance of 107.22 fee to the Point of Beginning.

ALSO LESS AND EXCEPT any additional property that may have been taken by condemnation in Probate Court Case No. 2008-0445 according to Payment and Awards into Court recorded in Book LR7271, Page 1356.

The property address is: Vacant Land / Tax Parcel # 29-02-44-0-027-075.xxx.

EXCEPTING THEREFROM such oil, gas and other minerals in, on and under said real

property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantor to convey to Grantee only the interest Grantor owns therein, if any.

TOGETHER with all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, forever.

THIS CONVEYANCE IS MADE SUBJECT TO:

1. Right of Way Deed for public road given to the City of Mobile as recorded in Real Property Book 3638, Page 461, Real Property Book 3638, Page 464, Real Property Book 3638, Page 467, Real Property Book 3638, Page 470, Real Property Book 3638, Page 473.

2. Condemnation in Probate Court Case No. 2008-0445 and CV-08-102040.00 evidenced by instruments recorded in Book 6461, Page 523, Book 6629, Page 1970, and Book 7271, Page 1356.

RECORDING REFERENCES HEREIN REFER TO THE RECORDS IN THE OFFICE OF THE JUDGE OF PROBATE, MOBILE COUNTY, ALABAMA.

AND, except as to the above and the taxes hereafter falling due, the said Grantor, for himself, and for his heirs and personal representatives, hereby covenants with the said Grantee, its successors and assigns, that he is seized of an indefeasible estate in fee simple in and to said property; that he has a good and lawful right to sell and convey the same in fee simple; that said property is free and clear of all liens and encumbrances; that he is in the quiet and peaceable possession of said property; and that he does hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal on this the 4 day of August, 2020.

John W Wilson (SEAL)
JOHN WOODROW WILSON

STATE OF Florida

COUNTY OF Pinellas

I, the undersigned Notary Public in and for said State and County, hereby certify that **JOHN WOODROW WILSON**, whose name is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that being informed of the contents of said conveyance, he executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 4 day of August, 2020.

LORNA M. MOFFITT
Commission # GG 253313
Expires December 28, 2022
Bonded Thru Troy Fain Insurance 800-385-7019

Lorna M Moffitt
NOTARY PUBLIC, State at Large
My Commission expires: 12/28/22

The Grantee's address is:
775 N. University Blvd. Suite 150
Mobile, Alabama 36608

The Grantor's address is:
1017 Coldstream Court
Tarpon Springs, FL 34689

THIS INSTRUMENT WAS PREPARED BY:
Beth McFadden Rouse
McFADDEN, ROUSE & BENDER, LLC
718 Downtowner Boulevard
Mobile, Alabama 36609
(251) 342-9172

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Audit Committee Minutes

September 10, 2020
4:45 p.m.

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Ron Graham, Chair, on Thursday, September 10, 2020, at 4:46 p.m. by means of video conference.

Members Participating:	Alexis Atkins, Tom Corcoran, Ron Graham, Ron Jenkins, Lenus Perkins and Ken Simon.
Other Trustees:	Chandra Brown Stewart, Steve Furr and Jimmy Shumock.
Administration & Guests:	Kristin Dukes, Monica Ezell, John Smith and Tony Waldrop.

The meeting came to order and the attendance roll was called. Mr. Graham welcomed Executive Director of Internal Audit and Chief Financial Compliance Officer Ms. Laura Schratt to her new role

Ms. Schratt provided an overview on the process for developing annual audit plans for the University, which involved consideration of audit entities, risk assessment and internal audit resources. She summarized components of the audit plan recommended for fiscal year 2021, which included financial and compliance assurance audits; support for KPMG independent audits (inclusive of the required National Collegiate Athletic Association agreed-upon procedures examination); special projects designed to improve departmental efficiency, quality and value; and follow-up audits. She stated the audit plan projected allocation of internal audit hours to USA Health (53 percent), the general University (24 percent), annual responsibilities (15 percent), and administration (eight percent). On motion by Mr. Corcoran, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the fiscal year 2021 audit plan.

Brief discussion took place on internal audit staffing and oversight related to software system access and bond compliance.

There being no further business, the meeting was adjourned at 5:00 p.m.

Respectfully submitted:

William Ronald Graham, Chair

KPMG

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Basic Financial Statements

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

Basic Financial Statements

September 30, 2020 and 2019

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Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 2020 and 2019, and for the years then ended. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units either are blended with the University's financial position and results of operations or are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB). As more fully described in note 1 to the basic financial statements, the University of South Alabama Professional Liability Trust Fund, the University of South Alabama General Liability Trust Fund and USA HealthCare Management, LLC are reported as blended component units. The University of South Alabama Foundation, the USA Research and Technology Corporation and the University of South Alabama Health Care Authority (HCA) are discretely presented. During fiscal year 2019 and 2020 several non-profit limited liability companies were formed, with the University as sole member, to manage the complex patient and insurance billings of USA Health.

Financial Highlights

At September 30, 2020 and 2019, the University had total assets and deferred outflows of $1,610,872,000 and $1,413,980,000, respectively; total liabilities and deferred inflows of $1,394,594,000 and $1,321,855,000, respectively; and net position of $216,278,000 and $92,125,000, respectively.

The University has experienced a significant growth in its health care operations over the past two years with increases in net patient service revenues of $62,635,000, or 13%, between 2019 and 2020 and $75,762,000, or 18%, between 2018 and 2019. The University also experienced significant growth in its cash and investment balances between 2019 and 2020, increasing by $145,175,000, or 31% to $609,822,000 at September 30, 2020. This increase is due largely to significant increases in hospital days, surgeries and other procedures throughout the health system and is driven by increases in the Health System's primary care physician referral base. This is a trend that management expects to continue in the immediate future.

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

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University at September 30, 2020 and 2019. Net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may be either expendable or nonexpendable and is the net position that is restricted by law or external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statements of net position, along with all of the University's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments and net patient receivables. Of these amounts, cash and cash equivalents, investments and net patient receivables comprise approximately 67%, 10% and 13%, respectively, of current assets at September 30, 2020. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

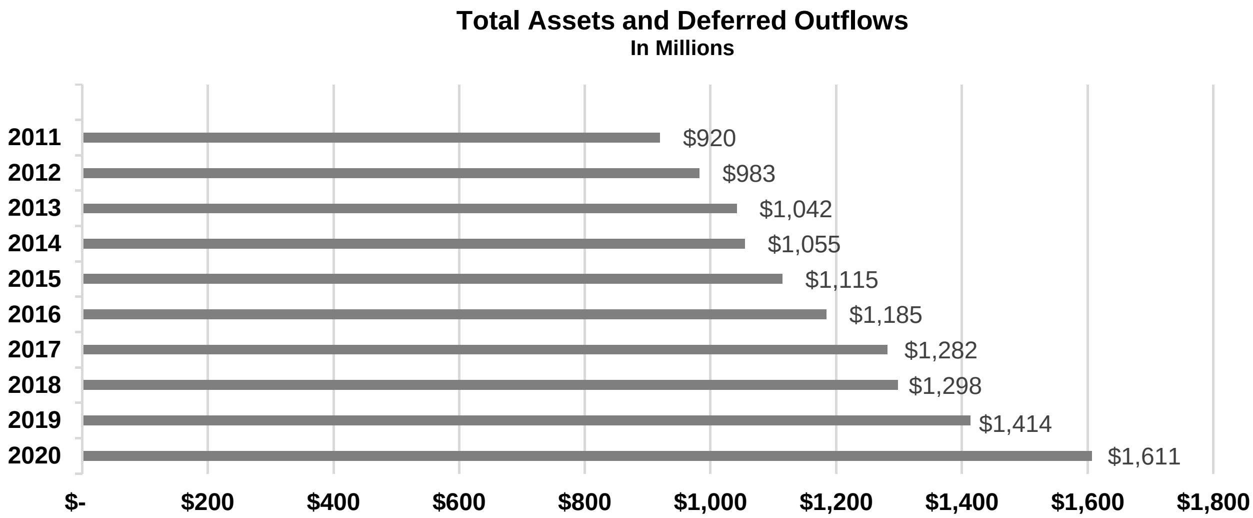
The condensed schedules of net position at September 30, 2020, 2019 and 2018 follow (in thousands):

Condensed Schedules of Net Position

		2020	2019	2018
Assets:				
Current	$	355,235	224,156	182,139
Capital assets, net		818,084	759,801	719,816
Other noncurrent		341,027	338,985	308,941
Total assets		1,514,346	1,322,942	1,210,896
Deferred outflows		96,526	91,038	87,469
Total assets and deferred outflows		1,610,872	1,413,980	1,298,365
Liabilities:				
Current		253,028	172,847	157,059
Noncurrent		927,735	1,053,095	1,006,862
Total liabilities		1,180,763	1,225,942	1,163,921
Deferred inflows		213,831	95,913	99,046
Total liabilities and deferred inflows		1,394,594	1,321,855	1,262,967
Net position:				
Net investment in capital assets		377,602	354,556	337,303
Restricted, nonexpendable		63,623	59,378	58,078
Restricted, expendable		82,912	69,139	68,311
Unrestricted		(307,859)	(390,948)	(428,294)
Total net position	$	216,278	92,125	35,398

(Continued)

Total assets and deferred outflows of the University as of September 30 is as follows:



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

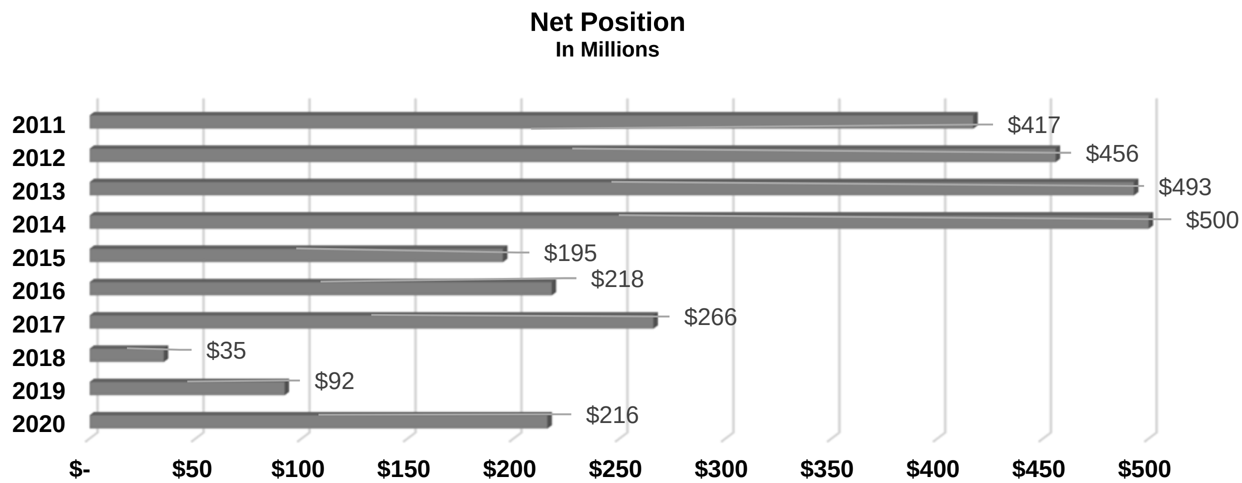
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

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

Unrestricted net position represents amounts not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at September 30, 2020 and 2019 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

Net position of the University as of September 30 is as follows:



All categories of restricted net position collectively increased by approximately $18,018,000 between September 30, 2020 and 2019, primarily due to the addition of restricted gifts to the University and investment earnings on those gifts. Unrestricted net position increased from $(390,948,000) to $(307,859,000) between September 30, 2020 and 2019. A summary of unrestricted net position at September 30, 2020 and 2019 is summarized as follows (in thousands):

		2020	2019
Unrestricted net position related to net pension liability	$	(291,297)	(295,765)
Unrestricted net position related to net OPEB liability		(234,739)	(254,530)
Unrestricted net position related to other activity		218,177	159,347
Unrestricted net position	$	(307,859)	(390,948)

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the changes in net position resulting from operating and nonoperating revenues earned by the University, and operating and nonoperating expenses incurred by the University, as well as any other revenues, expenses, gains, and losses earned or incurred by the University.

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. These include patient service revenues (net of provision for bad debts), tuition and fees (net of scholarship allowances), most noncapital grants and contracts, revenues from auxiliary activities and sales and services of educational activities (primarily athletic activities). Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

Nonoperating revenues have the characteristics of nonexchange transactions because generally no goods or services are provided. Such transactions include investment income, state appropriations, gifts and other contributions. State appropriations are required by GASB to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operation and administration of the University, but not directly incurred to acquire or produce the goods and services provided in return for operating revenues. Such nonoperating expenses include interest on the University's indebtedness, losses related to the disposition of capital assets, transfers to affiliates to fund operations and transfers to intergovernmental agencies related to medical expenditures.

The condensed schedules of revenues, expenses, and changes in net position for the years ended September 30, 2020, 2019 and 2018 follow (in thousands):

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

		2020	2019	2018
Operating revenues:				
Tuition and fees, net	$	129,644	139,871	136,222
Patient service revenues, net		554,431	491,796	416,034
Federal, state and private grants and contracts		39,668	36,647	34,093
Other		58,949	62,527	66,730
		782,692	730,841	653,079
Operating expenses:				
Salaries and benefits		491,791	495,123	486,156
Supplies and other services		285,289	268,416	255,145
Other		81,216	79,492	78,081
		858,296	843,031	819,382
Operating loss		(75,604)	(112,190)	(166,303)
Nonoperating revenues and expenses:				
State appropriations		123,063	115,209	108,268
Net investment income		23,378	8,203	17,857
Other, net		41,274	25,189	22,674
Net nonoperating revenues		187,715	148,601	148,799
Income (loss) before capital contributions and grants and additions to endowment		112,111	36,411	(17,504)

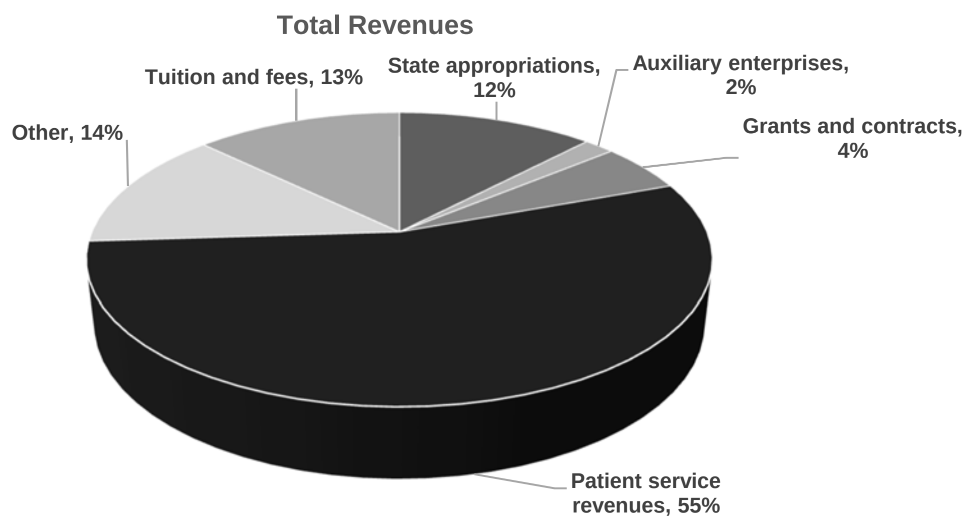
(Continued)

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

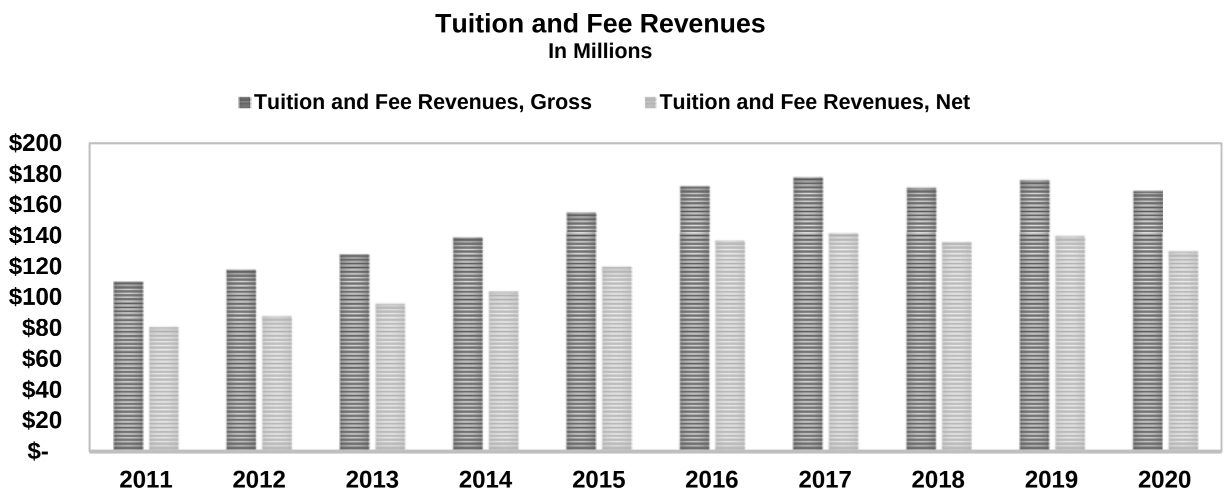
		2020	2019	2018
Capital contributions and grants and additions to endowment	$	12,042	20,316	16,770
Increase (decrease) in net position		124,153	56,727	(734)
Beginning net position, before cumulative effect of change in accounting principle		92,125	35,398	265,819
Cumulative effect of change in accounting principle		—	—	(229,687)
Beginning net position – as adjusted		92,125	35,398	36,132
Ending net position	$	216,278	92,125	35,398

Approximately 55%, and 53% of total revenues of the University were net patient service revenues in 2020 and 2019, respectively. Excluding patient service revenues, tuition and fees charged to students represent the largest component of total University revenues, approximately 13%, and 15% of total revenues in 2020 and 2019, respectively. In both 2020 and 2019, state appropriations and grants and contracts (federal, state and private) represented approximately 16% of total revenues.

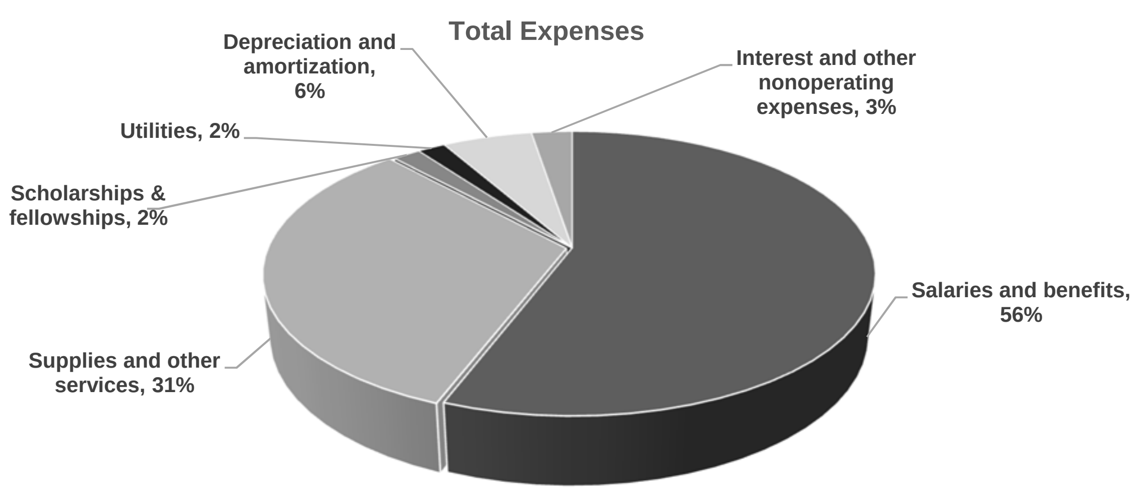
A summary of University revenues for the year ended September 30, 2020 is presented as follows:



Tuition revenues have generally increased in recent years. A decline in enrollment coupled with increases in tuition rates have caused tuition revenues to remain relatively flat. Tuition and fees, gross and net of scholarship allowances, for the past ten fiscal years are as follows:

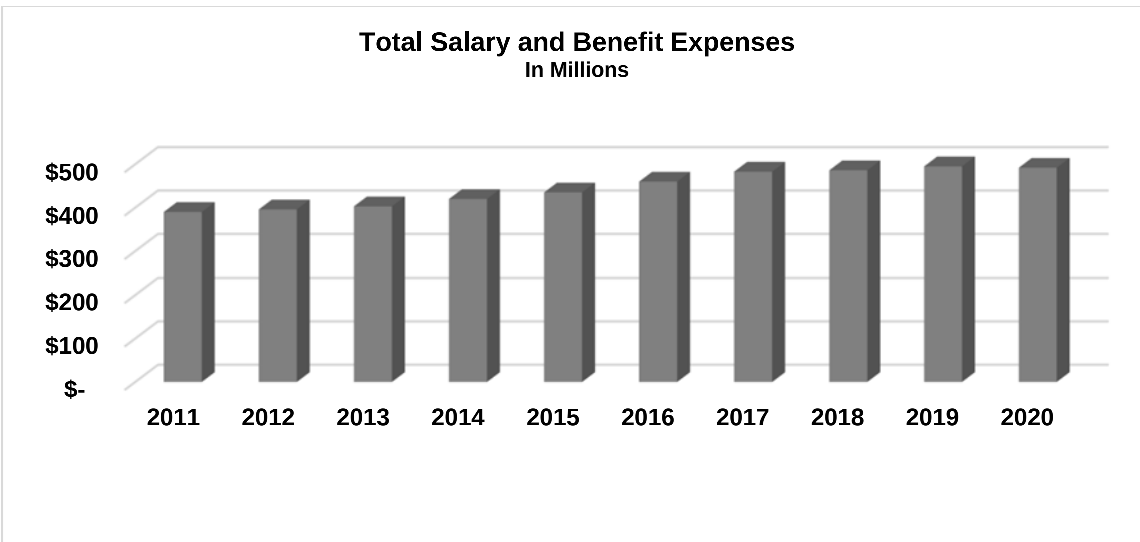


University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2020 is presented as follows:



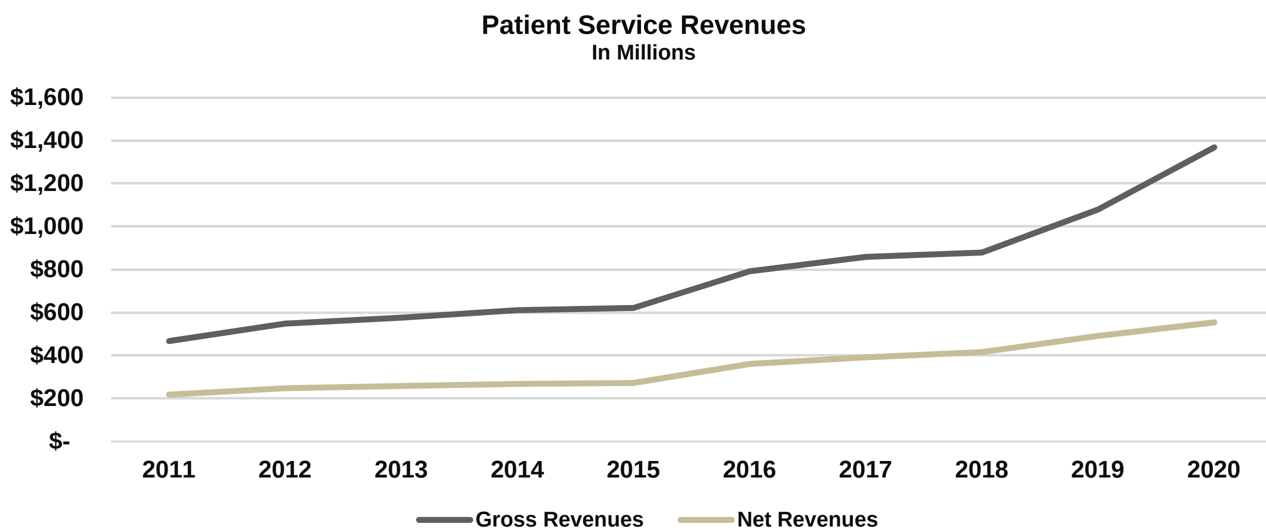
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant and scholarships. Expenses related to auxiliary enterprise activities, USA Health and depreciation and amortization are presented separately. Functional expense information is presented in note 17 to the basic financial statements.

In 2020 and 2019, respectively, approximately 57% and 59% of the University's total operating expenses were salaries and benefits.



For the years ended September 30, 2020 and 2019, the University reported operating losses of approximately $75,604,000 and $112,190,000, respectively. Operating losses are offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, the total change in net position was approximately $124,153,000 and $56,727,000 for the years ended September 30, 2020 and 2019, respectively.

USA Health represents a significant portion of total University revenues. Operating patient service revenues, gross and net, for the last ten fiscal years are presented as follows:



Statements of Cash Flows

The statements of cash flows present information related to cash flows of the University. The statements present cash flows by category: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net cash provided to, or used by, the University is presented by category.

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately $110,120,000 and $88,796,000 in 2020 and 2019, respectively. Significant construction projects that remain in progress at September 30, 2020 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, Hancock Whitney Stadium, Jon Lieber Baseball Clubhouse, the Transportation building, and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal year 2020 include the Medical Simulation Lab Building, Mitchell Center renovations and MacQueen Alumni Center. At September 30, 2020, the University had outstanding commitments of approximately $14,513,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

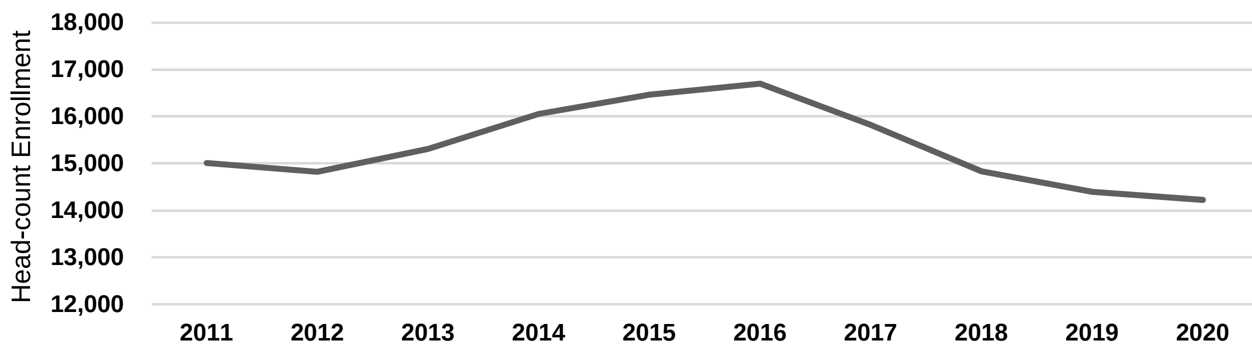
In February 2019, the University issued new revenue bonds, Series 2019AB, with a face value of $66,190,000. The proceeds, along with internal contributions from the University, are financing the construction of Hancock Whitney Stadium and intramural fields. In December 2019, the University refinanced the Series 2010 Bond with the University Facilities Revenue Bond, Series 2019-C, with a face value of $19,086,000. In February 2020, the University issued a new University Facilities Revenue Bond, Series 2020, with a face value of $37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Neither rating changed during 2020 or 2019. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2019 and 2020 Bond issuances. Additional information regarding the University's debt is included in note 7.

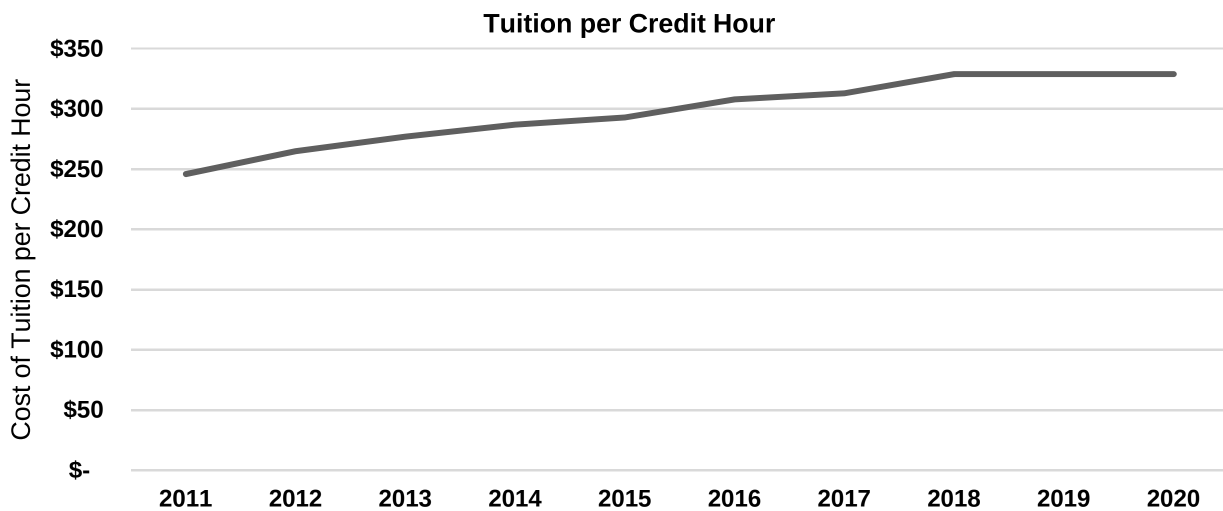
Economic Outlook

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 3% from Fall 2018 to Fall 2019 and an additional decline of 1% between Fall 2019 and Fall 2020, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of incoming freshmen. The enrollment trend for the University between 2011 and 2020 is as follows:

Enrollment Growth Summary

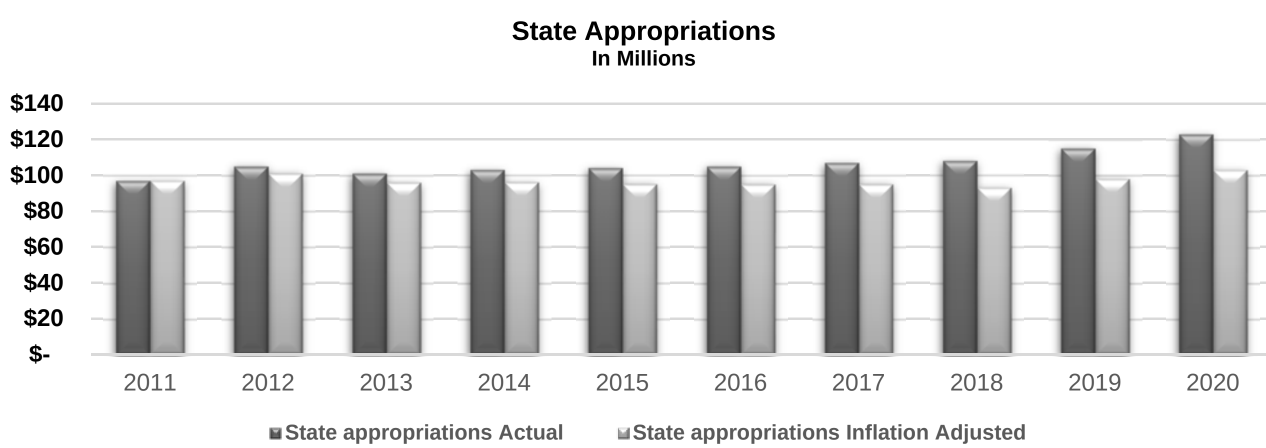


During the same period, in-state tuition per credit hour has increased by approximately 34%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. The trend of in-state tuition per credit hour between 2011 and 2020 is as follows:



A state appropriation in the amount of approximately $118,299,000 and $115,209,000 was authorized and received for the years ended September 30, 2020 and 2019, respectively. An additional appropriation of approximately $4,764,000 was received during fiscal year 2020 for advancement and technology, and certain healthcare initiatives. A state appropriation in the amount of approximately $121,564,000, representing an increase of approximately 2.76%, has been authorized for the year ending September 30, 2021. While no announcement has been made, the University is aware that reductions in the 2021 appropriation are possible.

The ten-year trend of state appropriations for the University is as follows:



In addition to state appropriations, the University is subject to declines in general economic and political conditions in the United States and, specifically, the State of Alabama. Weakening of the economy, as well as changes in federal and state funding policies, could potentially have a negative impact on the University's enrollment, extramural funding, endowment performance and health care operations.

During the second fiscal quarter of 2020, The United States was thrust into the midst of a pandemic health crisis related to the spread of the 2019 novel coronavirus, or COVID-19 (the "Crisis"). While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of the University could be significant both from an operational and financial standpoint.

As a result of the Crisis, the University moved the delivery of all instruction to an on-line format in March and required that students, where possible, vacate on-campus residence halls, resulting in a pro-rata refund of housing and dining fees. Additionally, all instruction for the May and summer terms was delivered online and residence halls remained largely closed. The University returned to modified in-person delivery of education for the fall semester and residence halls reopened at a lower capacity level. As noted earlier fall enrollment remained relatively constant.

This Crisis also impacted the operations of USA Health as most elective procedures at USA University Hospital and USA Children's and Women's Hospital were postponed or canceled resulting in a decline in revenues. As of the end of fiscal 2020, USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

Management has taken a number of actions to mitigate the anticipated declines in operations, including a reduction of operational expenses throughout the University, including USA Health. Additionally, the University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of September 30, 2020, the University has been awarded approximately $31,437,000 in grants from federal and state sources. Of those grants, payments of approximately $17,844,000 have been received as of year-end. Revenues of approximately $14,919,000 have been recognized in the 2020 financial statements.

Management believes that the impact of the Crisis will continue in the 2021 fiscal year.

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 2021 or beyond.

Requests for Information

These basic financial statements are designed to provide a general overview of the University of South Alabama and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to G. Scott Weldon; Vice President for Finance and Administration; University of South Alabama Administration Building Room 170; Mobile, Alabama 36688. These basic financial statements can be obtained from our website at http:www.southalabama.edu/departments/financialaffairs/businessoffice/statements.html.

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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2020 financial statements of the University of South Alabama Foundation, which represent 93% and 99%, respectively, of the total assets and net assets or net position as of June 30, 2020 and 49% of revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Nor did we audit the 2019 consolidated financial statements of the University of South Alabama Foundation, which represent 93% and 99%, respectively, of the total assets and net assets or net position as of June 30, 2019 and 49% of revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Those statements were audited by other auditors whose report, which included an emphasis of matter paragraph related to the retroactive adoption of the provisions of Accounting Statements Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* effective July 1, 2018, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component units as of September 30, 2020 and 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1-12, the schedule of the University's proportionate share of the net pension liability and related ratios, schedule of the University's pension contributions, schedule of the University's proportionate share of the net OPEB liability and related ratios, and schedule of the University's OPEB contributions on pages 83 - 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 16, 2020

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

	2020	2019
Current assets:		
Cash and cash equivalents	$ 237,573	110,282
Investments	35,831	28,572
Patient receivables (net of allowance for doubtful accounts of $74,026 in 2020 and $92,114 in 2019)	45,796	53,104
Accounts receivable, other	16,694	14,479
Notes receivable, net	7,321	8,063
Prepaid expenses, inventories, and other	12,020	9,656
Total current assets	355,235	224,156
Noncurrent assets:		
Restricted cash and cash equivalents	50,805	60,181
Restricted investments	265,620	255,412
Investments	19,993	10,200
Other noncurrent assets and accounts receivable	4,609	13,192
Capital assets, net	818,084	759,801
Total noncurrent assets	1,159,111	1,098,786
Total assets	1,514,346	1,322,942
Deferred outflows	96,526	91,038
Total assets and deferred outflows	1,610,872	1,413,980
Current liabilities:		
Accounts payable and accrued liabilities	113,363	84,748
Unrecognized revenues	101,731	56,141
Deposits	3,386	3,019
Current portion of other long-term liabilities	6,515	6,374
Current portion of long-term debt	28,033	22,565
Total current liabilities	253,028	172,847
Noncurrent liabilities:		
Long-term debt, less current portion	443,321	420,861
Net pension liability	294,615	282,739
Net other postemployment benefits liability	103,288	259,418
Other long-term liabilities, less current portion	86,511	90,077
Total noncurrent liabilities	927,735	1,053,095
Total liabilities	1,180,763	1,225,942
Deferred inflows	213,831	95,913
Total liabilities and deferred inflows	1,394,594	1,321,855
Net position:		
Net investment in capital assets	377,602	354,556
Restricted, nonexpendable:		
Scholarships	32,898	29,028
Other	30,725	30,350
Restricted, expendable:		
Scholarships	24,699	18,490
Other	58,213	50,649
Unrestricted deficit	(307,859)	(390,948)
Total net position	$ 216,278	92,125

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands)

Assets		**2020**	**2019**
Cash and cash equivalents	$	2,633	1,520
Investments:			
Equity securities		157,457	150,796
Timber and mineral properties		168,063	164,307
Real estate		53,455	61,508
Other		5,811	5,809
Other assets		453	444
Total assets	$	387,872	384,384
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	155	135
Other liabilities		594	737
Total liabilities		749	872
Net assets:			
Without donor restrictions		79,835	89,245
With donor restrictions		307,288	294,267
Total net assets		387,123	383,512
Total liabilities and net assets	$	387,872	384,384

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

		2020	2019
Assets:			
Current assets:			
Unrestricted cash and cash equivalents	$	819	649
Rent receivable		187	211
Prepaid expenses and other current assets		19	2
Total current assets		1,025	862
Noncurrent assets:			
Intangible assets, net		215	217
Capital assets, net		19,738	20,840
Total noncurrent assets		19,953	21,057
Deferred outflows		1,089	1,262
Total assets and deferred outflows		22,067	23,181
Liabilities:			
Current liabilities:			
Deposits, other current liabilities, and accrued expenses		202	455
Unrecognized rent revenue		353	393
Current portion of notes payable		7,950	1,043
Total current liabilities		8,505	1,891
Noncurrent liabilities:			
Notes payable, excluding current portion		12,531	20,201
Payable to University of South Alabama		—	368
Total noncurrent liabilities		12,531	20,569
Total liabilities		21,036	22,460
Net position:			
Net investment in capital assets		555	393
Unrestricted		476	328
Total net position	$	1,031	721

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2020 and 2019

(In thousands)

		2020	2019
Assets:			
Current assets:			
Cash and cash equivalents	$	2,576	1,188
Patient receivables (net of allowance for doubtful accounts of $450 in 2020 and $381 in 2019)		1,552	2,195
Inventories		32	155
Other current assets		614	678
Total current assets		4,774	4,216
Noncurrent assets:			
Capital assets		1,932	1,602
Total assets		6,706	5,818
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities		2,258	1,448
Accrued salaries and wages		2,535	1,439
Unrecognized revenue		1,640	—
Other current liabilities		19	—
Total current liabilities		6,452	2,887
Noncurrent liabilities:			
Long term debt, less current portion		24	—
Total liabilities		6,476	2,887
Net position:			
Net investment in capital assets		1,889	1,602
Unrestricted		(1,659)	1,329
Total net position	$	230	2,931

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Operating revenues:			
Tuition and fees (net of scholarship allowances of $38,995 in 2020 and $35,767 in 2019)	$	129,644	139,871
Patient service revenues (net of provision for bad debts of $99,459 in 2020 and $99,713 in 2019)		554,431	491,796
Federal grants and contracts		21,814	20,276
State grants and contracts		8,884	9,513
Private grants and contracts		8,970	6,858
Auxiliary enterprises (net of scholarship allowances of $1,206 in 2020 and $1,106 in 2019)		19,038	21,481
Other operating revenues		39,911	41,046
Total operating revenues		782,692	730,841
Operating expenses:			
Salaries and benefits		491,791	495,123
Supplies and other services		285,289	268,416
Scholarships and fellowships		15,464	13,990
Utilities		15,515	16,877
Depreciation and amortization		50,237	48,625
Total operating expenses		858,296	843,031
Operating loss		(75,604)	(112,190)
Nonoperating revenues (expenses):			
State appropriations		123,063	115,209
Net investment income		23,378	8,203
Interest expense		(9,543)	(12,106)
Other nonoperating revenues		64,035	48,307
Other nonoperating expenses		(13,218)	(11,012)
Net nonoperating revenues		187,715	148,601
Income before capital contributions and grants and additions to endowment		112,111	36,411
Capital contributions and grants		6,631	13,617
Additions to endowment		5,411	6,699
Increase in net position		124,153	56,727
Net position:			
Beginning of year		92,125	35,398
End of year	$	216,278	92,125

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2020

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, losses and other support:			
Net realized and unrealized gains (losses) on investments	$ (3,741)	14,488	10,747
Rents, royalties and timber sales	3,810	148	3,958
Interest and dividends	1,081	1,101	2,182
Gifts	1	5,294	5,295
Required match of donor contributions	(5)	5	—
Interfund interest	(350)	350	—
Other income	390	—	390
Net assets released from program restrictions	8,365	(8,365)	—
Total revenues, gains, losses and other support	9,551	13,021	22,572
Expenditures:			
Program services:			
Faculty support	2,632	—	2,632
Scholarships	1,114	—	1,114
Other academic programs	6,851	—	6,851
Total program service expenditures	10,597	—	10,597
Management and general	2,293	—	2,293
Other investment expense	1,546	—	1,546
Depletion expense	4,485	—	4,485
Depreciation expense	40	—	40
Total expenditures	18,961	—	18,961
Change in net assets	(9,410)	13,021	3,611
Net assets – beginning of year	89,245	294,267	383,512
Net assets – end of year	$ 79,835	307,288	387,123

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2019

(In thousands)

		Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, losses and other support:				
Net realized and unrealized gains (losses) on investments	$	(2,731)	19,146	16,415
Rents, royalties and timber sales		3,080	152	3,232
Interest and dividends		925	1,289	2,214
Gifts		1	4,136	4,137
Required match of donor contributions		(4)	4	—
Interfund interest		(500)	500	—
Other income		335	—	335
Net assets released from program restrictions		7,683	(7,683)	—
Total revenues, gains, losses and other support		8,789	17,544	26,333
Expenditures:				
Program services:				
Faculty support		2,473	—	2,473
Scholarships		1,172	—	1,172
Other academic programs		6,390	—	6,390
Total program service expenditures		10,035	—	10,035
Management and general		2,195	—	2,195
Other investment expense		1,591	—	1,591
Depletion expense		3,170	—	3,170
Depreciation expense		40	—	40
Total expenditures		17,031	—	17,031
Change in net assets		(8,242)	17,544	9,302
Net assets – beginning of year		97,487	276,723	374,210
Net assets – end of year	$	89,245	294,267	383,512

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Operating revenues	$	3,961	3,607
Operating expenses:			
Building management and operating expenses		1,163	1,189
Depreciation and amortization		1,161	1,125
Legal and administrative fees		221	192
Insurance		29	29
Total operating expenses		2,574	2,535
Operating income		1,387	1,072
Nonoperating revenues (expenses):			
Interest expense		(1,085)	(1,123)
Debt issuance expense		—	(25)
Other		8	(7)
Net nonoperating expenses		(1,077)	(1,155)
Change in net position		310	(83)
Net position:			
Beginning of year		721	804
End of year	$	1,031	721

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(Discretely Presented Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Operating revenues:			
Patient service revenues (net of provision for bad debts of $643 in 2019 and $283 in 2019)	$	18,581	22,470
Other operating revenues		1,196	1,098
Total operating revenues		19,777	23,568
Operating expenses:			
Salaries and benefits		22,992	18,132
Building and equipment expenses		2,787	1,751
Medical and surgical supplies		2,194	6,870
Other expenses		4,769	4,231
Depreciation and amortization		415	276
Total operating expenses		33,157	31,260
Operating loss		(13,380)	(7,692)
Nonoperating revenues:			
Investment income		5	—
Support from University of South Alabama		10,478	9,394
Other nonoperating revenues		196	9
Total nonoperating revenues		10,679	9,403
(Decrease) increase in net position		(2,701)	1,711
Net position at beginning of year		2,931	1,220
Net position at end of year	$	230	2,931

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Receipts related to tuition and fees	$	127,260	138,226
Receipts from and on behalf of patients and third-party payers		561,967	478,756
Receipts from grants and contracts		38,627	34,553
Receipts related to auxiliary enterprises		19,237	20,439
Payments to suppliers and vendors		(301,683)	(267,340)
Payments to employees and related benefits		(474,360)	(506,781)
Payments for scholarships and fellowships		(14,574)	(12,886)
Other operating receipts		19,402	51,947
Net cash used in operating activities		(24,124)	(63,086)
Cash flows from noncapital financing activities:			
State appropriations		123,063	115,209
Endowment gifts		5,411	6,699
Agency funds received		2,537	2,443
Agency funds disbursed		(1,851)	(2,085)
Student loan program receipts		144,694	149,937
Student loan program disbursements		(145,725)	(148,193)
Other nonoperating revenues		119,217	38,518
Other nonoperating expenses		(14,298)	(10,820)
Net cash provided by noncapital financing activities		233,048	151,708
Cash flows from capital and related financing activities:			
Capital contributions and grants		6,631	13,617
Purchases of capital assets		(101,589)	(89,056)
Proceeds from sales of capital assets		18	60
Proceeds from issuance of capital debt		64,528	71,067
Principal payments on capital debt		(40,988)	(23,137)
Interest payments on capital debt		(15,699)	(14,203)
Net cash used in capital and related financing activities		(87,099)	(41,652)
Cash flows from investing activities:			
Interest and dividends on investments		8,582	2,977
Purchases of investments		(119,852)	(66,090)
Proceeds from sales of investments		107,360	90,270
Net cash (used in) provided by investing activities		(3,910)	27,157
Net increase in cash and cash equivalents		117,915	74,127
Cash and cash equivalents (unrestricted and restricted):			
Beginning of year		170,463	96,336
End of year	$	288,378	170,463

(Continued)

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands)

		2020	2019
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$	(75,604)	(112,190)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization		50,237	48,625
Changes in assets and liabilities, net:			
Student receivables		(1,568)	634
Net patient receivables		7,308	(9,263)
Grants and contracts receivables		(2,452)	(2,562)
Other receivables		(18,447)	10,824
Prepaid expenses, inventories, and other		11,936	(9,665)
Accounts payable and accrued liabilities		4,252	12,725
Unrecognized revenues		214	(2,214)
Net cash provided by (used in) operating activities	$	(24,124)	(63,086)
Noncash investing, noncapital financing, and capital and related financing transactions:			
Net increase in fair value of investments recognized as a component of investment income	$	14,980	9,716
Addition of capital leases		3,584	2,240
Additional maturity on capital appreciation on bonds payable and other borrowings recorded as interest expense		—	49
Gifts of capital and other assets		115	204
Capitalization of construction period interest		4,662	2,030
(Decrease) increase in accounts payable related to capital assets		(2,967)	6,412

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

On May 3, 1963, the Governor of Alabama signed enabling legislation creating the University of South Alabama (the University). The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama. The financial statements of the University present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* and GASB Statement No. 80*, Blending Requirements for Certain Component Units,* consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization is included as a component unit. Accordingly, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2020 and 2019, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39, 61 and 80. However, these entities are not discretely presented in the accompanying financial statements as the University does not consider them significant enough to warrant inclusion in the University's reporting entity.

GASB 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. Based on these requirements, the University reports the Professional Liability

Trust Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM), USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as blended component units. All significant transactions among the University and its blended component units have been eliminated.

(b) Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University is responsible. The PLTF and GLTF are separate legal entities, which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units (see note 18 for further discussion of, and disclosure for, these entities).

(c) USA HealthCare Management, LLC

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM. HCM commenced operations in October 2010, and is reported as a blended component unit (see note 18 for further discussion of, and disclosure for, this entity).

(d) USA Health Billing Limited Liability Companies

In fiscal year 2019, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as not-for-profit limited liability companies, whereby the University is the sole member. These companies were created to assist with the complex patient and insurance billing of USA Health, a division of the University that includes two hospitals and a cancer treatment center.

(e) University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority (HCA). The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. The HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. HCA presents its financial statements in accordance with GASB. During fiscal year 2019, two not-for-profit limited liability companies were formed to manage the complex patient and insurance billings. The HCA is the sole member of these LLCs. As such, these entities are blended component units of the HCA. During fiscal year 2020, three additional not for profit limited liability companies were formed. There was no financial activity for these entities during fiscal year 2020. The HCA is a sole member of two of these limited liability companies and the majority owner of the third limited liability company. Since inception, HCA's operations have been partially funded by the University, with total support amounting to $10,478,000 during the year ended September 30, 2020 and $9,394,000 during the year ended September 30, 2019. This support is reported in nonoperating expenses on the University's statements of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for HCA as of and for the years ended September 30, 2020 and 2019 are discretely presented.

(f) University of South Alabama Foundation

The University of South Alabama 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. Total distributions received or accrued by the University for the years ended September 30, 2020 and 2019 were $10,280,000 and $9,755,000, respectively, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statements of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 14 and GASB Statement No. 61, this discretely presented unit has been included with the most recent fiscal year. The accompanying consolidated statements of financial position and consolidated statements of activities and changes in net assets for the USA Foundation as of and for the years ended June 30, 2020 and 2019 are discretely presented.

(g) USA Research and Technology Corporation

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB. The accompanying statements of net position and statements of revenues, expenses, and changes in net position for the Corporation as of and for the years ended September 30, 2020 and 2019 are discretely presented.

(h) 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, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. 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.

(i) 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.

(j) Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months at the time of purchase and include repurchase agreements and money market accounts.

(k) Investments and Investment Income

The University reports the fair value of investments using the three-level hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of alternative investments (low-volatility multi-strategy funds of funds) and certain private equity partnerships do not have readily ascertainable market values and the University values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income.

(l) Derivatives

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At September 30, 2020 and 2019, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows on the statements of net position since the interest rate swaps were deemed effective.

(Continued)

(m) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of employer contributions to the Teacher's Retirement System of Alabama and the Public Education Employees Health Insurance Plan subsequent to the plan's measurement dates, changes in proportion and differences between employer contributions and proportionate share of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan, fair value of interest rate swaps and the loss on the defeasement of certain bond amounts.

Deferred inflows of resources consist of the proportionate share of the differences between expected and actual experience related to the pension plan, net difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions in OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension and OPEB plans, fair values of interest rate swaps and gain on the refunding of certain bond amounts.

(n) Bond Premiums, Discounts, and Loss on Extinguishment Costs

Bond premiums, discounts, and loss on extinguishment costs associated with the issuance of certain bond series are capitalized and amortized over the life of the respective bond series on a straight-line basis in accordance with generally accepted accounting principles.

(o) Accounts Receivable

Patient receivables primarily result from hospital and ambulatory patient service revenues. 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 and patient receivables are recorded net of estimated uncollectible amounts.

(p) Inventories

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

(q) Capital Assets

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the years ended September 30, 2020 and 2019 was approximately $4,662,000 and $2,030,000, respectively.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* For the years ended September 30, 2020 and 2019, no impairments were recorded.

(r) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenues and then recognized over the applicable portion of each school term. In fiscal year 2020, the University received funding from the CARES Act which is reported as unrecognized revenues in the 2020 statement of net position. Additionally, USA Health received Advanced Medicare funding, and this amount is also reported as unrecognized revenues in the 2020 statement of net position.

(s) Cost Sharing Multiple-Employer Pension Plan

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the Teachers' Retirement System of Alabama (TRS). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(t) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other post employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(u) Classification of Net Position

The University's net position is classified as follows:

Net investment in capital assets reflects the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of *net investment in capital assets*.

Restricted, nonexpendable net position consists of endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that 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, patient service revenues, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for any purpose. Substantially all unrestricted net position is designated for academic and research programs and initiatives and capital programs.

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

(v) Scholarship Allowances and Student Financial Aid

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount 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 a nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

(w) 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, of the endowment assets. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 4.5% of the five-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted expendable net position.

(x) 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; patient service revenues, net of provision for bad debts; most federal, state, and local grants and contracts; and sales and services of auxiliary enterprises, net of scholarship allowances.

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

(y) 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.

(z) 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

(Continued)

revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

(aa) Patient Service Revenues and Electronic Health Records Incentive Program

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

The Centers for Medicare and Medicaid Services (CMS) has implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, and hospitals, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. USA Health utilizes a grant accounting model to recognize EHR incentive revenues. EHR incentive revenue is recorded ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30.

University Hospital has met the Medicare and Medicaid meaningful use objectives for fiscal year 2019. The hospital also expects to meet meaningful use objectives in fiscal 2020. No meaningful use payment is expected for fiscal year 2018 forward as a result of the transition to the Merit-Based Incentive Payment System, which is an ambulatory Eligible Professional attestation. While University Hospital is moving to Penalty Aversion, it is still in the Meaningful Use program for eligible hospitals. Any payment adjustments for fiscal year 2017 through 2019 will not be paid until 2021.

In 2020, USA Health recognized a Medicare EHR incentive payment determination of $54,225 as final settlement for the USA Health University Hospital’s year ended September 30, 2015. The EHR incentive revenues are included in other operating revenues in the accompanying 2020 statement of revenues, expenses, and changes in net position.

(bb) Compensated Absences

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

(cc) Recently Adopted Accounting Pronouncements

In 2020, the University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which updates the information that is disclosed in the financial statements related to debt. The University adopted this Statement and applied the effects retroactively. All effected disclosures were updated accordingly. There was no significant impact to the University in the adoption of this statement.

(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 these designations, no provision for income taxes has been made in the accompanying basic financial statements.

In addition, the University's discretely presented component units, except for HCA, are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The income of HCA is excluded from federal and state income taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Consistent with these designations, no provision for income taxes has been made in the accompanying discretely presented component unit financial statements.

(3) Cash and Cash Equivalents

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, 2020 and 2019, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $14.2 billion and $11.7 billion, respectively. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $288,378,000 and $170,463,000 at September 30, 2020 and 2019, respectively.

At September 30, 2020, restricted cash and cash equivalents consist of $1,183,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $31,958,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, $9,468,000 related to collateral requirements of interest rate swaps, $6,887,000 related to restricted donations related to certain capital projects, and $1,309,000 related to endowment funds. At September 30, 2019, restricted cash and cash equivalents consist of $5,243,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $42,073,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, $11,200,000 related to collateral requirements of interest rate swaps, $925,000 related to restricted donations related to certain capital projects, and $740,000 related to endowment funds.

(4) Investments

(a) University of South Alabama

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policies," the "Endowment Fund Investment Policy," and the "Derivatives Policy" (collectively referred to as the University Investment Policies) as adopted by the

Board of Trustees. The purpose of the nonendowment cash pool investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the “prudent person” standard in the context of managing its investment portfolio.

The investments of the blended component units of the University are invested pursuant to the separate investment policy shared by the PLTF and GLTF (the Trust Fund Investment Policy.) The objectives of the Trust Fund Investment Policy are to provide a source of funds to pay general and professional liability claims and to achieve long-term capital growth to help defray future funding requirements. Additionally, certain investments of the University’s component units, both blended and discretely presented, are subject to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as any requirements placed on them by contract or donor agreements.

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

Investments of the University, by type, at fair value, are as follows at September 30, 2020 and 2019 (in thousands):

		2020	2019
U.S. Treasury securities	$	12,033	14,681
U.S. federal agency notes		73,994	75,299
Commingled equity funds		92,882	95,925
Commingled fixed income funds		42,127	27,591
Marketable equity securities		36,728	26,207
Marketable debt securities		12,749	9,969
Real estate		—	125
Private equity		14,805	12,526
Managed income alternative investments (low-volatility multi-strategy funds of funds)		36,126	31,861
	$	321,444	294,184

At September 30, 2020 and 2019, restricted investments consist of endowment funds, funds held in the PLTF and GLTF to pay insurance liability claims and funds related to collateral requirements of the interest rate swaps.

At September 30, 2020 and 2019, $28,113,000 and $22,243,000, respectively, of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statements of net position.

The University invests in several private equity funds. At September 30, 2020, the University had capital commitments to those funds of $7,269,000.

(i) Credit Risk and Concentration of Credit Risk

Nonendowment Cash Pool Investment Policy

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.

Endowment Fund Investment Policy

The University Investment Policies limit investment in fixed income securities to securities with a minimum "BAA" rating, at the time of purchase, by both Moody's and Standard and Poor's. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated "BAA" or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

Additionally, the University Investment Policies require that not more than 5% of the Endowment Fund assets of the University be allocated to an individual investment manager and no more than 25% of the Endowment Fund assets be allocated to a "Funds of Funds" or multi-manager fund.

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The University's exposure to credit risk and concentration of credit risk at September 30, 2020 and 2019 is as follows:

	2020	
	Credit rating	**Percentage of total investments**
Federal National Mortgage Association	AAA	4.9 %
Federal Home Loan Mortgage Corporation	AAA	13.5
Federal Farm Credit Banks Funding Corporation	AAA	3.1
Common Fund Bond Fund	AAA	6.5
PIMCO Pooled Bond Fund	BAA+/AA/A	6.6
US Treasury securities	AAA/AA+	3.7
Marketable debt securities	Various	4.0

	2019	
	Credit rating	**Percentage of total investments**
Federal National Mortgage Association	AAA	3.2 %
Federal Home Loan Mortgage Corporation	AAA	3.7
Federal Farm Credit Banks Funding Corporation	AAA	9.8
Common Fund Bond Fund	AAA	7.4
Federal Farm Credit Banks Debenture	AAA/AA+	8.9
PIMCO Pooled Bond Fund	BAA+/AA/A	2.0
US Treasury securities	AAA/AA+	5.0
Marketable debt securities	Various	3.0

(ii) Interest Rate Risk

At September 30, 2020 and 2019, the maturity dates of the University's fixed income investments are as follows (in thousands):

	2020				
		Years to maturity			
	Fair value	Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	$ 12,033	1,938	4,263	5,832	—
U.S. federal agency notes	73,994	—	65,666	—	8,328
Marketable debt securities	12,749	1,805	6,204	4,163	577
Commingled fixed income funds	42,127	1,379	1,501	3,467	35,780
	$ 140,903	5,122	77,634	13,462	44,685

	2019				
		Years to maturity			
	Fair value	Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	$ 14,681	—	8,543	6,138	—
U.S. federal agency notes	75,299	22,419	42,696	—	10,184
Marketable debt securities	9,969	—	4,679	5,290	—
Commingled fixed income funds	27,591	1,375	1,445	3,128	21,643
	$ 127,540	23,794	57,363	14,556	31,827

Commingled fixed income funds are classified based on the weighted average maturity of the individual investment instruments within each fund.

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

(iii) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, an organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held by third party institutions in the name of the University. The University's Investment Policies do not specifically address custodial credit risk.

(iv) Mortgage-Backed Securities

The University, from time to time, invests in mortgage-backed securities such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and other government sponsored enterprises of the United States government. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

(v) Fair Value Measurement

Fair value measurements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72. These guidelines prioritize the inputs of valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The level in the fair value hierarchy that determines the classification of an asset or liability depends on the lowest level input that is significant to the fair value measurement. Observable inputs are derived from quoted market prices for assets or liabilities traded on an active market where there is sufficient activity to determine a readily determinable market price. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable inputs. The University's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value as of September 30, 2020 and 2019 (in thousands):

		Asset fair value measurements at September 30, 2020			
Description		**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Treasury securities	$	12,033	—	—	12,033
U.S. federal agency notes		—	73,994	—	73,994
Commingled equity funds		54,336	38,546	—	92,882
Commingled fixed income funds		21,183	20,944	—	42,127
Marketable equity securities		36,728	—	—	36,728
Marketable debt securities		12,749	—	—	12,749
Private equity		—	—	13,473	13,473
Total investments at fair value	$	137,029	133,484	13,473	283,986
Investments measured at NAV:					
Private equity					1,332
Managed income alternative investments (low volatility multi-strategy funds of funds)					36,126
Total investments				$	321,444

		Liability fair value measurements at September 30, 2020			
Description		**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate exchange agreements	$	—	50,162	—	50,162

Description		Asset fair value measurements at September 30, 2019 Level 1	Level 2	Level 3	Total
U.S. Treasury securities	$	14,681	—	—	14,681
U.S. federal agency notes		—	75,299	—	75,299
Commingled equity funds		58,570	37,355	—	95,925
Commingled fixed income funds		5,948	21,643	—	27,591
Marketable equity securities		26,207	—	—	26,207
Marketable debt securities		9,969	—	—	9,969
Private equity		—	—	11,513	11,513
Real estate		—	—	125	125
Total investments at fair value	$	115,375	134,297	11,638	261,310
Investments measured at NAV:					
Private equity					1,013
Managed income alternative investments (low volatility multi-strategy funds of funds)					31,861
Total investments				$	294,184

Description		Liability fair value measurements at September 30, 2019 Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	$	—	45,750	—	45,750

A rollforward schedule of amounts for Level 3 financial instruments for the fiscal years ended September 30, 2020 and 2019 is as follows (in thousands):

Description		Private equity and real estate 2020	2019
Beginning balance	$	11,638	1,915
Purchases		790	9,630
Net realized/unrealized gains (losses)		1,477	598
Sales		(432)	(505)
Ending balance	$	13,473	11,638

(b) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling $157,457,000 and $150,796,000 at June 30, 2020 and 2019, respectively.

Investment income was comprised of the following for the years ended June 30, 2020 and 2019 (in thousands):

		2020	2019
Unrealized gains	$	7,651	13,188
Realized gains		3,096	3,227
Timber sales		3,190	2,505
Interest and dividends		2,182	2,214
Rents		705	642
Royalties		63	85
	$	16,887	21,861

Investment related expenses in the amounts of $368,000 and $359,000 are included in the USA Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2020 and 2019, respectively.

Real estate at June 30, 2020 and 2019 consisted of the following property held (in thousands):

		2020	2019
Land and land improvements – held for investment	$	52,423	60,448
Building and building improvements – held for investment		1,032	1,060
	$	53,455	61,508

Timber and mineral properties are stated at fair value. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production. Depletion of timber properties is recognized on a specific identification basis as timber rights are sold or on a unit basis for sales made on that basis. Reforestation costs consisting of site preparation and planting of seedlings are capitalized.

Investments at June 30, 2020 and 2019, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation from the trustee responsible for the management of the company and the timber valuation.

The USA Foundation has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*. ASC 820 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants (Level 1). The USA Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices (Level 2). Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable (Level 3). The USA 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 USA Foundation's investment assets at June 30, 2020 and 2019, are summarized based on the criteria of ASC 820 as follows (in thousands):

	Fair value measurements at June 30, 2020			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	$ 105,487	—	—	105,487
Timber and mineral properties	—	—	168,063	168,063
Real estate	—	—	53,455	53,455
Other investments	—	—	5,811	5,811
	$ 105,487	—	227,329	332,816
Investment in Commonfund measured at NAV				51,970
				$ 384,786

Description		Fair value measurements at June 30, 2019			
		Level 1	Level 2	Level 3	Total
Equity securities	$	96,151	—	—	96,151
Timber and mineral properties		—	—	164,307	164,307
Real estate		—	—	61,508	61,508
Other investments		—	—	5,809	5,809
	$	96,151	—	231,624	327,775
Investment in Commonfund measured at NAV					54,645
					$ 382,420

For the years ended June 30, 2020 and 2019, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

Description		2020			
		Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	$	164,307	61,508	5,809	231,624
Net unrealized gains (losses)		8,030	(8,019)	2	13
Reforestation		351	—	—	351
Purchase of timberland		20	—	—	20
Sale of timberland		(160)	—	—	(160)
Depreciation/depletion		(4,485)	(34)	—	(4,519)
Ending balance	$	168,063	53,455	5,811	227,329

		2019			
Description		**Timber and mineral properties**	**Real estate**	**Other investments**	**Total**
Beginning balance	$	160,949	69,163	5,805	235,917
Net unrealized gains (losses)		6,247	(7,620)	4	(1,369)
Reforestation		281	—	—	281
Depreciation/depletion		(3,170)	(35)	—	(3,205)
Ending balance	$	164,307	61,508	5,809	231,624

As of June 30, 2020, the USA Foundation has no outstanding commitments to purchase securities or other investments. Additionally, substantially all of the USA Foundation's equity securities at June 30, 2020 are considered readily liquid. Timber and mineral properties, real estate, and other investments are generally considered illiquid.

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the years ended September 30, 2020 and 2019 follows (in thousands):

	2020				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Land and other	$ 24,382	4,331	9	—	28,722
Construction-in-progress	97,030	83,432	(30,787)	—	149,675
	121,412	87,763	(30,778)	—	178,397
Capital assets being depreciated:					
Land improvements	48,408	1,020	8,748	—	58,176
Buildings, fixed equipment, and infrastructure	838,191	7,857	19,131	(7,567)	857,612
Other equipment	243,278	9,799	2,899	(5,544)	250,432
Library materials	78,757	3,681	—	—	82,438
	1,208,634	22,357	30,778	(13,111)	1,248,658
Less accumulated depreciation for:					
Land improvements	(25,128)	(2,349)	—	—	(27,477)
Buildings, fixed equipment, and infrastructure	(325,100)	(25,352)	—	6,120	(344,332)
Other equipment	(158,694)	(19,183)	—	5,356	(172,521)
Library materials	(61,323)	(3,318)	—	—	(64,641)
	(570,245)	(50,202)	—	11,476	(608,971)
Capital assets being depreciated, net	638,389	(27,845)	30,778	(1,635)	639,687
Capital assets, net	$ 759,801	59,918	—	(1,635)	818,084

(Continued)

At September 30, 2020, the University had commitments of approximately $14,513,000 related to various construction projects.

	2019				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Capital assets not being depreciated:					
Land and other	$ 23,106	1,276	—	—	24,382
Construction-in-progress	83,472	69,091	(55,533)	—	97,030
	106,578	70,367	(55,533)	—	121,412
Capital assets being depreciated:					
Land improvements	39,591	2,219	6,598	—	48,408
Buildings, fixed equipment, and infrastructure	786,620	4,459	47,259	(147)	838,191
Other equipment	246,185	7,952	1,676	(12,535)	243,278
Library materials	74,958	3,799	—	—	78,757
	1,147,354	18,429	55,533	(12,682)	1,208,634
Less accumulated depreciation for:					
Land improvements	(23,224)	(1,904)	—	—	(25,128)
Buildings, fixed equipment, and infrastructure	(301,598)	(23,625)	—	123	(325,100)
Other equipment	(151,189)	(19,923)	—	12,418	(158,694)
Library materials	(58,105)	(3,218)	—	—	(61,323)
	(534,116)	(48,670)	—	12,541	(570,245)
Capital assets being depreciated, net	613,238	(30,241)	55,533	(141)	638,389
Capital assets, net	$ 719,816	40,126	—	(141)	759,801

At September 30, 2019, the University had commitments of approximately $42,456,000 related to various construction projects.

(b) USA Research and Technology Corporation

Changes in capital assets for the years ended September 30, 2020 and 2019 are as follows (in thousands):

	2020				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Land	$ 223	—	—	—	223
Land improvements	1,985	—	—	—	1,985
Buildings	28,452	13	—	—	28,465
Tenant improvements	1,974	4	—	(3)	1,975
Other equipment	387	—	—	(6)	381
Construction in progress - nondepreciable	10	—	—	(10)	—
	33,031	17	—	(19)	33,029
Less accumulated depreciation for:					
Land improvements	(1,406)	(94)	—	—	(1,500)
Buildings	(9,502)	(747)	—	—	(10,249)
Tenant improvements	(1,001)	(233)	—	1	(1,233)
Other equipment	(282)	(32)	—	5	(309)
	(12,191)	(1,106)	—	6	(13,291)
Capital assets, net	$ 20,840	(1,089)	—	(13)	19,738

		2019				
		Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Land	$	223	—	—	—	223
Land improvements		1,976	9	—	—	1,985
Buildings		28,303	149	—	—	28,452
Tenant improvements		1,840	337	—	(203)	1,974
Other equipment		373	14	—	—	387
Construction in progress - nondepreciable		—	10	—	—	10
		32,715	519	—	(203)	33,031
Less accumulated depreciation for:						
Land improvements		(1,312)	(94)	—	—	(1,406)
Buildings		(8,769)	(733)	—	—	(9,502)
Tenant improvements		(954)	(225)	—	178	(1,001)
Other equipment		(250)	(32)	—	—	(282)
		(11,285)	(1,084)	—	178	(12,191)
Capital assets, net	$	21,430	(565)	—	(25)	20,840

(6) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the years ended September 30, 2020 and 2019 follows (in thousands):

	2020					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 423,629	64,528	(35,506)	452,651	20,314	432,337
Notes payable from direct borrowings	4,295	2,147	(1,011)	5,431	1,063	4,368
Capital lease obligations	15,502	3,584	(5,814)	13,272	6,656	6,616
Total long-term debt	443,426	70,259	(42,331)	471,354	28,033	443,321
Other noncurrent liabilities:						
Net pension liability	282,739	11,876	—	294,615	—	294,615
Net OPEB liability	259,418	8,565	(164,695)	103,288	—	103,288
Other long-term liabilities	96,451	2,418	(5,843)	93,026	6,515	86,511
Total other noncurrent liabilities	638,608	22,859	(170,538)	490,929	6,515	484,414
Total noncurrent liabilities	$ 1,082,034	93,118	(212,869)	962,283	34,548	927,735

	2019					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 370,201	71,813	(18,385)	423,629	16,211	407,418
Notes payable from direct borrowings	5,160	—	(865)	4,295	892	3,403
Capital lease obligations	18,270	2,240	(5,008)	15,502	5,462	10,040
Total long-term debt	393,631	74,053	(24,258)	443,426	22,565	420,861
Other noncurrent liabilities:						
Net pension liability	296,654	—	(13,915)	282,739	—	282,739
Net OPEB liability	256,178	3,240	—	259,418	—	259,418
Other long-term liabilities	91,165	15,596	(10,310)	96,451	6,374	90,077
Total other noncurrent liabilities	643,997	18,836	(24,225)	638,608	6,374	632,234
Total noncurrent liabilities	$ 1,037,628	92,889	(48,483)	1,082,034	28,939	1,053,095

Other long-term liabilities primarily consist of self-insurance liabilities, liabilities related to compensated absences and the fair value of derivatives. Amounts due within one year are included in current portion of other long-term liabilities.

During 2017, the University entered into a note payable for a period of ten years payable monthly at $19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. In January 2020, there was an amendment of the Alabama Power note payable by an increase in the amount of $2,147,000. The amount outstanding on the note at September 30, 2020 and 2019 is $3,405,000 and $1,605,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

During 2015, the University entered into a variable interest rate revolving line of credit with Compass Bank to, among other reasons, fund the acquisition of certain real property by USA Health. The total amount available under the line of credit was $5,000,000 and interest on the outstanding amounts accrued at the rate of the London InterBank Offered Rate (LIBOR) plus 1.00%. In July 2018, the University converted the line of credit into a term loan for a period of five years, with monthly payments of $63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at September 30, 2020 and 2019 is $2,029,000 and $2,690,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

During 2020, the University entered into a variable rate revolving line of credit with Hancock Whitney Bank to ensure the University was adequately prepared for potential cash-flow issues that could have been caused by the onset of the COVID-19 pandemic. The line of credit expires in June 2021. The total amount available under the line of credit is $50,000,000. Interest accrues on any outstanding principal balances at a rate of LIBOR plus 1.5%. There is also an unused fee of .15% that is billed to the University quarterly. There have been no draws on the line of credit during the year ended September 30, 2020.

(a) USA Research and Technology Corporation

(i) Notes Payable

Notes payable from direct borrowings consisted of the following at September 30, 2020 and 2019 (in thousands):

	2020	2019
PNC Bank promissory note, 4.38%, payable through 2028	$ 12,195	12,640
PNC Bank promissory note, 4.50%, payable through 2021	7,103	7,418
University of South Alabama, 3.0%, payable through 2023	1,183	1,186
	$ 20,481	21,244

The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

The second promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the dialysis services building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2020, the Corporation's debt service coverage ratio was 1.3 to 1.

During fiscal 2020, the payable to the University totaling $386,151 and the promissory note payable totaling $1,186,015 at September 30, 2019 was converted into a new promissory note payable to the University. It is a fully-amortizing note with a 4-year term and an interest rate of 3%.

The Corporation's outstanding notes from direct borrowings with PNC Bank contain a provision that, in the event of default, PNC Bank may take any or all of the following actions: (a) declare the loan due and payable, (b) declare the note in default, and (c) exercise any other remedies or rights which it has under any instrument executed in connection with the loan. Prior to any of these actions, however, PNC Bank will give the University 30 days to cure the default. The Corporation's outstanding note from a direct borrowing with the University contains a provision that, in the event principal payments are not made when due, allows the University to declare the loan due and payable.

(ii) Debt Service on Long-Term Obligations

At September 30, 2020, total future debt service by fiscal year is as follows (in thousands):

		Debt service on notes		
		Principal	**Interest**	**Total**
2021	$	7,950	661	8,611
2022		880	523	1,403
2023		913	489	1,402
2024		530	460	990
2025		554	436	990
2026–2030		9,654	1,068	10,722
Total	$	20,481	3,637	24,118

(iii) Derivative Transaction

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a "receive variable, pay fixed" interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was $1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At September 30, 2020 and 2019, the balance was $1,089,000 and $1,262,000, respectively.

(7) Bonds Payable

Bonds payable consisted of the following at September 30, 2020 and 2019 (in thousands):

		2020	2019
University Facilities Revenue Capital Improvement Bonds, Series 2010, 3.81%, payable through August 2030	$	—	19,086
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92% payable through August 2032		16,523	17,700
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033		22,764	24,196
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		5,691	6,049
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		5,841	6,485
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of LIBOR plus .73%, 0.83% and 1.87% at September 30, 2020 and 2019, respectively, payable through March 2024		31,440	38,365
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		3,750	4,125
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037		80,310	83,020
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 0.82% and 1.86% at September 30, 2020 and 2019, respectively, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021		20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 0.87% and 1.91% at September 30, 2020 and 2019, respectively, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023		35,000	35,000
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 0.93% and 1.97% at September 30, 2020 and 2019, respectively, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026		45,000	45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037		34,990	34,990
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 2049		47,750	47,750
University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 2033		18,440	18,440

		2020	2019
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	$	17,630	—
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040		37,005	—
		422,134	400,206
Plus unamortized premium		32,141	25,155
Less unamortized debt extinguishment costs		(1,624)	(1,732)
	$	452,651	423,629

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes USA Health Children's and Women's Hospital revenues in an amount not exceeding $10,000,000. The Series 2012-A Bonds began maturing in August 2013. The Series 2012-A Bonds are redeemable beginning in August 2021. The Series 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A Bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and are redeemable beginning in June 2020. The Series 2016-A Bonds began maturing in November 2018 and are redeemable beginning in November 2026. The Series 2016-B, C and D Bonds will begin maturing in December 2024 and became redeemable as of December 2017. The Series 2017 Bonds began maturing in October 2017 and are redeemable beginning in October 2027. The Series 2019-A and B Bonds will begin maturing in April 2033 and April 2021, respectively, and are redeemable beginning in April 2029. The Series 2019-C Bonds began maturing on April 1, 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds will begin maturing on April 1, 2021 and are redeemable beginning April 1, 2030.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of $85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they were called in December 2018. Neither the asset of the escrow trust account, nor the defeased indebtedness is included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of $7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds and the balance of the related deferred outflow totaled $6,274,000 and $6,663,000, respectively, at September 30, 2020 and 2019. The principal outstanding on all defeased bonds is $80,310,000 and $83,020,000 at September 30, 2020 and 2019, respectively. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C & D, with a face value totaling $100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of $4,539,000 was recorded as a deferred inflow and is being amortized over the remaining life of the Series 2016-B, C & D

Bonds and the balance of the related net deferred inflow at September 30, 2020 and 2019 totaled $3,669,000 and $3,896,000, respectively.

In February 2019, the University issued its University Facilities Revenue Bonds, Series 2019-A and Taxable University Facilities Revenue Bonds, Series 2019-B with a face value of $47,750,000 and $18,440,000, respectively. The proceeds from the Series 2019-A and B Bonds are financing the football stadium and intramural fields.

In December 2019, the University issued its University Facilities Revenue Refunding Bonds, Series 2019-C, with a face value of $19,086,000. The proceeds refunded the remaining Series 2010 Bonds.

In February 2020, the University issued its University Facilities Revenue Bonds, Series 2020, with a face value of $37,005,000. The proceeds from the Series 2020 Bonds are financing a transportation hub, a warehouse building and improvements and new construction to certain USA Health Facilities.

Approximately $2,356,000 and $5,292,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at September 30, 2020 and 2019, respectively, and is included in restricted cash and cash equivalents on the statements of net position. Approximately $57,000 of proceeds from the issuance of the Series 2019-A and B Bonds remained unspent at September 30, 2020 and is included in restricted cash and cash equivalents on the statement of net position. Approximately $29,545,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at September 30, 2020 and is included in restricted cash and cash equivalents on the 2020 statement of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University’s basic financial statements for any expected arbitrage liabilities. At September 30, 2020 and 2019, no amounts were due or recorded in the financial statements.

The University is subject to restrictive covenants related to its bonds payable.

Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal years is as follows as of September 30, 2020 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2021	$ 19,180	13,454	1,063	66	33,763
2022	20,099	12,891	1,090	39	34,119
2023	20,982	12,399	988	11	34,380
2024	21,895	11,887	371	—	34,153
2025	19,838	11,334	371	—	31,543
2026–2030	110,068	47,272	1,548	—	158,888
2031–2035	110,297	29,305	—	—	139,602
2036-2040	71,980	12,276	—	—	84,256
2041-2045	15,285	5,495	—	—	20,780
2046–2050	12,510	1,543	—	—	14,053
Subtotal	422,134	$ 157,856	5,431	116	585,537
Plus (less):					
Unamortized bond premium	32,141		—		
Unamortized debt extinguishment costs	(1,624)		—		
Total	$ 452,651		5,431		

(8) Capital Lease Obligations

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, and other office equipment.

Future minimum capital lease payments at September 30, 2020 are as follows (in thousands):

Year ending September 30:		
2021	$	6,983
2022		4,854
2023		1,329
2024		533
2025		6
2026-2039		90
		13,795
Less amounts representing interest		(523)
Net minimum lease payments	$	13,272

These amounts are included in long-term debt (and current portion thereof) in the accompanying statements of net position.

(9) Derivative Transactions – Interest Rate Swaps

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. 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 Series 2004 Bonds, the University redeemed those bonds in April 2014 with proceeds from the Series 2014-A Bonds.

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the Series 2016-B, C & D Bonds.

Objective of the transactions. As noted, both interest rate swaps were the result of the original January 2008 synthetic advance refunding of the Series 2004 and Series 2006 Bonds. The objective of these transactions was to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. 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 LIBOR plus 0.25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.73%.

The 2016 swap will terminate in December 2036, when the Series 2016-B, C & D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C & D Bonds bear a weighted average interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.79%.

Fair value. The 2014 interest rate swap had a negative fair value of approximately ($9,138,000) at its inception. This amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2014 interest rate swap as other long-term liabilities in the amount of ($3,001,000) and ($3,653,000) in the statements of net position at September 30, 2020 and 2019, respectively. The change in the fair value of the swap of $652,000 and ($56,000), respectively, during the years ended September 30, 2020 and 2019, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statements of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2014 interest rate swap totaled $197,000 and $459,000 at September 30, 2020 and 2019, respectively.

The 2016 interest rate swap had a negative fair value of approximately ($48,530,000) at its inception. This amount, net of any amortization and adjustments to fair value, is reported as a borrowing arising from the 2016 interest rate swap as other long-term liabilities in the amount of ($47,161,000) and ($42,097,000) in the statements of net position at September 30, 2020 and 2019, respectively. The change in the fair value of the swap of ($5,064,000) and ($11,868,000) during the years ended September 30, 2020 and 2019, respectively, is reported as a deferred outflow and contra asset (other noncurrent assets) in the statements of net position at September 30, 2020 and 2019 since the interest rate swap is a hedging derivative instrument. Net deferred inflows and outflows of resources for the 2016 interest rate swap totaled $8,417,000 and $956,000 of deferred outflows at September 30, 2020 and 2019, respectively.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates 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.

Risks Associated with these Transactions

Interest rate risk. As the LIBOR rate decreases, the net payments on the swaps increase. 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 payments on the Series 2014-A and Series 2016-B, C & D Bonds. The University's exposure is limited to 0.48% and 0.54% of the notional amounts, the difference in the payment from the counterparty and the interest payment on the Series 2014-A and Series 2016-B, C & D Bonds.

Credit risk. As of September 30, 2020 and 2019, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2020 and 2019.

Termination risk. The University may be required to terminate the swaps based on certain standard default and termination events, such as failure to make payments, breach of agreements 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 September 30, 2020 and calculating interest for subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year, are as follows (in thousands):

		Variable rate loan		Interest rate	
		Principal	Interest	swap, net	Total
2021	$	7,280	249	1,267	8,796
2022		7,655	162	947	8,764
2023		8,050	103	578	8,731
2024		8,455	37	193	8,685
2025		—	—	—	—
Total	$	31,440	551	2,985	34,976

Debt service requirements for the 2016 interest rate swap payments, by fiscal year, are as follows (in thousands):

		Variable rate loan		Interest rate	
		Principal	Interest	swap, net	Total
2021	$	—	901	4,639	5,540
2022		—	860	4,680	5,540
2023		—	892	4,648	5,540
2024		—	976	4,565	5,541
2025–2029		31,020	5,183	18,350	54,553
2030–2034		39,835	3,501	10,256	53,592
2035–2038		29,145	551	1,885	31,581
Total	$	100,000	12,864	49,023	161,887

(10) Patient Service Revenues

USA Health has 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 USA Health’s 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, USA Health is 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. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

USA Health University Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

Revenues from the Medicare program accounted for approximately 15% and 14% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon MS-DRG groupings. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on BCBS EAPGs.

Revenues from the Blue Cross program accounted for approximately 29% and 30% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, 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.

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

Revenues from the Medicaid program accounted for approximately 26% and 29% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

Other – USA Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to USA Health under these agreements include discounts from established charges and prospectively determined daily and case rates.

(Continued)

The composition of net patient service revenues for the years ended September 30, 2020 and 2019 follows (in thousands):

		2020	2019
Gross patient service revenues	$	1,367,755	1,129,815
Less:			
Provision for contractual and other adjustments		(713,865)	(538,306)
Provision for bad debts		(99,459)	(99,713)
	$	554,431	491,796

Changes in estimates related to prior cost reporting periods resulted in a decrease of approximately $2,986,000 and an increase of approximately $465,000 in patient service revenues for the years ended September 30, 2020 and 2019, respectively.

(11) Defined Benefit Cost Sharing Pension Plan

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the TRS.

(a) Plan Description

The TRS was established in September 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

(b) Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after ten years of creditable service. Tier 1 TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five years of services (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the higher monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

(c) Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered Tier 1 members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rates were 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $21,413,000 and $22,481,000 for the years ended September 30, 2020 and 2019, respectively.

(d) Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020 and 2019, the University reported a liability of $294,615,000 and $282,739,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2020, the collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2019, the University's proportion of contributions to the pension plan was 2.664536%, which was a decrease of 0.179184% from its proportion measured as of September 30, 2018 of 2.843720%.

For the years ended September 30, 2020 and 2019, the University recognized pension expense of approximately $17,629,000 and $9,902,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2020	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on pension plan investments	$ 10,259	—
Changes of assumptions	9,077	—
Differences between expected and actual experience	4,356	9,771
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	32,016
Employer contributions subsequent to measurement date	21,413	—
	$ 45,105	41,787

	2019	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on pension plan investments	$ —	21,342
Changes of assumptions	15,716	—
Differences between expected and actual experience	6,101	8,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	27,369
Employer contributions subsequent to measurement date	22,481	—
	$ 44,298	57,324

At September 30, 2020, approximately $21,413,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:		
2021	$	(10,114)
2022		(8,176)
2023		(1,485)
2024		2,156
2025		(476)
	$	(18,095)

(e) Actuarial Assumptions

The total pension liability as of September 30, 2020 and 2019 was determined by an actuarial valuation as of September 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	**2019**
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25–5.00

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	2020	
	Target allocation	**Long-term expected rate of return***
Fixed income	17.0 %	4.4 %
U.S. large stocks	32.0	8.0
U.S. mid stocks	9.0	10.0
U.S. small stocks	4.0	11.0
International developed market stocks	12.0	9.5
International emerging market stocks	3.0	11.0
Alternatives	10.0	10.1
Real estate	10.0	7.5
Cash equivalents	3.0	1.5
	100.0 %	

* Includes assumed rate of inflation of 2.5%

(f) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2020 and 2019 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

(g) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate (in thousands):

	2020		
	1% Decrease (6.70)%	Current rate (7.70)%	1% Increase (8.70)%
University's proportionate share of collective net pension liability	$ 399,958	294,615	205,471

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditors' report dated August 18, 2020 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(12) Other Employee Benefits

(a) Other Pension Plans

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed $462,000 and $506,000 in 2020 and 2019, respectively, representing 197 and 215 employees for 2020 and 2019, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed $5,544,000 and $4,916,000 in 2020 and 2019, respectively, representing 1,436 and 1,403 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

(b) Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately $12,962,000 and $12,866,000 at September 30, 2020 and 2019, respectively. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(13) Other Postemployment Benefit Plans

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

(a) Plan Description

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. Effective for the year ended September 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statements note disclosures.

(b) Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This

Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

(c) Contributions

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were $7,947,000 and $7,772,000 for the years ended September 30, 2020 and 2019, respectively.

(d) OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020 and 2019, the University reported a liability of $103,288,000 and $259,418,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2020, the net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2019, the University's proportion of contributions to the OPEB plan was 2.737717%, which was a decrease of 0.418703% from its proportion measured as of September 30, 2018 of 3.156420%.

For the years ended September 30, 2020 and 2019, the University recognized OPEB expense of approximately $(11,830,000) and $18,634,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

		2020	
		Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$	213	—
Differences between expected and actual experience		3,420	79,197
Changes of assumptions		4,938	42,782
Changes in proportion and differences between employer contributions and proportionate share of contributions		20,208	46,198
Employer contributions subsequent to the measurement date		7,947	—
	$	36,726	168,177

		2019	
		Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$	—	1,390
Differences between expected and actual experience		4,884	—
Changes of assumptions		—	12,636
Changes in proportion and differences between employer contributions and proportionate share of contributions		26,465	20,208
Employer contributions subsequent to the measurement date		7,772	—
	$	39,121	34,234

At September 30, 2020, approximately $7,947,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ending September 30:		
2021	$	(26,638)
2022		(26,638)
2023		(26,638)
2024		(27,978)
2025		(27,212)
Thereafter		(4,294)
	$	(139,398)

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2020 and 2019 was determined by an actuarial valuation performed as of September 30, 2018 and 2017, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	**2019**
Inflation	2.75 %	2.75 %
Projected salary increases*	3.25%-5.00%	3.25%-5.00%
Long-term investment rate of return**	7.25 %	7.25 %
Municipal bond index rate at the measurement date	3.00	4.18
Municipal bond index rate at the prior measurement date	4.18	3.57
Projected year for fiduciary net position to be depleted	2055	2029
Single equivalent interest rate at the measurement date	5.50 %	4.44 %
Single equivalent interest rate at the prior measurement date	4.44	4.63
Healthcare cost trend rate		
Pre-medicare eligible	6.75 %	7.00 %
Medicare eligible	***	5.00
Ultimate trend rate		
Pre-medicare eligible	4.75 %	4.75 %
Medicare eligible	4.75	4.75
Year of ultimate trend rate		
Pre-medicare eligible	2026	2026
Medicare eligible	2024	2024

* Includes 3% wage inflation

** Compounded annually, net of investment expense, and includes inflation

*** Initial medicare claims are set based on scheduled increases through plan year 2022

Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however updated Medicare Advance Premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table:

	2020	
	Target allocation	**Long-term expected real rate of return***
Fixed income	30 %	4.40 %
U.S. large stocks	38	8.00
U.S. mid stocks	8	10.00
U.S. small stocks	4	11.00
International developed market stocks	15	9.50
Cash	5	1.50
	100 %	

* Geometric mean, includes 2.5% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2019 and 2018 was 5.50% and 4.44%, respectively. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that amount will increase by 1.00% per year. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

(g) Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rates

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 4.75%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 3.75% or 1-percentage point higher 5.75% than the current rate (in thousands):

	2020		
	1% Decrease (3.75)%	Current rate (4.75)%	1% Increase (5.75)%
University's proportionate share of collective net OPEB liability	$ 82,818	103,288	129,068

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower 4.50% or 1-percentage point higher 6.50% than the current rate (in thousands):

	2020		
	1% Decrease (4.50)%	Current rate (5.50)%	1% Increase (6.50)%
University's proportionate share of collective net OPEB liability	$ 124,847	103,288	85,681

(h) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2019 and 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019 and 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

(14) Risk Management

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. An independent trustee administers both funds. These trust funds are revocable and use contributions by the University and HCA, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. Any risk related to the payment of claims is the responsibility of the PLTF and GLTF. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the financial statements of the University for the years ended September 30, 2020 and 2019. 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, HCM and HCA each participate in a separate self-insured health plan administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately $2,560,000 and $2,287,000 in 2020 and 2019, respectively. Contributions by the University and its employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

The changes in the total self-insurance liabilities for the years ended September 30, 2020 and 2019 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

		2020	2019
Balance, beginning of year	$	39,400	40,405
Liabilities incurred and other additions		101,204	80,930
Claims, administrative fees paid and other reductions		(100,609)	(81,935)
Balance, end of year	$	39,995	39,400

These amounts are included in other long-term liabilities (and current portion thereof) and in accounts payable and accrued liabilities in the accompanying statements of net position.

(15) Other Related Parties and Related-Party Transactions

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2020, SAMSF had total assets of $10,244,000, net assets of $9,097,000, and total revenues of $1,148,000 for the year then ended. At September 30, 2019, SAMSF had total assets of $10,632,000, net assets of $9,403,000, and total revenues of $1,806,000 for the year then ended. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately $412,000 in 2019, and are reflected as private grants and contracts in the accompanying 2019 statements of revenues, expenses, and changes in net position. No such amounts were received for such expenses in 2020.

(16) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2020 and 2019, the University had been awarded approximately $53,257,000 and $36,381,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended 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 potential adjustment from such audits will not be material.

(b) Letter of Credit

In connection with USA Health's participation in the State of Alabama Medicaid Program, the University had established a $55,382 irrevocable standby letter of credit with Wells Fargo. The Alabama Medicaid Agency was the beneficiary of this letter of credit. No funds were advanced under this letter during the years ended September 30, 2020 and 2019. This letter of credit terminated on December 31, 2019 and was not renewed.

(c) Litigation

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

(d) Rent Supplement Agreements

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations (see note 6). As of September 30, 2020 and 2019, no amounts were payable pursuant to these agreements.

(e) USA Research and Technology Corporation Leases

The Corporation leases space in Building I to five tenants under operating leases. One lease has a 5-year initial term expiring in October 2023 with two 5 year renewal options. The second lease has a 5-year term expiring in April 2024 with no renewal option. The third lease has a 5-year term expiring in July 2024 with no renewal option. The fourth lease has a 5-year initial term expiring in August 2024 with one 5-year renewal option. The fifth lease has a 90-month initial term expiring in June 2025 with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month to month to seven years.

The Corporation leases from the University the third floor of a campus building. Located on that floor is the Coastal Innovation Hub (the Hub), a technology incubator, which currently houses seven tenants with month to month leases.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (which generally is the first calendar year of the lease term). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 64,385 and 63,965 square feet at September 30, 2020 and 2019, respectively.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease had a 10 year initial term, expiring in March 2020, with three 5 year renewal options. The lease was renewed for an additional 5 years, expiring in March 2025, with two 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2020. One lease is for a 40 year initial term expiring in October 2046 with 20 year, and 15 year renewal options. The second lease is for a 30 year initial term expiring in October 2036 with four 5 year renewal options. The third lease has a 38.5 year initial term expiring in September 2046 with 20 year and 15 year renewal options.

Minimum future rentals by fiscal year are as follows (in thousands):

2021	$	3,343
2022		3,067
2023		2,006
2024		1,596
2025		809
2026–2048		6,284
Total	$	17,105

(17) Functional Expense Information

Operating expenses by functional classification for the years ended September 30, 2020 and 2019 are listed below (in thousands).

		2020	2019
Instruction	$	108,737	111,289
Research		31,558	27,944
Public service		7,009	7,245
Academic support		27,242	26,415
Student services		33,570	35,506
Institutional support		19,386	41,354
Operation and maintenance of plant		28,184	31,429
Scholarships		17,468	16,311
USA Health		523,020	482,270
Auxiliary enterprises		11,885	14,643
Depreciation and amortization		50,237	48,625
	$	858,296	843,031

(18) Blended Component Units

As more fully described in note 1, HCM, PLTF and GLTF are reported as blended component units. Required combining financial information of the aggregate blended component units as of and for the years ended September 30, 2020 and 2019 is presented below (in thousands):

		2020	2019
Current assets	$	13,858	15,340
Noncurrent assets		50,775	63,079
Total assets		64,633	78,419
Current liabilities		27,869	44,564
Noncurrent liabilities		33,743	31,816
Total liabilities		61,612	76,380
Net position	$	3,021	2,039

		2020	2019
Operating revenues	$	224,850	206,493
Operating expenses		(228,936)	(205,883)
Operating loss		(4,086)	610
Nonoperating revenues		5,069	47
Nonoperating expenses		—	(313)
Change in net position	$	983	344

(19) Recently Issued Accounting Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as allowed by Statement 95.

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90, *Majority Equity Interests*, was issued in August 2018. Effective for the University beginning with the fiscal year ending September 30, 2021, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

In May 2020, the GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*.

The effect of the implementation of GASB Statement Nos. 84, 87, 89, 90, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93 and 94 will not impact the University.

(20) COVID-19 Pandemic

COVID-19, a respiratory disease caused by a novel strain of the coronavirus, has spread around the world, including the State of Alabama. The Centers for Disease Control confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020.

As a result of the pandemic, most higher education institutions, including the University, moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls. This had an adverse effect on the operations of the University due to the pro-rata refund of housing and dining fees and incremental costs incurred as a result of having to convert all instruction to an on-line format. All instruction for the May and summer terms was delivered online and residence calls remained largely closed. While the University returned to a modified in-person delivery of education for the fall semester, residence halls reopened at a lower occupancy level. Management is unable to predict the future impact of the pandemic on the University’s operations.

Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. While patient volumes and revenues have experienced gradual improvement beginning in July 2020 and continuing through the end of the current fiscal year, management is unable to predict the future impact of the pandemic on the USA Health’s operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to provide economic relief to Higher Education Institutions and other entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2020, the University (including USA Health) has been awarded $31,437,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount, $14,919,000 has been recognized as nonoperating revenue in the statement of revenues, expenses and changes in net position for the year ended September 30, 2020.

As noted, a portion of Cares Act funding has been designated to the health care providers for purposes of covering costs incurred and lost revenues due to the pandemic. Subsequent to the passage of this legislation, the Department of Health and Human Services (HHS) has issued additional pronouncements which provides guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance. USA Health has received approximately $11,838,000 in CARES Act funding as of September 30, 2020 in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Exchange Transactions*, and will be recognized in the statement of revenue, expenses and changes in net position as nonoperating revenue once the applicable terms and conditions have been met. The amounts recognized in the statement of revenues, expenses and changes in net position are conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that the payment will be used to prevent, prepare for and respond to coronavirus, and shall reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to coronavirus. Given the complexity of the guidance provided to date and the nature, timing and volume of changes in such guidance both prior to and subsequent to September 30, 2020, USA Health does not believe that the underlying conditions have been met as of September 30, 2020 which would allow for recognition in the statement of revenues, expenses and changes in net position. As such, amounts are recorded as unrecognized revenues in the accompanying 2020 statement of net position.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAAPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. During the year ended September 30, 2020, USA Health received accelerated payments under this program of approximately $35,156,000. These advances must be repaid and, as such, they are reflected as unrecognized revenues in the accompanying 2020 statement of net position.

(Continued)

The University's (including USA Health's) pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Management has taken precautionary steps to enhance operational and financial flexibility and to react to the risks the COVID-19 pandemic presents to operations, including the following:

- Established a campus wide contact tracing office to minimize the spread of the virus and therefore minimizing the financial impact on the University.
- Established a campus-wide campus reopening committee to address COVID issues related to the reopening of campus, including the return of employees and students to an in-person environment.
- As part of campus reopening, the student housing model was revised to provide a safer environment for residential students. This was accomplished by increasing the number of single occupant rooms and creating a quarantine facility within housing for students that become COVID positive.
- Implemented a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August. This unpaid furlough plan ultimately ended and funds were returned to employees due to positive financial results for the University.
- Proactively permanently eliminated certain positions, mostly unfilled, in academic and administrative areas.

Management believes the extent of the COVID-19 pandemic's adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the University's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for indeterminable length of time, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposures. The potential for a negative impact on University enrollment is also uncertain. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on the University.

The University (including USA Health) received additional CARES Act funding subsequent to September 30, 2020 of approximately $2,022,000.

On September 19, 2020, October 22, 2020, and November 2, 2020, HHS released *General and Targeted Distribution Post-Payment Notice of Reporting Requirements* related to the CARES Act PRF received by USA Health. This guidance describes the calculation of lost revenues to be reported due to the COVID-19 pandemic and the time period in which to measure and report such lost revenues and expenses. Specifically, the guidance designates calendar year 2020 as the period for measuring pandemic related costs and lost revenues as compared to the same period in 2019 with an additional six months extension through June 2021, if necessary. USA Health believes the conditions associated with the PRF exist until December 31, 2020 at which time USA Health can calculate the lost revenues to which it is entitled to claim under the grant and therefore no amounts have been recognized in the statement of revenues, expenses or changes in net position for the fiscal year ended September 30, 2020.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2020

(In thousands)

		2020	2019	2018	2017	2016
University's proportion of the net pension liability		2.664536 %	2.843720 %	3.018313 %	3.108048 %	3.185471 %
University's proportionate share of the net pension liability	$	294,615	282,739	296,654	336,477	329,294
University's covered-employee payroll		181,875	190,559	191,520	200,464	198,378
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		161.99 %	148.37 %	154.89 %	167.85 %	165.99 %
Plan fiduciary net position as a percentage of the total pension liability		69.85 %	72.29 %	71.50 %	67.93 %	67.51 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Pension Contributions (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2020

(In thousands)

		2020	2019	2018	2017	2016
Contractually required contribution	$	21,413	22,481	22,262	23,664	23,405
Contributions in relation to the contractually required contribution		21,413	22,481	22,262	23,664	23,405
Contribution deficiency (excess)	$	—	—	—	—	—
University's covered-employee payroll	$	181,875	190,559	191,520	200,464	198,378
Contributions as a percentage of covered-employee payroll		11.77%	11.80%	11.62%	11.80%	11.80%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net OPEB Liability and Related Ratios (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2020

(In thousands)

		2020	2019	2018
University's proportion of the net OPEB liability		2.737717 %	3.156420 %	3.449076 %
University's proportionate share of the net OPEB liability	$	103,288	259,418	256,178
University's covered-employee payroll		181,875	190,559	191,520
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		56.79 %	136.14 %	133.76 %
Plan fiduciary net position as a percentage of the total OPEB liability		28.14 %	14.81 %	15.37 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of the University's OPEB Contributions (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2020

(In thousands)

		2020	2019	2018
Contractually required contribution	$	7,947	7,772	7,728
Contributions in relation to the contractually required contribution		7,947	7,772	7,728
Contribution deficiency (excess)	$	—	—	—
University's covered-employee payroll	$	181,875	190,559	191,520
Contributions as a percentage of covered-employee payroll		4.37 %	4.08 %	4.04 %

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

(1) Summary of Cost Sharing Pension Plan Provisions and Assumptions

Employees of the University of South Alabama are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Actuarial Assumptions

The total pension liability as of September 30, 2020 and 2019 was determined by an actuarial valuation as of September 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.75 %	2.75 %
Investment rate of return*	7.70	7.70
Projected salary increases	3.25-5.00	3.25–5.00

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(b) Discount Rate

The discount rate used to measure the total pension liability as of both September 30, 2020 and 2019 was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

(2) Summary of OPEB Plan Provisions and Assumptions

Retirees of the University of South Alabama are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

(b) Recent Plan Changes

Beginning in plan year 2021, the Medicaid Advantage Prescription Drug plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Prescription Drug plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

(Continued)

(c) Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule for the years ended September 30, 2020 and 2019:

	2020	**2019**
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years	26 years
Asset valuation method	Market value of assets	Market value of assets
Inflation	2.875%	3.00%
Health care cost trend rate:		
Pre-medicare eligible	7.75%	7.75%
Medicare eligible	5.00%	5.00%
Ultimate trend rate:		
Pre-medicare eligible	5.00%	5.00%
Medicare eligible	5.00%	5.00%
Year of ultimate trend rate	2022 for Pre-medicare eligible 2018 for Medicare eligible	2021 for Pre-medicare eligible 2018 for Medicare eligible
Investment rate of return	5.00%, including inflation	5.00%, including inflation

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

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 16, 2020. Our report includes a reference to other auditors who audited the financial statements of the University of South Alabama Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of South Alabama Foundation.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
November 16, 2020

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

November 16, 2020

Audit Committee of
the Board of Trustees
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

We have audited the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2020 and have issued our report thereon under date of November 16, 2020. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing opinions about whether the financial statements, that have been prepared by management with the oversight of the audit committee of the Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the audit committee of the Board of Trustees of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the audit committee of the Board of Trustees in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in the University's annual report, to determine that such information, or its manner of presentation, is not materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the University are described in note 1 to the basic financial statements. As described in note 1(cc), in order to comply with the requirements of U.S. generally accepted accounting principles, the University adopted GASB Statement No. 88, *Certain Disclosure Related to Debt, Including Direct Borrowing and Direct Placements*.

Unusual Transactions

There have been no unusual transactions that we are aware of that need to be disclosed to you.

Qualitative Aspects of Accounting Practices

We have discussed with the audit committee of the Board of Trustees and management our judgments about the quality, not just the acceptability, of the University's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the University's accounting policies and their application, and the understandability and completeness of the University's basic financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the basic financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the year.

Management's estimates of the allowances for uncollectible accounts and contractual adjustments are based on, among other things, analyses of historical trends, the aging and mix of accounts receivable at year-end and expected third-party payor payment rates. Estimated professional and general liability costs and self-insurance reserves for employee health insurance are based on, among other things, reviews of occurrences accumulated by incident reporting systems, discussions with risk management professionals, actuarial valuations and consideration of recent developments. The net pension liability is based on certain assumptions, including the discount rate, mortality, inflation, employee demographics and projected salary increases. The net other postemployment benefits liability is based on certain assumptions, including the discount rate, mortality, inflation, health care cost trends, employee demographics and projected salary increases. Additionally, the fair value of the University's derivatives (swaps) is based on calculating future net settlement payments utilizing forward rates implied by the yield curve based on future spot interest rates. The payments are discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of future settlement.

We evaluated the key factors and assumptions used to develop each of the estimates above, including possible management bias in developing these estimates, in determining that the estimates are reasonable in relation to the basic financial statements as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the University's basic financial statements, we have not identified any uncorrected or corrected misstatements related to the University's basic financial statements as of and for the year ended September 30, 2020 and have communicated that finding to management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' reports on the University's basic financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2020.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with you and management each year prior to our retention by you as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letters; and

2. Management representation letters.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the University and provide confirmation that we are independent accountants with respect to the University.

We are not aware of any relationships between our firm and the University and persons in a financial reporting oversight role at the University that may reasonably be thought to bear on independence other than the professional services that have been provided to the University in our role as your independent auditor.

Secondary Auditors

This letter includes all relationships between our firm and the University that may reasonably be thought to bear on independence. With respect to other auditors (which collectively audited approximately 93% and 99%, respectively, of the total assets and net assets or net position and 49% of the revenues, gains and other support of the aggregate discretely presented component units reflected in the financial statements), we, pursuant to professional standards among other things, satisfied ourselves as to their professional reputation and independence, including obtaining a confirmation from the other auditor that they are independent under applicable professional standards. We have not requested from the other auditor and our letter does not provide information about relationships of the other auditor. Those charged with governance may wish to obtain more information from the other auditor and have discussions with them about independence matters.

Confirmation of Audit Independence

We hereby confirm that as of November 16, 2020, we are independent accountants with respect to the University under relevant professional and regulatory standards.

* * * * * * *

This letter to the audit committee of the Board of Trustees is intended solely for the information and use of the audit committee of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Jackson, Mississippi
November 16, 2020

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July 9, 2020

Mr. Scott Weldon
Vice President for Finance and Administration
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Dear Scott,

This letter (Engagement Letter) confirms our understanding of our engagement to provide professional services to the University of South Alabama (the University).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the University's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards), with the objectives of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and issuing an auditor's report that includes our opinion as to whether the presentation of the financial statements conforms with U.S. generally accepted accounting principles.

Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on the financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall financial statement presentation, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud, and noncompliance with laws and regulations may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements will include a schedule of expenditures of federal awards (SEFA) which is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the University's financial statements addressed to the Board of Trustees of the University. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

Internal Control over Financial Reporting and Compliance and Other Matters

We will obtain an understanding of the University's internal control relevant to the audit in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

The objective of our audit of the financial statements is not to report on the University's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with Government Auditing Standards, we will prepare a written report, Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will include any material weaknesses and significant deficiencies identified during the audit. This report will also include any of the following that we identify or suspect:

- Instances of noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements or other financial data significant to the audit objectives.
- Instances of fraud that are material, either qualitatively or quantitatively, to the financial statements or other financial data significant to the audit objectives.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also communicate in writing when:

- Identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to our attention during the course of our audit that has an effect on the financial statements or other financial data significant to the audit objectives that is less than material but warrants the attention of those charged with governance, or
- We obtained evidence of identified or suspected instances of fraud that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or instances of fraud directly to parties outside the auditee.

Uniform Guidance Audit Services

We will also perform audit procedures with respect to the University's major federal programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). The Uniform Guidance includes specific audit requirements, mainly in the areas of internal control and compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs that exceed those required by *Government Auditing Standards.*

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs. The tests of internal control performed in accordance with the Uniform Guidance are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards we determine to be necessary based on the *OMB Compliance Supplement*. The procedures outlined in the *OMB Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material noncompliance, fraud, and noncompliance with laws and regulations may exist and not be detected even though the audit is properly planned and performed in accordance with *Government Auditing Standards*. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs and 2) communicates our consideration of internal control over major federal programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This Engagement Letter serves as the University's authorization for the submission of the reporting package in this format.

Offering Documents

Should the University wish to include or incorporate by reference these financial statements and our audit report(s) thereon into a future exempt filing, the University agrees that the aforementioned auditor's report, or reference to KPMG LLP, will not be included in any such offering document without our prior permission or consent. Additionally, we may be required by the professional standards to perform procedures depending on our involvement with the exempt offering document. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement and the specific terms of our future services with respect to future exempt offerings will be determined at the time the services are to be performed.

In the event the University does not obtain our permission or consent to include or incorporate by reference our report(s) on such financial statements, and we are not otherwise associated with the offering document, then the University agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will communicate our planned scope and timing for our audits with the audit committee, including significant risks identified in planning our audit of the financial statements.

We will report to the audit committee or those charged with governance the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audits.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Significant findings from the compliance audit.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

a. identifying and ensuring that the University complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements;

b. providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within 10 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report(s), the report(s) will indicate management did not provide written responses;

c. distributing the reports issued by KPMG.

Management also is responsible for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of the University also acknowledges and understands that they have responsibility for the preparation of the SEFA in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management of the University also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the University will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its federal programs, management acknowledges and understands its responsibility for:

- Identifying the University's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the University administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the University's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above, the Uniform Guidance also requires the University to prepare a:

- Schedule of expenditures of federal awards;

- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (auditee sections).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the University.

Certain provisions of the Uniform Guidance allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The University agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this Engagement Letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to August 15, 2020.

Use of Internal Audit

Management acknowledges and understands that internal auditors providing direct assistance to us will be allowed to follow our instructions and that personnel of the University will not intervene in the work the internal auditor performs for us. Further, management acknowledges and understands that if, in our sole judgment, we believe the objectivity of internal auditors providing direct assistance to us has been impaired, we will be unable to use the work performed or planned to be performed.

Government Auditing Standards require external and internal auditors to meet minimum Continuing Professional Education (CPE) hours. Therefore, management is responsible for monitoring and documenting the compliance with the Government Auditing Standards CPE hours of those internal auditors assigned to the audit in direct assistance roles.

Non-audit service - Assistance in Preparing Financial Statements (including the SEFA)

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles. We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes.

We may also provide advice and recommendations to assist management of the University in performing its responsibilities. We will not assume management responsibilities on behalf of the University.

The University agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This Engagement Letter shall serve that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

In an effort to facilitate efficient communication between KPMG and the University related to the audit and to track engagement progress during the course of the engagement, KPMG may provide the University with access to certain online tools. If such access is provided to the University, the University shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by the University's users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing KPMG when the University individuals' access should be removed. The University acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without KPMG's written consent, use such tools as a system of record, nor use such tools other than for purposes of the audit engagement.

Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. The University agrees that KPMG may list the University as a client in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "University of South Alabama is an Audit client of KPMG LLP"). Further, for purposes of the services described in this Engagement Letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

The University and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its audit, the University will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Control Reform Act of 2018, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from the University, the University shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter. The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University, the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards*, and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. In particular, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Firms or such third party service providers. We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions related to the University's major federal program, Student Financial Assistance, that we determine to be necessary based on the 2020 *OMB Compliance Supplement*. We expect the 2020 OMB Compliance Supplement to include a requirement that auditors provide the US Department of Education information on all samples used to test disbursements and returns of Pell Grants and Direct Loans. We also expect it to request that auditors provide information for these two programs related to all instances of noncompliance, including those that are less than the $25,000 Uniform Guidance reporting threshold. While this does not include direct access to the work papers, we believe this information request is within the scope of *Government Auditing Standards,* and we will provide the information to the US Department of Education. We will provide such information directly to the US Department of Education within 60 days of the filing of the Data Collection Form. In addition, for purposes of fulfilling our professional responsibilities, such as maintaining independence and performing conflict checks, the University of South Alabama will be listed as a client in internal KPMG systems accessible on a need to know basis to certain professionals in KPMG International member firms. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use all the University's information for other purposes consistent with our professional standards, such as improving the delivery or quality of audit and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Firms or such third parties assisting them as outlined above, the University will not be identified as the source of the information.

It may be necessary or convenient for the University to use KPMG-owned or -licensed software, software agents, scripts, technologies, tools or applications (collectively "KPMG Technology") designed to extract data from the University's electronic books and records systems or other systems (collectively, "Systems"), in connection with the audit. The University understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to use of such technology (including without limitation appropriate backup of the University's information and Systems) (collectively, "Change Management Processes") before such KPMG Technology is utilized to extract data from the Systems. In the event the University fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, the University acknowledges that the Systems and/or KPMG Technology may not function as intended. In consideration of the foregoing, KPMG hereby grants the University the right to use KPMG Technology solely to facilitate the University's necessary or convenient provision of information to KPMG in connection with the audit, and this grant does not extend to any other purposes or use by third parties outside of your organization without our prior written approval, provided that third party contractors of the University having a need to know in order to perform their services to the University are permitted to use KPMG Technology to the extent necessary for such parties to perform such services, so long as the University exercises the same level of care to protect such KPMG Technology and KPMG confidential information as it uses to protect its own confidential information, but in no event less than reasonable care. Other than as expressly permitted hereby, the University agrees to keep KPMG Technology confidential, using no less than a reasonable standard of care to protect it from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing legal demand of confidential information which appear in this engagement letter with respect to which the KPMG Technology is being used, *mutatis mutandis*. If the KPMG Technology is subject to any third party license terms and conditions before being provided to the University, the University may be required to accept such terms and conditions before using the KPMG Technology, in which case KPMG will provide such license terms and conditions to the University in writing before the University elects to use the KPMG Technology.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Reports, Services and Associated Fees

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement and our fees for professional services to be performed under this Engagement Letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this Engagement Letter we will provide the services set forth in Appendix I as a single engagement for each of the University's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Ashley E Willson

Ashley E. Willson
Partner

(On the duplicate of the preceding letter, which should be signed in the same manner as the original, type the following):

<u>ACCEPTED</u>

University of South Alabama

Authorized Signature

Vice President for Finance & Administration
Title

7/10/2020
Date

Appendix I

Reports, Services and Associated Fees

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

	2020
Audits of financial statements and related notes to the financial statements of the University as of and for the years ended September 30, 2020 and other reports detailed below (includes KPMG performing the audit of two major programs in connection with the under Uniform Guidance)	$635,000

Other Reports:

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Report
Reports issued in connection with Uniform Guidance
Debt covenant compliance report
Debt agreed upon procedures report
South Alabama Medical Science Foundation
USA Research and Technology Corporation
NCAA agreed upon procedures report

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of appropriately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations and no significant increase in the purchase of additional alternative investments. The above fees do not consider any time associated with implementing any future GASB pronouncements. Any additional time associated with GASB pronouncements will be billed separately. The above fees also do not include any changes in the scope of KPMG's hours related to the NCAA agreed upon procedures report or Uniform Guidance procedures. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our audit report and associated consent.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

KPMG LLP
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October 30, 2020

Mr. G. Scott Weldon
Vice President for Financial Affairs
University of South Alabama
307 University Boulevard North, AD 170
Mobile, Alabama 36688-0002

Dear Mr. Weldon:

This letter (the Engagement Letter) sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will apply the following agreed-upon procedures related to assist the Board of Trustees and Management of the University of South Alabama (the University) in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D, University Facilities Revenue Bonds, Series 2017, University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C, and University Facilities Revenue Bonds, Series 2020 as of September 30, 2020 and for the year then ended.

We will compare the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee noting agreement.

We will compare the amounts shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee noting agreement.

We will obtain a schedule of general student fees (tuition) earned during the year ended September 30, 2020, and compare that amount to the general student fees recorded in the University's general ledger noting agreement.

At the conclusion of the engagement, management agrees to supply us with a representation letter that, among other things, will confirm management's responsibility for the sufficiency of the agreed-upon procedures for its purposes and the fair presentation of the specified elements, accounts, or items of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Our engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which our report is being prepared or for any other purpose.

Because the agreed-upon procedures referred to above do not constitute an audit, we will not express an opinion on any of the elements, accounts, or items of management's Statement of Changes in Cash and Investments Held by Trustee. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our report will include a list of the procedures performed (or reference thereto) and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of University management, and is not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the report be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

During the course of our procedures, we may consider it necessary to perform additional procedures in order to accomplish the stated purposes of the procedures described. Any such additional procedures will be outlined in our draft report, which will be reviewed by the University management prior to final issuance, in order to ensure that the procedure were sufficient to accomplish the purposes of the University. If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with University management during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

* * * * * * *

By approving this engagement, you agree to release KPMG and its personnel from any claims, liabilities, costs, and expenses relating to our service under this letter, except to the extent determined to have resulted from the intentional or deliberate misconduct of KPMG personnel. In the event KPMG is required pursuant to subpoena or other legal process to produce its documents relating to engagements for the University in judicial or administrative proceedings to which KPMG is not a party, the University shall reimburse KPMG for its professional time and expense, including reasonable attorney's fees, incurred in responding to such requests.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Ashley E. Willson

Ashley E. Willson
Partner

AEW:mmg

ACCEPTED

University of South Alabama

Mr. G. Scott Weldon

Vice President for Financial Affairs
Title

11/5/2020
Date

UNIVERSITY OF SOUTH ALABAMA

November 16, 2020

KPMG LLP
188 East Capitol Street
Suite 1100
Jackson, MS 39201

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University), and its aggregate discretely presented component units as of and for the years ended September 30, 2020 and 2019, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 16, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 9, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

   b. Additional information that you have requested from us for the purpose of the audit;

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c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

d. All minutes of the meetings of the Board of Trustees, and other appropriate committees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees, or others concerning noncompliance with laws and regulations in any jurisdiction, or deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

5. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.

6. There are no side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements, if any, summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the University's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. The University has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

17. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions of which we are aware in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the University is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

21. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the financial statements.

22. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

23. The University's reporting entity includes all entities that are material component units of the University.

24. The University is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the University. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

25. There have been no:

    a. Instances of fraud that could have a material effect on the adjustments.

    b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the University's adjustments that have not been disclosed to you in writing.

    c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the University's adjustments that have not been disclosed to you in writing.

    d. False statements affecting the University's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

26. The University's reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the University holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.

27. The basic financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

28. KPMG LLP assisted management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the financial statements and notes.

29. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other

funds that are presented as major are considered to be particularly important to financial statement users by management.

30. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.

31. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g., ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.

32. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

33. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

34. Deposits and investment securities are properly classified and reported.

35. The University is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the University's best estimate of fair value of investments required to be reported under the Statement. The University also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

36. The University has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The University complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the University has disclosed all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

37. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted

market prices, the University has disclosed the methods and significant assumptions used to estimate those fair values.

38. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

39. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

40. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the basic financial statements.

41. The University has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

42. The University has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

    c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

43. The University has complied with all tax and debt limits and with all debt related covenants.

44. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

45. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the University's funding progress related to such benefits for financial reporting purposes are appropriate in the University's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

46. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 37-39 of GASB Statement No. 75.

47. The basis for our proportion of the collective pension and OPEB amounts is appropriate and consistent with the manner in which future contributions to the pension and OPEB plan are expected to be made.

48. For each defined benefit pension plan in which the University is a participating employer:

    d. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

    e. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

    f. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

    g. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.

h. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

49. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (non-spendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

50. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

51. The University has identified and properly accounted for all nonexchange transactions.

52. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

53. Special and extraordinary items are appropriately classified and reported.

54. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

55. We agree with the findings of specialists in evaluating the reserves related to the Professional Liability and General Liability Trust Funds and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

56. Provision, when material, has been made for:

a. Losses to be sustained from inability to fulfill any sales commitments.

b. Estimated loss to be sustained as a result of retroactive adjustments by third-party payors under reimbursement agreements that are subject to examination, including denied claims, changes to diagnosis-related group (DRG) assignments, or other classification criteria affecting reimbursement.

c. Losses to be sustained as a result of adjustments resulting from review of Medicare or other payor claim data by the Professional Review Organization (PRO) or other payors' reviewers with which the University has agreements.

d. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

e. Losses to be sustained as a result of other-than-temporary declines in the fair value of investments

f. Liabilities for physician and medical services provided to members covered under capitation arrangements. The recorded liability includes both claims received and unpaid as well as an estimate of the claims incurred but not reported and loss to be sustained for commitments to provide medical services to enrollees under capitation agreements.

57. The University has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

58. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors. The reimbursement methodologies and principles employed in accordance with applicable rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report. Recorded third party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

59. For investments in alternative investments (including hedge funds, real estate ventures, private equity funds, etc.), management has performed an evaluation to determine whether the investment should be consolidated or accounted for under the equity, fair value, or cost method. Such evaluation included the consideration of various factors, including the legal form of the investment (limited partnership, limited liability Corporation, limited liability partnership, trust arrangements, etc.) The level of ownership in the investment, and the frequency with which the unit value is published and purchase and sale transactions are permitted.

60. There are no material unrecorded environmental remediation liabilities that must be recorded and/or disclosed in the University's financial statements.

61. The University has made a continuing pledge and will make necessary appropriations to fund all deficits of the University of South Alabama Health Care Authority.

62. If the USA Research and Technology Corporation debt coverage ratio is less than 1 to 1, the University will pay the Corporation's rent equal to the amount necessary to bring the ratio to 1 to 1.

63. The University believes that the *General and Targeted Distribution Post-Payment Notice of Reporting Requirements* related to the Provider Relief Funds (PRF) released on both October 22, 2020 and November 2, 2020 by the Department of Health and Human Services (HHS) is substantive change to the prior guidance provided by HHS and not a clarification of existing information. The information was not knowable at September 30, 2020. As a result, the University has evaluated this information as a Type II subsequent event. Further, the University believes that the conditions associated with the PRF with respect to the lost revenue calculation exist until December 31, 2020 and therefore no amounts have been recognized in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2020.

64. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

65. We acknowledge our responsibility for the presentation of the required supplementary information which includes management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of the University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

    a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

University of South Alabama

Dr. Tony G. Waldrop

University President

G. Scott Weldon

Vice President for Finance and Administration

Polly Stokley

Associate Vice President of Finance & Administration

UNIVERSITY OF SOUTH ALABAMA

November 16, 2020

KPMG LLP
188 East Capitol Street
Suite 1100
Jackson, MS 39201

Ladies and Gentlemen:

In connection with your engagement to perform agreed-upon procedures, which were agreed by the management of the University of South Alabama, a component of the State of Alabama, (the University), solely to assist us in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the University Facilities Revenue Capital Improvement Bonds, Series 2012-A, University Facilities Revenue Capital Improvements Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, the University Facilities Revenue Capital Improvement Bond, Series 2015, and University Facilities Revenue Refunding Bonds, Series 2016-A, Series 2016-B, Series 2016-C, and Series 2016-D, University Facilities Revenue Bonds, Series 2017, University Facilities Revenue Bonds, Series 2019-A, 2019-B and 2019-C and University Facilities Revenue Bonds, Series 2020 as of September 30, 2020, and for the year then ended, we confirm, to the best of our knowledge and belief, as of November 16, 2020 the following representations made to you during your agreed-upon procedures engagement:

1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.

2. There are no known matters contradicting the subject matter or assertion there have been no communications from regulatory agencies or others affecting the subject matter or assertion, including communications received between the end of the period addressed in the written assertion and the date of the agreed-upon procedures report.

3. We acknowledge our responsibility for:

   a) The subject matter and the assertion;

   b) Selecting the criteria, when applicable; and

   c) Detemining that such criteria are appropriate for our purposes.

4. We have provided you with access to all records relevant to the subject matter and the agreed upon procedures.

5. We take responsibility for the sufficiency (nature, timing and extent) of the agreed-upon procedures for our purposes. Further, we understand that your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

UNIVERSITY OF SOUTH ALABAMA

6. We have advised you of all actions taken at meetings of the board of directors and committees of the board of directors (or other similar bodies as applicable) that may affect the subject matter.

7. We have reviewed a draft of your report of findings dated November 16, 2020, and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.

8. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.

9. Your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

10. We have responded fully to all inquiries made to us by you during your engagement.

11. We have communicated to you all known matters contradicting the subject matter or the assertion.

12. We acknowledge that you have not performed any procedures since the date of your report and that you have no responsibility to update your procedures.

13. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.

14. The University has complied with all aspects of contractual agreements that would have a material effect on the subject matter or the assertion in the event of noncompliance.

15. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.

16. We have provided you with access to all records relevant to the subject matter and the agreed upon procedures.

Sincerely,

G. Scott Weldon

G. Scott Weldon
Vice President for Finance and Administration

FINANCE AND ADMINISTRATION
307 N. UNIVERSITY BOULEVARD, SUITE AD 170, MOBILE, AL 36688-0002
TEL: (251) 460-6132

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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the University of South Alabama, a component unit of the State of Alabama (the University), and its aggregate discretely presented component units, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2020. We did not audit the consolidated financial statements of the University of South Alabama Foundation, which represents 93% and 99%, respectively, of the total assets and net assets or net position, as of June 30, 2020 and 49% of revenues, gains, and other support for the year ended June 30, 2020 of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions of Article X of the Trust Indenture, as amended, on January 4, 2012, authorizing the issuance of $32,740,000 University Facilities Revenue Capital Improvement Bonds, Series 2012-A, as amended on June 28, 2013, authorizing the issuance of $50,000,000 University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, as amended on March 14, 2014, authorizing the issuance of $41,245,000 University Facilities Revenue Refunding Bond, Series 2014-A, as amended on June 15, 2015, authorizing the issuance of $6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, as amended on September 14, 2016, authorizing the issuance of $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016-A, as amended on December 7, 2016, authorizing the issuance of $100,000,000 University Facilities Revenue Refunding Bonds, Series 2016-B, 2016-C, and 2016-D, as amended on June 15, 2017, authorizing the issuance of $38,105,000 University Facilities Revenue Bonds, Series 2017, as amended on February 7, 2019, authorizing the issuance of $66,190,000 University Facilities Revenue Bonds, Series 2019-A and 2019-B, as amended on December 12, 2019, authorizing the issuance of $19,086,000 University Facilities Revenue Bonds, Series 2019-C, and as amended on March 10, 2020, authorizing the issuance of $37,005,000 University Facilities Revenue Bonds, Series 2020, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Trust Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees and management of the University of South Alabama and management of The Bank of New York Trust Company, N.A. and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Jackson, Mississippi
November 16, 2020

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

Independent Accountants' Report on Applying Agreed-Upon Procedures in Connection with
University Facilities Revenue Capital Improvement Bonds, Series 2012-A,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C,
University Facilities Revenue Refunding Bond Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015,
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D,
University Facilities Revenue Bonds, Series 2017,
University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C and
University Facilities Revenue Bonds, Series 2020

September 30, 2020

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

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Trustees and Management
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by members of management of the University of South Alabama, a component unit of the State of Alabama (the University), on the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2020 and the accompanying Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions as of September 30, 2020 relating to the University Facilities Revenue Capital Improvement Bonds, Series 2012-A, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C, University Facilities Revenue Refunding Bond Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, and 2016-D, University Facilities Revenue Bonds, Series 2017, University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C and University Facilities Revenue Bonds, Series 2020. The University's management is responsible for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

a. We compared each of the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.

b. We compared the amount shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.

c. We obtained from University management a schedule of general student fees (tuition) earned during the year ended September 30, 2020 (not included herein), which approximated $130 million and compared that amount to the general student fees recorded in the University's general ledger for the year ended September 30, 2020 and found them to be in agreement.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2020 and the accompanying Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions as of September 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

KPMG

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

KPMG LLP

November 16, 2020

Exhibit A

UNIVERSITY OF SOUTH ALABAMA

Statement of Changes in Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
University Facilities Revenue Capital Improvement Bonds 2012-A,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C,
University Facilities Revenue Refunding Bond, Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, and 2016-D
University Facilities Revenue Bonds, Series 2017
University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C
University Facilities Revenue Bonds, Series 2020

Year ended September 30, 2020

(In thousands)

Cash and investment transactions:		
Cash receipts:		
Deposits from University of South Alabama for interest and retirement of bonds	$	48,613
Interest income and realized investment gains		41
Proceeds from the sale of investments		854
		49,508
Cash disbursements:		
Principal payments		35,403
Interest payments		13,169
Other transfers		41
Purchases of investments		854
		49,467
Net change in cash and investments during the year		41
Total cash and investments held by trustee:		
Beginning of year		—
End of year	$	41

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

Exhibit B

UNIVERSITY OF SOUTH ALABAMA

Statement of Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
University Facilities Revenue Capital Improvement Bonds 2012-A,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C,
University Facilities Revenue Refunding Bond, Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, and 2016-D
University Facilities Revenue Bonds, Series 2017
University Facilities Revenue Bonds, Series 2019-A, 2019-B, and 2019-C
University Facilities Revenue Bonds, Series 2020

September 30, 2020

(In thousands)

Cash and investments, at cost:		
Total cash and investments	$	41

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

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Table of Contents

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

Independent Auditors' Report

The Board of Directors
USA Research and Technology Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of USA Research and Technology Corporation (the Corporation), a component unit of the University of South Alabama, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the years then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 16, 2020

Introduction

The following discussion presents an overview of the financial position and financial activities of USA Research and Technology Corporation (the Corporation) as of September 30, 2020 and 2019, and for the years then ended. This discussion was prepared by management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

The Corporation owns three buildings in the USA Technology & Research Park (the Park) on the campus of the University of South Alabama (the University), one building located on the premises of the USA University Hospital, and leases one floor of a University-owned, on-campus building. Housing both University and third-party tenants, the area available for lease totals 235,298 square feet of gross leasable space. At September 30, 2020 and 2019, total square feet under lease was 205,479 and 208,179, respectively. The land on which each building is located is leased from the University. The Corporation owns another building located on the University campus, which is supplied at no cost to the University for use as a faculty club.

At September 30, 2020 and 2019, the Corporation had total assets and deferred outflows of $22,066,700 and $23,181,079, respectively; total liabilities of $21,036,010 and $22,460,254, respectively; and net position of $1,030,690 and $720,825, respectively.

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

Condensed Financial Information

Condensed financial information for the Corporation as of and for the years ended September 30, 2020, 2019, and 2018 follows (in thousands):

Condensed Schedules of Net Position

		2020	2019	2018
Assets and deferred outflows:				
Current	$	1,025	862	675
Capital assets – noncurrent		19,738	20,840	21,430
Other noncurrent assets		215	217	94
Deferred outflows		1,089	1,262	1,442
		22,067	23,181	23,641
Liabilities:				
Current		8,505	1,891	1,318
Noncurrent		12,531	20,569	21,519
		21,036	22,460	22,837
Net position:				
Net investment in capital assets		555	393	627
Unrestricted		476	328	177
	$	1,031	721	804

**Condensed Schedules of Revenues,
Expenses, and Changes in Net Position**

		2020	2019	2018
Operating revenues	$	3,961	3,607	3,510
Operating expenses:				
Depreciation and amortization		1,161	1,125	1,074
Other		1,413	1,410	1,316
Net operating expenses		2,574	2,535	2,390
Operating income		1,387	1,072	1,120
Nonoperating (expenses) revenues:				
Interest expense		(1,085)	(1,123)	(1,069)
Other		8	(32)	22
Net nonoperating expenses		(1,077)	(1,155)	(1,047)
Change in net position		310	(83)	73
Beginning net position		721	804	731
Ending net position	$	1,031	721	804

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets and deferred outflows, liabilities, and net position of the Corporation. The net position is displayed in two parts; net investment in capital assets and unrestricted. Unrestricted net position is available for use by the Corporation to meet current expenses for any purpose. The statements of net position, along with all of the Corporation's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

Current assets consist of cash and cash equivalents, rent receivable, prepaid expenses, and other current assets at September 30, 2020 and 2019. Noncurrent assets at September 30, 2020 and 2019 consist primarily of capital assets.

The decrease in deferred outflows between 2018 and 2020 resulted from amortization of the swap termination fee.

Current liabilities primarily consist of unrecognized rent revenue, accrued expenses, and the current portion of long-term debt at September 30, 2020 and 2019. Noncurrent liabilities consist of notes payable at September 30, 2020 and 2019.

Net position represents the residual interest in the Corporation's assets and deferred outflows after liabilities are deducted. Net position is classified into one of two categories.

Net investment in capital assets, represents the Corporation's capital assets less accumulated depreciation and the outstanding principal balance of long-term debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total Corporation net position as reported in the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the change in net position resulting from revenues earned and expenses incurred by the Corporation.

For the years ended September 30, 2020 and 2019, the Corporation reported a change in net position of $309,865 and $(83,100), respectively.

Statements of Cash Flows

The statements of cash flows present information related to the cash flows of the Corporation. This statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Capital Assets and Debt Administration

Total capital asset additions during the years ended September 30, 2020 and 2019 were $16,923 and $518,321, respectively. During the year ended 2018, the promissory note payable to Wells Fargo Bank N.A. was refunded with the proceeds of a loan from PNC Bank, N.A. Also, the proceeds of the PNC loan included $1,478,000 which was paid to Wells Fargo to terminate an interest rate swap. During the year ended 2020, a significant amount of the payable to the University was converted into a promissory note payable over four years. See notes 3, 5, and 6 to the basic financial statements for further information related to capital assets and debt.

Economic Outlook

Based on leases in effect at September 30, 2020 and estimates of future operating expenses, it is expected that fiscal year 2021 financial performance will be comparable to fiscal year 2020 results. Corporation management is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the Corporation's financial position or results of operations during fiscal year 2021 beyond the unknown variables, including the current Coronavirus pandemic, having a global effect on virtually all types of business operations.

During the second fiscal quarter of 2020, the United States was thrust into the midst of a pandemic health crisis related to the spread of the 2019 novel coronavirus, or COVID-19 (the "Crisis"). While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of the Corporation could be significant both from an operational and financial standpoint. Management believes that the impact of the Crisis will continue through the 2021 fiscal year.

Requests for Information

These basic financial statements are designed to provide a general overview of the Corporation and to demonstrate the Corporation's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. G. Scott Weldon; Vice-President for Finance and Administration; University of South Alabama – Suite 170; Mobile, Alabama 36688.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2020 and 2019

		2020	2019
Assets:			
Current assets:			
Unrestricted cash and cash equivalents	$	819,258	649,325
Rent receivable		186,658	210,447
Prepaid expenses and other current assets		19,546	2,068
Total current assets		1,025,462	861,840
Noncurrent assets:			
Intangible assets, net		214,998	217,389
Capital assets, net		19,737,600	20,839,632
Total noncurrent assets		19,952,598	21,057,021
Deferred outflows		1,088,640	1,262,218
Total assets and deferred outflows		22,066,700	23,181,079
Liabilities:			
Current liabilities:			
Deposits, other current liabilities, and accrued expenses		202,028	455,559
Unrecognized rent revenue		352,957	392,841
Current portion of notes payable		7,950,313	1,042,887
Total current liabilities		8,505,298	1,891,287
Noncurrent liabilities:			
Notes payable, excluding current portion		12,530,712	20,200,816
Payable to University of South Alabama		—	368,151
Total noncurrent liabilities		12,530,712	20,568,967
Total liabilities		21,036,010	22,460,254
Net position:			
Net investment in capital assets		554,497	393,142
Unrestricted		476,193	327,683
Total net position	$	1,030,690	720,825

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

		2020	2019
Operating revenues	$	3,961,282	3,607,481
Operating expenses:			
Building management and operating expenses		1,163,717	1,188,948
Depreciation and amortization		1,161,032	1,125,270
Legal and administrative fees		220,810	192,023
Insurance		28,918	28,964
Total operating expenses		2,574,477	2,535,205
Operating income		1,386,805	1,072,276
Nonoperating revenues (expenses):			
Interest expense		(1,085,042)	(1,123,273)
Abandoned tenant improvement costs		—	(24,660)
Other		8,102	(7,443)
Net nonoperating expenses		(1,076,940)	(1,155,376)
Change in net position		309,865	(83,100)
Net position:			
Beginning of year		720,825	803,925
End of year	$	1,030,690	720,825

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statements of Cash Flows

Years ended September 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Collections from lessees for rent and operating expense reimbursement	$	3,929,992	3,641,128
Payments for expenses of leasing activity		(1,128,552)	(1,243,445)
Payments to service providers and vendors for general corporate operating expenses		(221,847)	(209,669)
Security deposits refunded		(10,707)	(724)
Net cash provided by operating activities		2,568,886	2,187,290
Cash flows from noncapital financing activities:			
Donations		—	(15,183)
Vending commissions		5,047	4,452
Net cash provided by (used in) noncapital financing activities		5,047	(10,731)
Cash flows from capital and related financing activities:			
Proceeds from advance from University of South Alabama		—	235,000
Interest paid on notes payable		(913,679)	(945,052)
Principal repaid on notes payable		(1,130,829)	(1,001,671)
Purchases of capital assets		(16,923)	(221,666)
Payment on payable to vendor for capital assets		(292,944)	—
Net cash used in capital and related financing activities		(2,354,375)	(1,933,389)
Cash flows from investing activities:			
Investment income		3,215	3,129
Payment of leasing commissions		(52,840)	(31,603)
Net cash used in investing activities		(49,625)	(28,474)
Net change in cash and cash equivalents		169,933	214,696
Cash and cash equivalents:			
Beginning of year		649,325	434,629
End of year	$	819,258	649,325
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	1,386,805	1,072,276
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense		1,161,032	1,125,270
Decrease in operating expense payable to the University of South Alabama		(1,038)	(21,478)
(Increase) decrease in rent receivables and prepaid expenses		(19,710)	28,031
(Decrease) increase in unrecognized rent revenue		(39,884)	8,462
Increase (decrease) in other current liabilities, excluding items that are not components of operating income		81,681	(25,271)
Net cash provided by operating activities	$	2,568,886	2,187,290
Noncash investing and capital and related financing transactions:			
Increase in notes payable from conversion of payable to University of South Alabama to promissory note	$	368,151	—
Interest expense from amortization of deferred cash flows related to debt refinancing		(173,578)	—
Increase in current liabilities related to capital assets		—	296,655
Increase in intangible assets due from the change in long-term payable to University of South Alabama		—	133,151
Increase in notes payable from conversion of payable to University of South Alabama to promissory note		—	1,460,966
Abandoned tenant improvement costs		—	(24,660)
Interest expense from amortization of deferred cash flows related to debt refinancing		—	(179,642)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus:*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units,* consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the basic financial statements include the accounts of the Corporation, as the primary government.

The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, and by virtue of its affiliation with the University, the Corporation is considered a special-purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, the Corporation'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.

(c) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are defined as demand accounts, certificates of deposit and any short-term investments that take on the character of cash, such as a money market account, with original maturities of 90 days or less.

(e) Rent receivable

Rent receivable is recorded net of estimated uncollectible amounts.

(f) Capital Assets

All capital expenditures with a cost of $1,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and infrastructure, 20 years for land improvements, 10 years for furniture and fixtures, and 5 years for other equipment. Tenant improvements are amortized over the shorter of the asset's useful life or the term of the related lease. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

(g) Intangible Assets

Leasing commissions are capitalized and amortized over the term of the related lease. Capitalized software is amortized over an estimated useful life of three years. Amortization for these assets is calculated using the straight-line method.

(h) Derivatives

The Corporation has adopted the provisions of GASB Statement No. 53 (GASB 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 derivatives to be recognized in the financial statements. As of and for the year ended September 30, 2020 and 2019, the Corporation did not hold any derivative instruments.

(i) Classification of Net Position

The Corporation's net position is classified as follows:

Net investment in capital assets, reflects the Corporation's total investment in capital assets, net of accumulated depreciation and outstanding capital related debt obligations (including the payable to University of South Alabama related to building renovations) and accrued construction costs related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

(j) Classification of Revenues

The Corporation has classified its rental revenues as operating revenues, as these activities have the characteristics of exchange transactions. Rental revenues are recognized in accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*.

(2) Income Taxes

The Corporation is classified as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

Changes in capital assets for the years ended September 30, 2020 and 2019 are as follows:

	September 30, 2020				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223,290	—	—	—	223,290
Land improvements	1,985,207	—	—	—	1,985,207
Buildings	28,451,636	12,706	—	—	28,464,342
Tenant improvements	1,974,147	4,217	—	(3,712)	1,974,652
Other equipment	387,055	—	—	(5,715)	381,340
Construction in progress - nondepreciable	9,442	—	—	(9,442)	—
	33,030,777	16,923	—	(18,869)	33,028,831
Less accumulated depreciation for:					
Land improvements	(1,405,736)	(94,469)	—	—	(1,500,205)
Buildings	(9,502,700)	(747,051)	—	—	(10,249,751)
Tenant improvements	(1,000,290)	(232,151)	—	—	(1,232,441)
Other equipment	(282,419)	(32,130)	—	5,715	(308,834)
	(12,191,145)	(1,105,801)	—	5,715	(13,291,231)
Capital assets, net	$ 20,839,632	(1,088,878)	—	(13,154)	19,737,600

	September 30, 2019				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223,290	—	—	—	223,290
Land improvements	1,976,112	9,095	—	—	1,985,207
Buildings	28,302,781	148,855	—	—	28,451,636
Tenant improvements	1,840,523	336,629	—	(203,005)	1,974,147
Other equipment	372,755	14,300	—	—	387,055
Construction in progress - nondepreciable	—	9,442	—	—	9,442
	32,715,461	518,321	—	(203,005)	33,030,777
Less accumulated depreciation for:					
Land improvements	(1,311,608)	(94,128)	—	—	(1,405,736)
Buildings	(8,769,406)	(733,294)	—	—	(9,502,700)
Tenant improvements	(953,665)	(224,970)	—	178,345	(1,000,290)
Other equipment	(250,408)	(32,011)	—	—	(282,419)
	(11,285,087)	(1,084,403)	—	178,345	(12,191,145)
Capital assets, net	$ 21,430,374	(566,082)	—	(24,660)	20,839,632

Depreciation expense totaled $1,105,801 and $1,084,403 for the years ended September 30, 2020 and 2019, respectively.

(4) Property Taxes

The Corporation has received notice from the Mobile County Revenue Commissioner that the property of the Corporation is exempt from property taxes. Accordingly, property taxes have not been recorded in the accompanying basic financial statements.

(5) Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended September 30, 2020 and 2019 are as follows:

	September 30, 2020					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 21,243,703	368,151	(1,130,829)	20,481,025	7,950,313	12,530,712
Payable to University of South Alabama	368,151	—	(368,151)	—	—	—
Total	$ 21,611,854	368,151	(1,498,980)	20,481,025	7,950,313	12,530,712

	September 30, 2019					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 20,784,408	1,460,966	(1,001,671)	21,243,703	1,042,887	20,200,816
Payable to University of South Alabama	1,460,966	368,151	(1,460,966)	368,151	—	368,151
Total	$ 22,245,374	1,829,117	(2,462,637)	21,611,854	1,042,887	20,568,967

(6) Notes Payable

(a) Notes Payable

Notes payable from direct borrowings consisted of the following at September 30, 2020 and 2019:

	2020	2019
PNC Bank promissory note, 4.38%, payable through 2028	$ 12,195,035	12,639,837
PNC Bank promissory note, 4.50%, payable through 2021	7,103,082	7,417,851
University of South Alabama, 3.00%, payable through 2023	1,182,908	1,186,015
	$ 20,481,025	21,243,703

The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

The second promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the dialysis services building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation’s debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2020, the Corporation’s debt service coverage ratio was 1.3 to 1.

During fiscal 2020, the payable to the University totaling $368,151 and the promissory note payable to the University totaling $1,186,015 at September 30, 2019 were converted into a new promissory note payable to the University. It is a fully-amortizing note with a 4-year term at an interest rate of 3%.

The Corporation's outstanding notes from direct borrowings with PNC Bank contain a provision that, in the event of default, PNC Bank may take any or all of the following actions: (a) declare the loan due and payable, (b) declare the note in default, and (c) exercise any other remedies or rights which it has under any instrument executed in connection with the loan. Prior to any of these actions, however, PNC Bank will give the Corporation 30 days to cure the default. The Corporation's outstanding note from a direct borrowing with the University contains a provision that, in the event principal payments are not made when due, allows the University to declare the loan due and payable.

(b) Debt Service on Long-Term Obligations

At September 30, 2020, total future debt service by fiscal year is as follows:

	Debt service on notes payable		
	Principal	**Interest**	**Total**
2021	$ 7,950,313	661,083	8,611,396
2022	879,634	522,741	1,402,375
2023	913,318	489,057	1,402,375
2024	529,807	459,762	989,569
2025	553,484	436,085	989,569
2026-2029	9,654,469	1,068,339	10,722,808
Total	$ 20,481,025	3,637,067	24,118,092

(c) Derivative Transaction

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a "receive-variable, pay-fixed" interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was $1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statements of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated. At September 30, 2020 and 2019, the unamortized balance in deferred outflows was $1,088,640 and $1,262,218, respectively.

(7) Leases

The Corporation leases space in Building I to five tenants under operating leases. One lease has a 5-year initial term expiring in October 2023 with two 5-year renewal options. The second lease has a 5-year term expiring in April 2024 with no renewal option. The third lease has a 5-year term expiring in July 2024 with no renewal option. The fourth lease has a 5-year initial term expiring in August 2024 with one 5-year renewal option. The fifth lease has a 90-month initial term expiring in June 2025 with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month-to-month to seven years.

The Corporation leases from the University the third floor of a campus building. Located on that floor is the Coastal Innovation Hub (the Hub), a technology incubator, which currently houses seven tenants with month-to-month leases.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (which generally is the first calendar year of the lease term). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 64,385 and 63,965 square feet at September 30, 2020 and 2019, respectively.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building’s interior. The lease had a 10-year initial term, expiring in March 2020, with three 5-year renewal options. The lease was renewed for an additional 5 years, expiring in March 2025, with three 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2020. One lease is for a 40-year initial term expiring in October 2046 with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term expiring in October 2036 with four 5-year renewal options. The third lease has a 38.5-year initial term expiring in September 2046 with 20-year and 15-year renewal options.

(Continued)

Minimum future rental revenues by fiscal year are as follows:

2021	$	3,343,389
2022		3,066,624
2023		2,006,389
2024		1,595,855
2025		809,173
2026–2048		6,284,227
Total	$	17,105,657

(8) Related Parties

University of South Alabama

The Corporation was formed exclusively for the purpose of supporting the educational and scientific research missions of the University. To ensure this relationship continues, the Corporation's bylaws require its directors to be either University trustees or employees, or approved by the University Board of Trustees.

During fiscal 2020 and 2019, the Corporation engaged in several transactions with the University. The University was charged $1,042,311 and $931,888 during the years ended September 30, 2020 and 2019, respectively, for rental space as described in note 7. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged $765,179 and $743,580 for such services during fiscal years 2020 and 2019, respectively.

Prior to fiscal 2015, the Corporation entered into four ground leases with the University for approximately 39 acres of land for $1.00 per year in connection with the acquisition or construction of buildings held for lease.

(9) Recently Issued Accounting Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as followed by Statement 95.

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the Corporation beginning with the fiscal year ending September 30, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the Corporation beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with the fiscal year ending September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90, *Majority Equity Interests*, was issued in August 2018. Effective for the Corporation beginning with the fiscal year ending September 30, 2021, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations,* which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuer, and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for Statements 73, 74, 84, and 87.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* It is not anticipated that these statements will impact the Corporation.

In May 2020, the GASB issued Statement No. 96 *Subscription Based Information Technology Arrangements* effective beginning with the fiscal year ending September 30, 2023 and Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, effective beginning with the fiscal year ending September 30, 2022.

The effect of the implementation of GASB Statement Nos. 84, 87, 89, 90, 91, 92, 96, and 97 on the Corporation has not yet been determined

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2020 and 2019

Table of Contents

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama Health Care Authority (HCA) at September 30, 2020 and 2019, and for the years ended September 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

Summary of 2020 and 2019 Activities

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA was formed by the University of South Alabama (University) as an Alabama public corporation pursuant to the University Authority Act of 2016. The University’s Board of Trustees controls HCA through its appointment of HCA’s board of directors (board). The board is composed of five ex-officio members and six other members. The ex-officio members are the chair pro tempore of the University’s Board of Trustees, and the President and University employees holding the following University positions: Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University’s Board of Trustees.

At September 30, 2020 and 2019, HCA had total assets of $6,706,000 and $5,818,000; total liabilities of $6,476,000 and $2,887,000; and net position of $230,000 and $2,931,000, respectively.

The annual change in net position for HCA is primarily the result of the timing of support payments from University, which are largely made based on case flow needs. During the year ended September 30, 2019 support payments were made at an accelerated rate resulting in an increase in net position. In the year ended September 30, 2020, the cash position of HCA was such that University support payments were made subsequent to year end.

HCA’s basic financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

An overview of each financial statement is presented herein along with a financial analysis of the transactions impacting the financial statements.

Condensed Financial Information

Condensed financial information for HCA as of September 30, 2020, 2019 and 2018 and for the years ended September 30, 2020 and 2019 and the period August 1, 2017 (inception) through September 30, 2018 follow (in thousands):

Condensed Schedule of Net Position
(in thousands)

		2020	2019	2018
Assets:				
Current	$	4,774	4,216	2,797
Capital assets		1,932	1,602	731
Total assets		6,706	5,818	3,528
Liabilities:				
Current		6,452	2,887	2,308
Noncurrent		24	—	—
Total liabilities		6,476	2,887	2,308
Net position:				
Net investment in capital assets		1,889	1,602	731
Unrestricted (deficit)		(1,659)	1,329	489
Total net position	$	230	2,931	1,220

(Continued)

Condensed Schedule of Revenues, Expenses, and Changes in Net Position
(in thousands)

		2020	2019	2018
Operating revenues:				
Net patient service revenues	$	18,581	22,470	16,863
Other operating revenues		1,196	1,098	650
Total operating revenues		19,777	23,568	17,513
Operating expenses:				
Salaries and benefits		22,992	18,133	13,592
Other operating expenses		10,165	13,127	11,666
Total operating expenses		33,157	31,260	25,258
Operating loss		(13,380)	(7,692)	(7,745)
Nonoperating revenues:				
Support from affiliate		10,478	9,395	8,953
Other nonoperating revenues		201	8	12
(Decrease) increase in net position		(2,701)	1,711	1,220
Net position at beginning of year		2,931	1,220	—
Net position at end of year	$	230	2,931	1,220

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position presents the assets, liabilities, and net position of HCA at September 30, 2020 and 2019. Net position is displayed in two parts: net investment in capital assets and unrestricted. Net investment in capital assets represents HCA's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position is available for use by HCA to meet current expenses for any purpose. The statements of net position, along with all of HCA's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by HCA, 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, and net patient receivables. Of these amounts, cash and cash equivalents comprise approximately 54% and 28%, respectively, of current assets at September 30, 2020 and 2019. Accounts receivable comprise approximately 32% and 52%, respectively, of current assets at September 30, 2020 and 2019. Current assets consist of cash and cash equivalents of approximately $2,576,000 and $1,188,000, accounts receivable of approximately $1,552,000 and $2,195,000, inventories of approximately $33,000 and $155,000, and other current assets in the amount of approximately $615,000 and $677,000 at September 30, 2020 and 2019, respectively. Noncurrent assets consist of capital assets of approximately $1,932,000 and $1,602,000 at September 30, 2020 and 2019, respectively.

Current liabilities at September 30, 2020 consist of accounts payable of approximately $2,258,000, accrued salaries and wages of approximately $2,535,000, unrecognized revenue of approximately $1,640,000, and current portion of capital lease obligations of approximately $18,000. Current liabilities at September 30, 2019, consist of accounts payable of approximately $1,448,000 and accrued salaries and wages of approximately $1,439,000.

Statements of Revenues, Expenses, and Changes in Net Position

The change in total HCA net position is based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the change in net position resulting from revenues earned and expenses incurred by HCA.

For the year ended September 30, 2020, HCA reported a decrease in net position of approximately $2,700,000, and for the year ended September 30, 2019, HCA reported an increase in net position of approximately $1,711,000.

Statements of Cash Flows

The statements of cash flows presents information related to cash flows of HCA. The statement presents cash flows by category: operating activities, noncapital financing activities, and capital and related financing activities.

Economic Outlook

The financial outlook for HCA is stable. HCA continues to grow by acquiring local physician practices and expanding existing practices.

During the second fiscal quarter of 2020, the United States was thrust into the midst of a pandemic health crisis related to the spread of the 2019 novel coronavirus, or COVID-19 (the "Crisis"). The Crisis impacted the operations of HCA as most elective procedures were cancelled or postponed resulting in a decline in revenues. While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of HCA could be significant both from an operational and financial standpoint.

Requests for Information

These basic financial statements are designed to provide a general overview of HCA and to demonstrate HCA's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Benny Stover; Chief Financial Officer; University Health; 2451 USA Medical Center Drive, Administration Suite, Mobile, AL 36604.

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

Independent Auditors' Report

The Board of Directors
University of South Alabama Health Care Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama Health Care Authority (HCA), a component unit of the University of South Alabama, as of September 30, 2020 and 2019, and for the years then ended, and the related notes to the financial statements, which collectively comprise HCA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of South Alabama Health Care Authority as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1–4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of HCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCA's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 16, 2020

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statements of Net Position

September 30, 2020 and 2019

		2020	2019
Current assets:			
Cash and cash equivalents	$	2,575,579	1,187,941
Patient receivables (net of allowance for doubtful accounts of approximately $450,000 and $381,000, respectively)		1,551,637	2,195,449
Inventories		32,559	155,403
Other current assets		614,670	677,458
Total current assets		4,774,445	4,216,251
Noncurrent assets:			
Capital assets, net		1,931,616	1,601,883
Total assets		6,706,061	5,818,134
Current liabilities:			
Accounts payable and accrued liabilities		2,257,892	1,448,063
Accrued salaries and wages		2,535,115	1,439,410
Unrecognized revenue		1,639,873	—
Current portion of capital lease obligations		18,436	—
Total current liabilities		6,451,316	2,887,473
Noncurrent liabilities:			
Capital lease obligations, less current portion		24,196	—
Total liabilities		6,475,512	2,887,473
Net position:			
Net investment in capital assets		1,888,984	1,601,883
Unrestricted		(1,658,435)	1,328,778
Total net position	$	230,549	2,930,661

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended September 30, 2020 and 2019

		2020	2019
Operating revenues:			
Patient service revenues (net of provision for bad debts of $642,988 and $282,505, respectively)	$	18,581,112	22,469,643
Other operating revenues		1,196,012	1,098,410
Total operating revenues		19,777,124	23,568,053
Operating expenses:			
Salaries and benefits		22,992,174	18,132,585
Building and equipment expenses		2,786,545	1,750,901
Medical and surgical supplies		2,193,723	6,870,305
Other expenses		4,769,497	4,230,581
Depreciation and amortization		415,455	275,544
Total operating expenses		33,157,394	31,259,916
Operating loss		(13,380,270)	(7,691,863)
Nonoperating revenues:			
Investment income		5,506	—
Support from University of South Alabama		10,477,916	9,394,306
Other nonoperating revenues		196,736	8,250
Total nonoperating revenues		10,680,158	9,402,556
(Decrease) increase in net position		(2,700,112)	1,710,693
Net position at beginning of period		2,930,661	1,219,968
Net position at end of period	$	230,549	2,930,661

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statements of Cash Flows

Years ended September 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Receipts from and on behalf of patients and third-party payors	$	20,424,806	22,256,278
Payments to suppliers and vendors		(9,405,053)	(12,895,765)
Payments to employees and related benefits		(21,245,719)	(17,861,924)
Other operating receipts		1,196,012	1,040,301
Net cash used in operating activities		(9,029,954)	(7,461,110)
Cash flows from noncapital financing activities:			
Support from University of South Alabama		10,477,916	9,394,306
Receipts from grants and contracts		439,990	—
Other nonoperating income		196,736	8,250
Net cash provided by noncapital financing activities		11,114,642	9,402,556
Cash flows from capital and related financing activities:			
Purchases of capital assets		(702,556)	(1,146,838)
Net cash used in capital and related financing activities		(702,556)	(1,146,838)
Cash flows from investing activities:			
Interest and dividends on investments		5,506	—
Net increase in cash and cash equivalents		1,387,638	794,608
Cash and cash equivalents:			
Beginning of year		1,187,941	393,333
End of year	$	2,575,579	1,187,941
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(13,380,270)	(7,691,863)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization		415,455	275,544
Changes in assets and liabilities, net:			
Net patient receivables		643,812	(368,653)
Inventories		122,844	72,185
Other current assets		62,788	(327,573)
Accounts payable and accrued liabilities		1,905,534	1,069,827
Unrecognized revenue		1,199,883	(490,577)
Net cash used in operating activities	$	(9,029,954)	(7,461,110)
Noncash capital and related financing transactions:			
Addition of capital lease obligations	$	42,632	—

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA enhances the University's provision of patient care by providing it with a corporate structure, which allows for greater flexibility and options to achieve goals consistent with the public health mission of the University. HCA provides group medical practices for physicians who strive to make a difference in the lives of those they serve through promoting excellence in healthcare.

HCA was formed by the University as an Alabama public corporation pursuant to the provisions of the State of Alabama University Authority Act of 2016. The University's Board of Trustees controls HCA through its control of HCA's board of directors (board). The board is composed of five ex-officio members and six other members. The ex-officio members are the chair pro tempore of the University's Board of Trustees, and the President and University employees holding the following University positions – Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University's Board of Trustees.

During fiscal year 2019, two not-for-profit limited liability companies were formed to manage the complex patient and insurance billings. The HCA is the sole member of these LLCs. As such, these entities are blended component units of the HCA. During fiscal year 2020, three not-for-profit limited liability companies were formed. There was no financial activity for these entities during fiscal year 2020. The HCA is the sole member of two of these limited liability companies and the majority member of the third limited liability company. The two limited liability companies for which HCA is the sole member will be blended within the operations of HCA. The third limited liability company is anticipated to be an equity method investment upon adoption of Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests,* as discussed in note 11.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, HCA is considered a special-purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, HCA'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.

(c) Statements of Revenues, Expenses, and Changes in Net Position

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenues.

(d) 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months when purchased and include repurchase agreements and money market accounts.

(f) Patient Receivables

Patient receivables primarily result from ambulatory patient service revenues. Patient receivables are recorded net of an allowance for estimated doubtful amounts.

(g) Inventories

Inventories consist of medical supplies and pharmaceuticals, which are stated at the lower of cost (first-in, first-out method) or market.

(h) Capital Assets

Capital assets are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets 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 in the statements of revenues, expenses, and changes in net position.

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

Leasehold improvements	10 – 20 years
Equipment	4 – 20 years
Computer software	3 – 5 years

(i) Classification of Net Position

HCA’s net position is classified as follows:

- Net investment in capital assets represents HCA’s total investment in capital assets less related debt.

- Unrestricted net position represents resources derived from operations and support from the University. While unrestricted net position may be designated for specific purposes, neither management nor the board of directors have designated any part of unrestricted net position for such purposes.

(j) Patient Service Revenues

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments (if necessary) 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.

HCA provides a standard discount from gross charges for uninsured patients. Such discounts are subtracted from gross patient service charges to determine net patient service revenues.

For uninsured patients, HCA recognizes revenue based on established rates, subject to certain discounts as determined by HCA. An estimated provision for uncollectible accounts is recorded that results in net patient service revenues being reported at the net amount expected to be received. HCA has determined that patient service revenues are primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient revenues are recorded as a deduction from patient service revenues in the accompanying statements of revenues, expenses, and changes in net position.

Patient receivables are reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance, HCA follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by HCA.

(2) Income Taxes

HCA was incorporated in Alabama as a public corporation. HCA is an instrumentality of the State of Alabama by virtue of its control by the University. As an integral part of the State of Alabama, the income of HCA is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

A summary of HCA's capital assets activity for the years ended September 30, 2020 and 2019 follows:

		2020			
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Capital assets not being depreciated:					
Construction in progress	239,914	154,723	—	—	394,637
Works of art	$ —	1,400	—	—	1,400
	239,914	156,123	—	—	396,037
Capital assets being depreciated:					
Leasehold improvements	56,147	215,084	—	—	271,231
Equipment	1,715,520	323,113	—	—	2,038,633
Computer software	—	50,868	—	—	50,868
	1,771,667	589,065	—	—	2,360,732
Less accumulated depreciation for:					
Leasehold improvements	(12,632)	(21,982)	—	—	(34,614)
Equipment	(397,066)	(392,908)	—	—	(789,974)
Computer software	—	(565)	—	—	(565)
	(409,698)	(415,455)	—	—	(825,153)
Capital assets being depreciated, net	1,361,969	173,610	—	—	1,535,579
Capital assets, net	$ 1,601,883	329,733	—	—	1,931,616

At September 30, 2020, HCA had commitments of $51,419 related to various construction projects.

	2019				
	Beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Capital assets not being depreciated:					
Construction in progress	$ 102,553	137,361	—	—	239,914
	102,553	137,361	—	—	239,914
Capital assets being depreciated:					
Leasehold improvements	56,147	—	—	—	56,147
Equipment	706,043	1,009,477	—	—	1,715,520
	762,190	1,009,477	—	—	1,771,667
Less accumulated depreciation for:					
Leasehold improvements	(4,307)	(8,325)	—	—	(12,632)
Equipment	(129,847)	(267,219)	—	—	(397,066)
	(134,154)	(275,544)	—	—	(409,698)
Capital assets being depreciated, net	628,036	733,933	—	—	1,361,969
Capital assets, net	$ 730,589	871,294	—	—	1,601,883

At September 30, 2019, HCA had commitments of $13,708 related to various construction projects.

(4) Capital Lease Obligation

During 2020, HCA has entered into a capital lease as a method of financing medical equipment.

Future minimum capital lease payments at September 30, 2020 are as follows (in thousands):

Year ending September 30:	
2021	$ 19,912
2022	14,934
2023	9,956
	44,802
Less amounts representing interest	(2,170)
Net minimum lease payments	$ 42,632

A summary of HCA's noncurrent liability activity for the year ended September 30, 2020 follows:

		2020					
		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Capital lease obligations	$	—	42,632	—	42,632	18,436	24,196
Total noncurrent liabilities	$	—	42,632	—	42,632	18,436	24,196

These amounts are included in capital lease obligations (and current portion thereof) in the accompanying 2020 statement of net position.

(5) Patient Service Revenues

HCA has agreements with governmental and other third-party payors that provide for reimbursement to HCA at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between HCA's billings at established rates and amounts reimbursed by third-party payors. Third-party payor activity for HCA principally involves Blue Cross, Medicare, and Medicaid programs. Services rendered to beneficiaries under these programs are generally paid at prospectively determined procedural rates.

For patient accounts receivables associated with self-pay or uninsured patients, including patients with deductibles and co-payment balances for third-party coverage, HCA records an estimated allowance for doubtful accounts. The allowance for doubtful accounts is approximately $450,000 and $381,000, respectively, at September 30, 2020 and 2019.

The composition of net patient service revenues for the years ended September 30, 2020 and 2019 is as follows:

		2020	2019
Gross patient service revenues	$	32,026,193	35,128,987
Provision for contractual and other adjustments		(12,802,093)	(12,471,639)
Provision for bad debts		(642,988)	(187,705)
Net patient service revenues	$	18,581,112	22,469,643

The composition of gross patient service revenues before the provision for contractual and other adjustments by major payor source follows for the years ended September 30, 2020 and 2019:

	2020		2019	
	Gross patient service revenues	Percentage	Gross patient service revenues	Percentage
Medicare managed care	$ 11,870,916	37 %	11,562,145	33 %
Medicare	7,323,937	23	10,577,294	30
Blue Cross	8,792,303	27	9,679,262	28
Medicaid	2,202,262	8	1,755,660	5
Other	1,104,687	3	1,185,012	3
Self-pay	732,088	2	369,614	1
	$ 32,026,193	100 %	35,128,987	100 %

(6) Related Party Transactions

During the years ended September 30, 2020 and 2019 the University provided support of $10,477,916 and $9,394,306, respectively, to HCA. That amount is reflected on the accompanying statements of revenue, expenses, and changes in net position as nonoperating revenues.

(7) Business and Credit Concentrations

HCA grants credit to patients, substantially all of whom reside in HCA's service area. HCA generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies).

The mix of receivables from patients and third-party payors as of September 30, 2020 and 2019 follows:

	2020	2019
Medicare	14 %	18 %
Medicare managed care	28	25
Medicaid	6	22
Blue Cross	18	18
Other	12	5
Self-pay	22	12
	100 %	100 %

(Continued)

(8) Employee Benefits

(a) Pension Plans

Employees of HCA participate in a combined deferred compensation plan/money purchase pension plan arrangement. The arrangement covers all eligible employees, and participation by eligible employees is optional. Under this plan, administered by HCA, contributions by eligible nonphysician employees are matched equally by HCA up to a maximum of 5% of current annual pay. Contributions by eligible physician employees up to the 457(b) deferred compensation plan limit are matched at a 25% rate by HCA. HCA contributed $433,407 and $365,349, respectively, for the years ended September 30, 2020 and 2019, representing 178 and 145 employees, respectively, in this plan.

Physician employees of HCA also have the option to participate in a second money purchase pension plan. This plan is funded entirely by pretax deductions from the participating physicians' salaries.

(b) Compensated Absences

Regular HCA employees accumulate paid time off (PTO). These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Employees are not eligible for payment of PTO hours upon separation of employment. The accompanying statements of net position includes accruals for PTO of $155,314 and $133,837, respectively, at September 30, 2020 and 2019. The accrual is included in accrued salaries and wages in the accompanying basic financial statements.

(9) Risk Management

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

HCA, along with the University and other entities affiliated with the University, participates in a self-insured health plan, which is administered by an unaffiliated entity. Contributions by employees and assets of the participating entities, together with earnings thereon, are used to pay liabilities arising from healthcare claims. Any risk related to the payment of claims is the responsibility of the plan. It is the opinion of HCA management that plan assets are sufficient to meet future plan obligations.

(10) COVID-19 Pandemic

COVID-19, a respiratory disease caused by a novel strain of the coronavirus, has spread around the world, including the State of Alabama. The Centers for Disease Control confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020.

(Continued)

Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including HCA, primarily due to reduction in overall patient volumes. While patient volumes and revenues have experienced gradual improvement beginning in July 2020 and continuing through the end of the current fiscal year, management is unable to predict the future impact of the pandemic on HCA's operations.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed, among other things, to provide provider relief funds (PRF) to healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. Subsequent to the passage of this legislation, the Department of Health and Human Services (HHS) has issued additional pronouncements which provides guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance. HCA received approximately $440,000 in CARES Act funding as of September 30, 2020 in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Exchange Transactions*, and is recognized as an increase in net position as nonoperating revenue once the applicable terms and conditions have been met. The recognition of amounts received in increase in net position is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that the payment will be used to prevent, prepare for and respond to coronavirus, and shall reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to coronavirus. Given the complexity of the guidance provided to date and the nature, timing and volume of changes in such guidance both prior to and subsequent to September 30, 2020, HCA does not believe that the underlying conditions have been met as of September 30, 2020 which would allow for financial statement recognition in increase in net position. As such, amounts are recorded as unrecognized revenues in the accompanying 2020 statement of net position.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (MAPPS) to a broader group of healthcare providers. Accelerated or advance payments under the MAPPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. During the year ended September 30, 2020, HCA received accelerated payments under this program of approximately $1.2 million. These advances must be repaid and, as such, they are reflected as unrecognized revenues in the accompanying 2020 statement of net position.

Management believes the extent of the COVID-19 pandemic's adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond HCA's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time and incremental expenses required for supplies and personal protective equipment. Because of these and other uncertainties, management cannot accurately estimate the length or severity of the impact of the pandemic on HCA.

(Continued)

On September 19, 2020, October 22, 2020, and November 2, 2020, HHS released *General and Targeted Distribution Post-Payment Notice of Reporting Requirements* related to the CARES Act PRF received by HCA. This guidance describes the calculation of lost revenues to be reported due to the COVID-19 pandemic and the time period in which to measure and report such lost revenues and expenses. Specifically, the guidance designates calendar year 2020 as the period for measuring pandemic related costs and lost revenues as compared to the same period in 2019 with an additional six months extension through June 2021, if necessary. HCA believes the conditions associated with the PRF exist until December 31, 2020 at which time HCA can calculate the lost revenues to which it is entitled to claim under the grant and therefore no amounts have been recognized in increase in net position in the 2020 financial statements.

(11) Recently Issued Accounting Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. Statement 95 is effective immediately to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions of other GASB statements that are effective or scheduled to become effective for periods beginning after June 15, 2018. The effective date of the statements noted below have been adjusted to reflect the postponed effective date as allowed by Statement 95.

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the University beginning with the fiscal year ending September 30, 2022. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in March 2018 to enhance note discussed for debt agreements. This statement was effective for the current reporting period and had no impact on the financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2022. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90, *Majority Equity Interests*, was issued in August 2018. Effective for HCA beginning with the fiscal year ending September 30, 2021, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will be effective beginning with the fiscal year ending September 30, 2023. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve HCA.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. Effective for the fiscal year ending September 30, 2022, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93, *Replacement of Interbank Offered Rates* and Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. It is not anticipated that these statements will impact HCA.

In May 2020, the GASB issued Statement No. 96, Subscription Based information Technology Arrangements and Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The effect of the implementation of GASB Statement Nos. 90, 92, 96 and 97 on HCA has not yet been determined. Statements 84, 89, 91, 93 and 94 will not impact HCA.

Report on the

University of South Alabama

Mobile, Alabama

October 1, 2018 through September 30, 2019

Filed: September 25, 2020

Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

20-519

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the University of South Alabama, Mobile, Alabama, for the period October 1, 2018 through September 30, 2019. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the examination.

Respectfully submitted,

JoNesia S. Turner
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

University of South Alabama
October 1, 2018 through September 30, 2019

The University of South Alabama (the "University") is a public institution of higher learning and awards baccalaureate, masters, doctor of education, doctor of nursing practice, doctor of physical therapy, doctor of audiology, doctor of philosophy, and doctor of medicine degrees. The University offers studies in ten colleges/schools: Allied Health Professions, Arts and Sciences, Business, Education and Professional Studies, Engineering, Honors, Medicine, Nursing, Computing, and the Graduate School. A joint pharmacy program between the University and Auburn University has also been established. The University owns and operates the University of South Alabama Medical Center, University of South Alabama Children's and Women's Hospital, and University of South Alabama Mitchell Cancer Institute. Additional information on the history of the University is included in the Comments section of this report.

The firm of KPMG, LLP conducted the financial audit of the University for the fiscal year ended September 30, 2019.

This report presents the results of an examination of the University and a review of compliance by the University with applicable laws and regulations of the State of Alabama in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

Tests performed during the examination did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference: Scott Weldon, Vice-President for Finance and Administration and Polly Stokley, Assistant Vice-President for Finance and Administration. The following individuals attended the exit conference: Scott Weldon, Vice-President for Finance and Administration and Polly Stokley, Assistant Vice-President for Finance and Administration. Representing the Department of Examiners of Public Accounts was JoNesia Turner, Examiner.

Department of
Examiners of Public Accounts

COMMENTS

University of South Alabama
October 1, 2018 through September 30, 2019

The University of South Alabama (the "University") was created in May 1963 by act of the Alabama Legislature. The Board of Trustees held their first meeting in October 1963. In April 1964, the University moved from 154 St. Louis Street to its present location at 307 University Boulevard. The first classes began June 1964. In 1968, the University was admitted membership in the Southern Association of Colleges and Schools. The University established a medical school in 1969, which was supported by the Alabama Legislature. Mobile General Hospital was transferred to the University in 1970 and was later renamed University of South Alabama Medical Center. The University's first doctoral program was established in 1978. The University of South Alabama Children's and Women's Hospital was established in 1983. The University established a campus in Baldwin County in 1984. The University acquired Doctors Hospital and Knollwood Park Hospital in 1990. The former Doctors Hospital currently houses the University of South Alabama Children's and Women's Hospital. In 2002, the University of South Alabama Cancer Research Institute was established. In 2006, the University of South Alabama Cancer Research Institute became the University of South Alabama Mitchell Cancer Institute and in late fiscal year 2008, the Institute moved into a new facility adjacent to the University of South Alabama Children's and Women's Hospital.

Additional Information

Board Members and Officials
October 1, 2018 through September 30, 2019

Board Members		Term Expires
Hon. Kay Ivey, Governor	President, Ex-Officio	
Hon. Eric Mackey, Ed.D, State Superintendent of Education	Member, Ex-Officio	
Hon. James H. Shumock	Chair Pro Tempore	2021
Hon. Arlene Mitchell	Vice-Chair	2021
Hon. Katherine A. Atkins	Secretary	2019
Hon. Kenneth O. Simon	Member	2019
Hon. Chandra B. Stewart	Member	2019
Hon. Robert D. Jenkins, III	Member	2019
Hon. Michael P. Windom	Member	2019
Hon. Scott A. Charlton, M.D.	Member	2021
Hon. E. Thomas Corcoran	Member	2021
Hon. James A. Yance	Member	2021
Hon. Steven P. Furr, M.D.	Member	2023
Hon. William R. Graham	Member	2023

Board Members and Officials
October 1, 2018 through September 30, 2019

Board Members		**Term Expires**
Hon. Lenus M. Perkins	Member	2023
Hon. Steven H. Stokes, M.D.	Member	2023
Hon. Margie M. Tuckson	Member	2023

Officials

Dr. Tony G. Waldrop	President
Mr. Scott Weldon	Vice-President for Finance and Administration
Ms. Traci Jones	Senior Associate/Chief Financial Officer and Assistant Vice-President of Medical Affairs

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT
AND INVESTMENTS COMMITTEE

University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2020

USA Endowment Total Fund Performance and Activity (FY20)

October 1, 2019 to September 30, 2020

Total USA Fund versus Blended Benchmark Performance:

- Fiscal year to date: USA returned 9.00% versus its blended benchmark return of 9.14%, underperforming by -0.14%.

Total USA Fund Activity:

- Beginning market value: $160,938,835
- Net additions (withdrawals): ($2,869,113)
- Ending market value: $172,410,204
- Investment earning and appreciation: $14,340,482

USA Endowment Individual Manager Performance (FY20)

October 1, 2019 to September 30, 2020

- Commonfund returned 6.81% versus its benchmark return of 8.70%.
- Charles Schwab returned 7.64% versus its benchmark return of 8.09%.
- Douglas Lane returned 8.51% versus its benchmark return of 15.16%.
- Gerber Taylor returned 13.62% versus its benchmark return of 8.35%.
- Forester Diversified returned 5.06% versus its benchmark return of 8.35%.
- Gerber Taylor International returned 7.29% versus its benchmark return of 0.48%.
- Hancock Whitney returned 8.31% versus its benchmark return of 8.94%.
- JP Morgan returned 20.61% versus its benchmark return of 10.15%.

USA Endowment Annualized Fund Performance

As of September 30, 2020

- Five Year Return: USA annualized return of 7.83%. Blended benchmark return of 7.56%.
- Ten Year Return: USA annualized return of 7.62%. Blended benchmark return of 6.73%.
- Inception Return: USA annualized return of 5.45%. Blended benchmark return of 4.36%.

USA Endowment Activity (Since Inception)

March 31, 2000 to September 30, 2020

- Beginning market value: $5,700,000
- Net additions (withdrawals): $66,934,366
- Ending market value: $172,410,204
- Investment earning and appreciation: $99,775,838

December 3, 2020

RESOLUTION

EVALUATION OF THE UNIVERSITY'S ENDOWMENT AND NON-ENDOWMENT INVESTMENT POLICIES

WHEREAS, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) requires that investment policies be evaluated regularly, and

WHEREAS, the Board of Trustees has previously approved the University's endowment funds policies and guidelines and the University's non-endowment cash pool investment policy,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby acknowledges and accepts the current year annual evaluation of both policies by the Development, Endowment and Investments Committee and the Committee's recommendation that no changes be made to either policy at this time.

Endowment Funds Investment Policies and Guidelines

The Endowment Committee of the Board of Trustees of the University of South Alabama shall be responsible for recommending investment policies and guidelines for approval by the Board of Trustees, implementation of such policies and guidelines and selection of qualified investment professionals including Investment Consultant(s), Investment Manager(s), and Funds Custodian(s). The Endowment Committee will oversee investment activities, monitor investment performance and ensure the prudent control of the Endowment Funds of the University. The Endowment Committee will make periodic reports to the Board of Trustees.

I. Purpose of the Endowment Funds

The University of South Alabama Endowment Funds exist to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes, i.e., scholarships, professorships, program enhancements, student loans, etc.

II. Purpose of the Investment Policy

This investment policy is set forth by the Board of Trustees of the University of South Alabama in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding of all involved parties of the investment goals and objectives of Endowment Funds assets.

3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Endowment Funds assets.

4. Establish a basis of evaluating investment results.

5. Manage Endowment Funds assets according to prudent standards as established in the laws of the State of Alabama.

6. Establish the relevant investment horizon for which the Endowment Funds assets will be managed.

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

III. Delegation of Authority

The Board of Trustees of the University of South Alabama is responsible for directing and monitoring the investment management of the University's Endowment Funds assets. As such, the Board of Trustees is authorized to delegate certain authority to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant(s). The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager(s). The investment manager has discretion to purchase or sell, in the University's name, the specific securities that will be used to meet the Endowment Funds investment objectives.

3. Funds Custodian(s). The custodian will physically (or through securities owned by the Fund) collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets, owned, purchased or sold as well as movement of assets into and out of the Endowment Funds accounts.

With the exception of specific limitations described in these statements, managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate. All expenses for such experts must be customary and reasonable, and will be borne by the Endowment Funds as deemed appropriate and necessary.

IV. Assignment of Responsibility

A. Responsibility of the Board of Trustees of the University of South Alabama

The Board of Trustees is responsible for the management of the assets of the Endowment Funds. The Board of Trustees shall discharge its duties in good faith like an ordinary prudent person in a like position would exercise under similar circumstances and in a manner the Trustees reasonably believe to be in the best interest of the University. The Board of Trustees will supervise the Endowment Committee and assigns the following authority and responsibilities to the Endowment Committee on behalf of the Board of Trustees.

B. Responsibility of the Endowment Committee

The specific authority and responsibilities of the Endowment Committee relating to the investment management of Endowment Funds assets include:

1. Projecting the Endowment Funds financial needs, and communicating such needs to the Investment Manger(s) on a timely basis.

2. Determining the Endowment Funds risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies, time frames and guidelines which will direct the investment of the Endowment Funds assets.

4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objectives progress.

6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental changes in the investment management process, or failure to comply with established guidelines.

7. Making direct investments in cases in which selection of an investment manager is not appropriate.

8. Recommending an endowment spending policy to the Board of Trustees for approval.

9. Reporting periodically to the Board of Trustees Endowment Committee actions and recommendations and investment performance of the Endowment Funds.

C. Responsibility of the Investment Manager(s)

The Endowment Funds will be managed primarily by external investment advisory organizations; both commingled vehicles and separate accounts may be used. The investment manager(s) have discretion, within the guidelines set forth in this policy statement and any additional guidelines provided them, to manage the assets in each portfolio to achieve the investment objectives. Managers will normally manage only one type of investment in each fund. For example, equities and fixed income will not be combined in a balanced fund with one manager.

Each Investment Manager must acknowledge, in writing, their acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under their jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Each Investment Manager will be provided with a copy of this statement of investment objectives and policies. In turn, as part of the investment management contract that will govern their portfolio, the Investment Manager is expected to provide a written statement of the firm's expectations, stated in terms of the objectives and comparative benchmarks that will be used to evaluate performance and the allowable securities that can be used to achieve these objectives. These statements will be consistent with the statement of investment objectives and policies and will be incorporated as appendices. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation with the annual guidelines established by the Endowment Committee.

2. Reporting, on a timely basis, quarterly investment performance results.

3. Providing monthly valuation of the investment portfolio based on the previous month's closing prices.

4. Communicating any major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objectives progress of the Endowment Funds investment management.

5. Informing the Endowment Committee regarding any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

6. Providing the Endowment Committee with proof of liability and fiduciary insurance coverage.

7. Acknowledging in writing an ability and agreement to invest within the guidelines set forth in the investment policy.

8. Meeting with the Endowment Committee at least annually.

9. Voting proxies on behalf of the Endowment Funds and communicating such voting records on a timely basis. In cases in which the University desires to vote proxies related to specific topics, it will so notify Manager(s).

10. The Board of Trustees may from time to time request that the Investment Manager(s) allocate commissions to those brokerage firms providing other investment management services to the University. Good execution and commission prices are primary considerations in routing business to the said brokerage firms. If at any time any Investment Manager believes that any policy guideline inhibits investment performance, it is their responsibility to communicate this to the Endowment Committee.

V. General Investment Principles

1. Investments shall be made solely in the interest of the purposes of the University of South Alabama.

2. The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances in a manner the Board of Trustees reasonably believe to be in the best interest of the University.

3. Investment of the Endowment Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Endowment Funds objectives.

5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

VI. Investment Objectives

In order to meet its needs, the investment strategy of the University of South Alabama Endowment Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The total Endowment Funds shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk. The Endowment Funds results shall be evaluated on a rolling five-year basis against a market benchmark weighted 40 percent in favor of the S&P 500 Index, 5% Russell 2000 Index, 12% MSCI EAFE (US Dollar) Index, 23 percent toward the Barclay's Capital US Aggregate Bond Index, 10% HFRI Fund of Funds Conservative Index and 10% HFRI Fund of Funds Strategic Index.

VII. Portfolio Composition and Risk

A. To achieve its investment objective, the Endowment Funds assets are considered as divided into three parts a fixed income component, a fixed income alternative component, an equity component and a private equity component. The Endowment Funds long-term commitment to these funds shall be as follows:

Asset Class	Range	Long-Term Neutral
Fixed Income	15-35%	25%
Equity	35-75%	50%
Private Equity	0-10%	5%
Fixed Income Alternative	10-30%	20%
Cash	0-10%	0%

The purpose of dividing the Endowment Funds in this manner is to ensure that the overall asset allocation among major asset classes remains under the regular scrutiny of the Endowment Committee and is not allowed to become the residual of separate manager decisions. Over the long run, the allocation among the major asset classes may be the single most important determinant of the endowment funds investment performance.

The purpose of the fixed income fund is to provide a hedge against deflation, to reduce the overall volatility of returns of the Endowment Funds, in order to produce current income in support of spending needs.

The percentage of total Endowment Funds assets allocated to the fixed-income fund at any time should be sufficient to provide that neither the current income nor the capital value or the total Endowment Funds declines by an intolerable amount during an extended period of deflation. The fixed-income fund should normally represent approximately 15-35 percent of total Endowment Funds assets at market value. Although the actual percentage will fluctuate with market conditions, levels outside this range should be closely monitored by the Endowment Committee.

The purpose of the equity fund is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, private equity, venture capital, leveraged buyout investments, equity real estate, reorganization securities, exchange traded index funds, etc. Investments made in such less liquid equity investments should be made through funds offered by professional investment managers.

The purpose of the fixed income alternative component is to provide the Endowment a source of returns with low correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The Fixed Income Alternative should normally represent approximately 10-30 percent of total Endowment Funds.

Any assets not committed to the fixed-income fund or fixed income alternative shall be allocated to the equity fund and the private equity fund. The equity fund should normally represent approximately 35-75 percent of total Endowment Funds assets at market value. The private equity fund should normally represent approximately 0-10 percent of total Endowment Fund assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside these ranges should be closely monitored by the Investment Committee.

The Endowment includes investments in several categories, and the Endowment Committee targets allocations for the following:

Asset Class	Long-Term Strategic Target (%) of Endowed Funds	Range
Domestic Equity	**42%**	**30-60%**
Large/Mid-Cap	35%	25-55%
Small Cap	5%	3-8%
High Yield Debt	2%	0-5%
International Stocks	**10%**	**5-15%**
Developed Markets	6%	3-10%
Emerging Markets	4%	0-6%
Private Equity	**5%**	**0-10%**
TOTAL EQUITY COMPONENT	**57%**	**35-75%**
Alternative Investments	**20%**	**10-30%**
Absolute Return	15%	12-20%
Long/Short Equity	5%	0-10%
TOTAL ALTERNATIVE COMPONENT	**20%**	**10-30%**
Fixed Income	**23%**	**15-35%**
U.S. Core Bonds	16%	12-20%
Global Bonds	4%	0-7%

Asset Class	Long-Term Strategic Target (%) of Endowed Funds	Range
TIPS	2%	0-5%
Emerging Market Debt	1%	0-2%
TOTAL FIXED INCOME COMPONENT	**23%**	**15-35%**
Cash and Equivalents	**0%**	**0-10%**

Within the equity fund, certain investments can be included, with Endowment Committee approval, to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments. While the Endowment Committee recognizes the argument for having a separate allocation to inflation-hedging assets, at this time, these investments are evaluated primarily as equity-substitutes. The Endowment Committee will periodically review the adoption of an inflation-hedging fund allocation separate from the equity allocation.

Within the equity fund, in addition to cash reserves held by managers, there is normally an investment in cash or short-term instruments. Although the Endowment Committee has not adopted a cash allocation, new gifts to the endowment and endowment income in excess of budgetary distributions generate cash inflow to the Endowment Fund. The level of cash should be closely monitored by the committee.

The Endowment committee may change any of the above ratios; however, it is anticipated that these changes will be infrequent.

The Endowment Funds investments shall be diversified both by asset class (e.g., equities and fixed-income securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

VIII. Spending Policy

It shall be the policy of the University of South Alabama Board of Trustees to preserve and maintain the real purchasing power of the principal of the Endowment Funds. The current spending policy of the University will be determined annually by the President and the Endowment Committee and approved by the Board of Trustees. The spending guideline is based on an expected total return over the long-term less expected inflation.

IX. Volatility of Returns

The Board of Trustees understands that in order to achieve its objectives for Endowment Funds assets, the Funds will experience volatility of returns and fluctuations of market value. The Board will tolerate volatility as measured against the risk/return analysis of the appropriate market indices. The indices used as a measure of an investment manger's performance will be used to measure the allowable volatility (risk).

X. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Vice President for Financial Affairs will periodically provide Investment Manager(s) with an estimate of expected net cash flow. The Vice President will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves. Because of the infrequency of cash outflows and overall marketability of Endowment Funds assets, the Board of Trustees does not require the maintenance of a <u>dedicated</u> cash or cash equivalent reserve.

XI. Marketability of Assets

The Board of Trustees requires that all Endowment Funds allocated to cash equivalents, fixed income securities or equity securities be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment Funds, with minimal impact on market price. The Board of Trustees recognizes that opportunities may exist in illiquid assets and will allow Investment Managers overseeing Private Equity or Fixed Income Alternatives to invest in securities that may be less liquid and could present a risk of illiquidity.

XII. Investment Guidelines

A. Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Common Fund Short Term Investment Fund
- Commercial Paper
- Banker's Acceptance
- Repurchase Agreements
- Certificates of Deposits

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Collateralized Mortgage Obligations

3. Fixed Income Alternatives

- Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
- Event investing (restructurings, spin-offs, etc.)
- Distressed securities
- Long Short equities (U.S., global and sector funds)
- Market neutral equities

- Short-biased equities
- Macro investing

4. Equity Securities

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Exchange traded index funds

5. Private Equity

6. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

Other Assets:

Derivative Securities: options and future contracts
In general, the use of derivative securities by the Investment Manager shall be discouraged, unless such an opportunity presents itself that the use of the sophisticated securities would provide substantial opportunity to increase investment returns at an appropriately equivalent level of risk to the remainder of the total portfolio. Also, derivative securities may be used by the Investment Manager in order to hedge certain risks to the portfolio. The approval and use of derivative securities will not be allowed unless the Endowment Committee is confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of derivatives.

Real Estate: Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed, income producing commercial and residential property. Such investments may not exceed 10% of the total endowment fund. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven track records of superior performance over time.

(Is now covered under the derivative section)
The Endowment will avoid highly leveraged strategies and managers who provide insufficient transparency of their actions for adequate monitoring of the risks they are taking.

B. Guidelines for Fixed Income Investments and Cash Equivalents

1. Investment in fixed income securities shall be restricted to only investment grade bonds rated BAA or higher.

2. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

3. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated BAA or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

C. Guidelines for Fixed Income Alternatives

1. Fixed Income alternative investments will be defined as any strategy using a partnership or offshore investment company structure that may or may not be subject to SEC registration, investing primarily in marketable securities and/or subject to a performance fee. These strategies would generally have absolute, as opposed to relative, return objectives driven more by manager skill and market inefficiency than market direction. Use of leverage, short selling and/or derivatives may or may not be employed as part of the investment approach. The endowment will employ a manager of manager's approach to investing in fixed income alternative investments.

D. Limitations on Manager Allocations

1. No more than 5% of the Endowment Fund assets shall be allocated to an individual Investment Manager.

2. No more than 25% of the Endowment Fund assets shall be allocated to a "Fund of Funds" or multi-manager fund.

XIII. Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated, given the discipline employed and risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

XIV. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Trustees will review investment policy at least annually.

Investment Manager Selection

1. The Endowment Committee will decide on guidelines for the desired investment philosophy, asset mix, and performance objectives of the new manager.

2. The Endowment Committee will employ, if appropriate, Investment Consultant(s) to identify potential managers.

3. Potential managers will be reviewed by the Endowment Committee in some or all of the following areas with the importance of each category determined by the Endowment Committee:

   Organization
   - Experience of firm
   - Assets under management
   - Ownership
   - Number of professionals
   - Fees and minimum account size

   Performance
   - One, three and five-year comparisons
   - Up/down market comparisons
   - Risk/return graphs

   Securities Summary – Equities
   - Yield
   - Profit/earnings
   - Quality
   - Growth
   - Beta

   Securities Summary – Fixed Income
   - Quality
   - Maturity
   - Duration
   - Government/non-government
   - Investment decision-making process
   - Top down/bottom up
   - Quantitative/qualitative/traditional
   - Expected performance characteristics

   Securities Summary – Fixed Income Alternative

- Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
- Event investing (restructurings, spin-offs, etc.)
- Distressed securities
- Long Short equities (U.S., global and sector funds)
- Market neutral equities
- Short-biased equities
- Macro investing

Skill Set Analysis

- Market timing
- Sector diversification
- Security selection
- Security consideration

4. Final selection of a new manager resides with the Endowment Committee.

UNIVERSITY OF SOUTH ALABAMA
NON-ENDOWMENT CASH POOL INVESTMENT POLICIES

Purpose

The purpose of this Investment Policy is to provide a guideline by which the pooled funds (the current, loan, agency and plant fund groups) not otherwise needed to meet the daily operational cash flows for the University can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflow of funds from revenues, tuition payments and state appropriations.

The policies and practiced hereinafter set forth separate funds into three investment categories: (1) Short-term funds (2) Intermediate-term funds (3) Long-term funds.

INVESTMENT OBJECTIVES

The investment objectives for Operational Funds Investments are: (1) to maximize current investment returns consistent with the liquidity needs of the University. In keeping with the investment objectives noted above, it is acknowledged that there are Operational Funds which require short-term, intermediate-term and long-term investment strategies.

It is expected that the maturities of the investments in the Operational Funds will be matched against the cash flow needs of each campus to maximize yields consistent with the liquidity needs of the University.

Maintenance of Adequate Liquidity

The investment portfolio must be structured in such a manner that will provide sufficient liquidity to pay obligations such as normal operating expenses and debt service payments as they become due. A liquidity base will be maintained by the use of securities with active secondary markets, certificates of deposit, or repurchase agreements. These investments could be converted to cash prior to their maturities should the need for cash arise.

Return on Investments

The University seeks to optimize return on investments within the constraints of each investment objective. The portfolio strives to provide a return consistent with each investment category. The cash pool portfolio rate of return will be compared with the returns of broad indices representing the investment and maturity structure of the Pool.

DELEGATION OF AUTHORITY

The Board of Trustees is ultimately responsible for investment policy. By Board Resolution the Board of Trustees is delegating investment authority to the President or Vice President for Financial Affairs or other such persons as may be authorized to act on their behalf.

The Investment Policy is established to provide guidance in the management of the University's Non-Endowment Cash Pool to insure compliance with the laws of the State of Alabama and investment objectives. The Vice President for Financial Affairs or his designee is accorded full discretion, within policy limits, to select individual investments and to diversify the portfolio by applying their own judgments concerning relative investment values.

IMPLEMENTATION OF THE INVESTMENT POLICY

The Vice President for Financial Affairs or his designee is authorized to execute security transactions for the University investment portfolio. Reports of investments shall be presented to the Endowment and Investment Committee of the Board of Trustees.

AUTHORIZED INVESTMENT INSTRUMENTS

Short-Term Operational Funds

Safety of Capital

Preservation of capital is regarded as the highest priority in the handling of investments for the University of South Alabama. All other investment objectives are secondary to the safety of capital.

It is assumed that all investments will be suitable to be held to maturity. However, sale prior to maturity is warranted in some cases. For example, investments may be sold if daily operational funds are needed or if the need to change the maturity structure of the portfolio arises.

All investments will be restricted to fixed income securities with the maturity range to be consistent with the liquidity needs of the pooled fund groups. It is essential that cyclical cash flow be offset by liquid investments. Permissible investment instruments may include:

1. Checking and Money Market deposit accounts in banks. These funds are subject to full collateralization for the amounts above the FDIC $250,000.00 coverage limit, or participation by the Bank in the State of Alabama's Security for Alabama Funds Enforcement Program.

2. Certificates of Deposit issued by banks and fully collateralized for the amounts above the FDIC $250,000.00 coverage limit or participation by the bank in the State of Alabama's Security for Alabama Funds Enforcement Program. Negotiable Certificates of Deposit or

Deposit Notes issued by credit worthy U.S. Banks in amounts not to exceed the FDIC $250,000.00 coverage limit.

3. Direct obligations of the United States or obligations unconditionally guaranteed as to principal and interest by the Unites States.

4. Obligations of a Federal Agency (including mortgage backed securities) or a sponsored instrumentality of the United States including but not limited to the following:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC)
- Federal Farm Credit Banks (FFCB)
- Government National Mortgage Association (GNMA)
- Federal National Mortgage Association (FNMA)
- Student Loan Marketing Association (SLMA)
- Financing Corp (FICO)
- Tennessee Valley Authority (TVA)
- Government Trust Certificates (GTC)

5. Commercial paper of corporate issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 rating by Fitch. Corporate bonds will maintain a minimum "A" rating by both Moody's and Standard and Poor's at the time of purchase. No more than ten percent (10%) of the Total Cash and Investments shall be invested in a single corporation for Commercial Paper/Short-term Corporate Bonds and thirty-five percent (35%) per Federal Agency Obligation as described above. There will be no limit on U.S. Treasury Obligations. All such securities must have an active secondary market.

The maturity range of Short-Term Operational Funds Investments shall be consistent with liquidity requirements of the funds category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Typical maturity will range from one day to one year.

Intermediate-Term Investment of Operational Funds

Investments for those Operational Funds designated by the President as benefiting from investment over a one- to three-year period.

Permissible investments are consistent with all investments approved under short-term operational funds within a one- and three- year investment period. It is expected that the maturities of the investments within the intermediate-term funds will match against the cash flow needs of the University and to maximize yields consistent with the liquidity needs of the University.

Long-Term Investment of Operational Funds

From time to time management may have the opportunity to invest Operational Funds designated by the President to achieve higher earnings over a longer time horizon. These funds will be invested based on the Non-endowment Equity and Alternative Investment Pool Guidelines referenced in Appendix A.

PASS THROUGH OR DESIGNATED FUNDS

This policy shall also cover pass through funds (endowment funds to be forwarded to external endowment fund managers) and any funds managed by the University and designated for specific purposes and not covered by individual investment restrictions (i.e. endowment funds that may not be co-mingled, bond proceeds during construction, USA Health Plan, etc.)

PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Persons performing the investment functions, acting in accordance with these written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations and appropriate recommendations to control adverse developments are reported in a timely fashion. The "prudent person" standard is understood to mean:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

EFFECTIVE DATE

This policy shall become effective immediately upon its adoption by the Board of Trustees. Further, this policy shall be reviewed at least annually and updated whenever changing market conditions or investment objectives warrant.

Appendix A

University of South Alabama

Non-Endowment
Equity and Alternative Investment Pool Guidelines

Purpose

The purpose of the University's Non-Endowment Equity and Alternative Investment Pool (Equity and Alternative Pool) is to maximize returns for those operating funds that are not utilized for day to day cash management needs. These funds will have a seven- to ten- year time horizon. The goal of the Equity and Alternative Pool is to provide revenue while preserving principal to fund University projects as set forth by the University President.

Return on Investments

The University seeks to optimize return on these investments within the constraints of the Equity and Alternative Pool guidelines. The portfolio strives to provide a return consistent with each investment category.

Oversight and Delegation of Authority

The Equity and Alternative Pool will be governed by the Non-Endowment Cash Pool Investment Policy. The Board of Trustees is ultimately responsible for the Non-Endowment Cash Pool Investment Policy. Investment oversight will be delegated to the President or Vice President for Finance and Administration or other such persons as may be authorized to act on their behalf.

Investment Objectives

In order to meet its needs, the investment strategy of the Equity and Alternative Pool is to emphasize long-term growth; that is, the aggregate return from capital appreciation. The Equity and Alternative Pool shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk.

Portfolio Composition and Risk

A. To achieve its investment objective, the Equity and Alternative Pool assets are considered as divided into two parts; an alternative investment component or hedged strategy and an equity component. Total Equity and Alternative Pool assets should not exceed 25% of all non-endowment cash and cash-equivalents of the University as of September 30th of the prior fiscal year. This percentage will be reassessed periodically and any changes will be communicated to the Board. The Equity and Alternative Pool commitment to these funds shall be as follows:

	Range	Long-term neutral
Equity	45-85%	70%
Alternative Investment	10-35%	30%

B. The purpose of the equity component is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of capital appreciation and current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, venture capital, leveraged buyout investments, equity real estate, exchange traded index funds, etc.

C. The purpose of the alternative investment component is to provide the Equity and Alternative Pool a source of returns with low to negative correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The alternative investment component should normally represent approximately 10-35 percent of the total Equity and Alternative Pool.

D. Any assets not committed to the alternative investment component shall be allocated to the equity fund. The equity fund should normally represent approximately 45-85 percent of total the Equity and Alternative Pool assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside this range should be closely monitored.

E. The Equity and Alternative Pool includes investments in several categories:

Asset Class	Long-Term Strategic Target (%) of Funds	Range
DOMESTIC EQUITY	**55%**	**40-70%**
Large Cap	40%	30-65%
Mid Cap	10%	5-15%
Small Cap	5%	3-10%
INTERNATIONAL STOCKS	**15%**	**5-25%**
Developed Markets	10%	3-20%
Emerging Markets	5%	0-10%
TOTAL EQUITY COMPONENT	**70%**	**45-85%**
ALTERNATIVE INVESTMENTS	**30%**	**10-35%**
Absolute Return	30%	10-35%
TOTAL ALTERNATIVE COMPONENT	**30%**	**10-35%**
TOTAL	**100%**	

F. Within the equity fund, certain investments can be included to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments.

G. The Equity and Alternative Pool investments shall be diversified both by asset class (e.g., equities and alternative investment securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

Spending Policy

It shall be the policy of the Equity and Alternative Pool to preserve and maintain the real purchasing power of the principal of the Fund. The current spending policy of the Equity and Alternative Pool will be determined annually by the University President. The spending guideline is based on an expected total return over the long-term less expected inflation and will use the excess return over the inflation adjusted principal using a 3 year moving average to help fund the operating needs of the University.

Line of Credit

At times of extreme volatility related to the Equity and Alternative Pool a Line of Credit (LOC) will be utilized to meet day to day management of the University's operating needs. A LOC of up to $30,000,000 will be established and available to meet those periods when operating cash is low due to seasonal tuition revenue. The LOC will be repaid in full as soon as sufficient cash is available. The Investment Manager will be required to inform the Vice-President for Finance and Administration, Treasurer and President and obtain appropriate approval of any draws and repayments on the LOC and will be required to provide them with balance reports throughout the year.

December 3, 2020

RESOLUTION

OFFICERS AND DIRECTORS OF THE JAGUAR ATHLETIC FUND, INC.

WHEREAS, pursuant to the amended bylaws of the Jaguar Athletic Fund, Inc. ("JAF"), the Board of Trustees of the University of South Alabama ("University") shall approve the JAF slate of officers and directors, and

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

WHEREAS, the JAF Board of Directors, through its Nominating Committee, is authorized to nominate officers and directors consistent with the aforesaid for consideration and approval by the University's Board of Trustees, and

WHEREAS, the Nominating Committee of the JAF Board of Directors has nominated the following individuals to serve as JAF officers or directors for calendar-year terms as specified,

OFFICERS IN 2021

- James H. Shumock — Corporation President
- C.L. "Skipper" Walters — Corporation Vice President
- Jeffry M. Nichols — Corporation Secretary

DIRECTOR (Three-Year Term)

- Farish Collura — Softball — 2021-2023

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees does hereby approve the officers and director of the Jaguar Athletic Fund, Inc., as set forth.

SOUTH ALABAMA JAGUARS™

Department of Athletics

November 11, 2020

TO: Dr. Tony Waldrop
University President

FROM: Dr. Joel Erdmann
Director of Athletics

SUBJECT: University of South Alabama Board of Trustees Meeting
Jaguar Athletic Fund (JAF) Resolution for Consideration

This is to request the attached Resolution be presented to the USA Board of Trustees for consideration at its next meeting on December 3, 2020.

The intent of the Resolution is for the University of South Alabama Board of Trustees to ratify the extended JAF Board members and officers.

JWE/els

Attachment

University of South Alabama • 6001 USA Drive South Suite 35 • Mobile, Alabama 3668802
Office: (251) 460-7121 • Fax: (251) 460-6505

December 3, 2020

RESOLUTION

COLLABORATION BETWEEN THE UNIVERSITY OF SOUTH ALABAMA AND THE MOBILE COUNTY COMMISSION IN SUPPORT OF PROJECT 110

WHEREAS, the Mobile County Commission has generously agreed to provide funding in support of *Project 110,* a documentary project through the University of South Alabama and professor Dr. Joe'l Lewis Billingsley, and

WHEREAS, *Project 110* will honor the 110 enslaved Africans who were illicitly brought to the United States on the schooner Clotilda in 1860 through the documentary and development of a curriculum to accompany it, and

WHEREAS, this funding qualifies *Project 110* for additional funding through a matching grant from the Alabama Humanities Foundation, and

WHEREAS, the University welcomes the opportunity to collaborate with the Mobile County Commission in this important endeavor through a $12,000 appropriation from the Mobile County Commission which will be matched by the Alabama Humanities Foundation,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees thanks the Mobile County Commission for its generous support and approves of entry by the University of South Alabama into a contract with the Mobile County Commission in order to memorialize the collaboration between the University of South Alabama and the Mobile County Commission for this funding, as well as the expenditures as described in the program statement.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Development and Alumni Relations

DATE: November 16, 2020

TO: Tony Waldrop
President

FROM: Margaret M. Sullivan
Vice for Development and Alumni Relations

SUBJECT: Resolution to accept Mobile County Commission Appropriation supporting USA's *Project 110*

It gives me great pleasure to recommend presentation of the attached resolution to approve and accept the appropriation from the Mobile County Commission to provide funding in support of *Project 110*, a documentary project through the University of South Alabama and professor Dr. Joe'l Lewis Billingsley.

This funding support through the Mobile County Commission qualifies *Project 110* for additional funding through a matching grant from the Alabama Humanities Foundation and ensures completion of this important documentary honoring the 110 enslaved Africans who were illicitly brought to Mobile, Alabama on the schooner Clotilda in 1860.

With your support, this resolution by the Board of Trustees will allow for the appropriation to be made by the Mobile County Commission to assist with this important documentary.

Attachment: Proposed Resolution: Collaboration between the University of South Alabama and the Mobile County Commission in support of *Project 110*.

Cc: Monica Ezell

December 3, 2020

RESOLUTION

COMMENDATION OF MR. AND MRS. JAMES J. GOSA

WHEREAS, Mr. James J. "Jake" Gosa and Mrs. Patricia A. "Pat" Gosa have distinguished themselves as exemplary models of philanthropy and service, demonstrating extraordinary commitment and a mutual desire to further the mission of the University of South Alabama (USA), and

WHEREAS, Mr. Gosa is a devoted alumnus of the Mitchell College of Business, who is appreciative of the positive impact that USA had on his success and whose generosity and service as a visiting lecturer for the College inspired the USA National Alumni Association to recognize him with a Distinguished Alumni Award, and Mrs. Gosa is a devoted nurse by profession, who recognizes and supports excellence in nursing education at the University of South Alabama, and

WHEREAS, the Gosas share an affinity for USA's Mitchell College of Business and College of Nursing and are dedicated to advancing the educational mission of both colleges and supporting the academic and career aspirations of students as expressed over many years through the establishment and enhancement of the *Jake and Pat Gosa Endowed Scholarship in Business* and the *Jake and Pat Gosa Endowed Scholarship in Nursing*, and

WHEREAS, the Gosas have extended their philanthropic reach through an estate commitment that will be transformative for the colleges of business and nursing and for students benefiting from the Gosa scholarships for many years to come,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees recognizes the extraordinary generosity and commitment of Mr. and Mrs. James J. Gosa and joins the University President, faculty, staff and students in expressing its deepest gratitude for the Gosas' enduring leadership and loyalty.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Development and Alumni Relations

DATE: November 10, 2020

TO: Tony Waldrop
President

FROM: Margaret M. Sullivan
Vice for Development and Alumni Relations

SUBJECT: Mr. James J. Gosa and Mrs. Patricia A. Gosa Resolution

It gives me great pleasure to recommend presentation of the attached resolution commending Mr. and Mrs. James J. Gosa to the Board of Trustees.

This resolution commends the long history of philanthropy and engagement of the Gosas and their transformative gift of $5 million made in the last week of the Upward & Onward Campaign to support students and programs within the Mitchell College of Business and the College of Nursing.

With your support, this commendation by the Board of Trustees will be an appropriate way to honor the Gosa's extraordinary support of the University of South Alabama.

Attachment: Proposed Resolution Commending Mr. James J. Gosa
and Mrs. Patricia A. Gosa

Cc: Monica Ezell

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

HEALTH AFFAIRS
COMMITTEE

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

DATE: November 9, 2020

TO: Tony G. Waldrop, PhD
President

FROM: Owen Bailey, Chief Executive Officer

SUBJECT: Board Meeting Documents

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

Resolution – USA Health Hospitals Medical Staff Appointments and Reappointments for August, September and October 2020

- Medical Staff Appointments/Reappointments Board of Trustees Report

Resolution - USA Health Hospitals Medical Staff Bylaws and Associated Documents' Revisions

- Proposed Bylaw/Associated Document Revisions

OB/kh

Attachments

December 3, 2020

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2020

WHEREAS, the Medical Staff appointments and reappointments for August, September and October 2020 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
August, September, and October 2020

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

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Ahmed, Hamdy M., MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Allen-Johnson, Jennifer C., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Amritphale, Nupur, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Bailey, Lisa M., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Baliem, Wilma D., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Ballard, Jr., Barry D., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Ballard, Haley H., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Cons/Act. USA	Internal Medicine
Barber, IV, William H., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Barker, Jr., Michael P., MD	NA	NA	NA	Reappt.	Courtesy HCA	Internal Medicine	Reappt.	Courtesy HCA	Internal Medicine
Benjamin, Regina M., MD	Reappt.	Community Staff	Family Medicine	Reappt.	Community Staff	Family Medicine	NA	NA	NA
Beverly, Brenda L., CCC-SLP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Bhowmick, Samar K., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Bishop, Breanne C., CRNP	NA	NA	NA	New Appt.	Non-Priv. APP	Internal Medicine	NA	NA	NA
Blanchard-Burch, Kristie A., MD	Reappt.	Consulting HCA	Surgery	Reappt.	Active HCA	Surgery	Reappt.	Cons./Active-HCA	Surgery
Blount, Winona L., RN	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Boatright, Jeffrey D., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Bradham, Kari A., DO	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Brevard, Sidney B., MD	Reappt.	Active USA	Pediatric Surgery	Reappt.	Active USA	Pediatric Surgery	Reappt.	Active USA	Pediatric Surgery
Brevard, Sidney B., MD	Reappt.	Active USA	Trauma Surgery	Reappt.	Active USA	Trauma Surgery	Reappt.	Active USA	Trauma Surgery
Brooks, Benjamin K., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA
Brooks, Ronald M., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Brown, Mark S., MD	NA	NA	NA	Reappt.	Consulting	Surgery	NA	NA	NA
Brutkiewicz, Barbara V., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Camp, Pamela R., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Carpenter, David C., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Chalam, Jennifer N., MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Chang, Michael C., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Cobb, Michael L., MD	NA	NA	NA	Reappt.	Consulting	Radiology	NA	NA	NA
Cole, Jason H., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Cook, Amy L., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Courtney, Angel C., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Cox, Karen F., PA	Reappt.	APP HCA	Anesthesiology	Reappt.	APP HCA	Anesthesiology	Reappt.	APP HCA	Anesthesiology
Cramer, Jr., Harry R., MD	New Appt.	Contract/Temp.	Radiology	New Appt.	Contract/Temp.	Radiology	New Appt.	Contract/Temp.	Radiology
Crews, LaDonna M., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Act./Cons. USA	Pediatrics
Crook, Errol D., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Custodio, Haidee T., MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Das, Abhijin, MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Davis, Angela A., RN	New Appt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
August, September, and October 2020

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Davis, Nita S., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Active/Cons.USA	Pediatrics
Delgado, Myrtle A., MD	New Appt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Dempsey, Gretchen J., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Desverreaux, III, John N., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Diegmann, Fred F., MD	Reappt.	Community Staff	OBGYN	NA	NA	NA	NA	NA	NA
Dill, Stephen R., MD	Reappt.	Community Staff	Internal Medicine	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
DiPalma, Jack A., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Dodson, Lindsey K., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Douglas, Mark J., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Elkadi, Osama R., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Estrada, Benjamin, MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Active/Cons.USA	Pediatrics
Evans, Charla J., MD	Reappt.	Active HCA	Family Medicine	Reappt.	Active HCA	Family Medicine	Reappt.	Active HCA	Family Medicine
Fedok, Fred G., MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Finn, Edgar W., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Fonseca, Annabelle L., MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Frame, Kevin C., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA
Gonner, Jacqueling, CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Goode, Russell D., MD	Reappt.	Consulting	Orthopaedics	Reappt.	Consulting	Orthopaedics	NA	NA	NA
Hamilton, Maria A., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Hancock, Mary Jane, CRNP	NA	NA	NA	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Hannon, Jeffrey K., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Harless, Hilary A., CRNP	NA	NA	NA	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Harmon, Charles M., MD	Reappt.	Active USA	Pediatrics	Reappt.	Consulting USA	Pediatrics	Reappt.	Active/Cons.USA	Pediatrics
Harris, Janice D., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Hart, Katharine E., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Haynes, Jr., Johnson, MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Cons./Active USA	Internal Medicine
Heins, Alan E., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Hermecz, Hilary L., PA	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Herrera, Jorge L., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Courtesy USA	Internal Medicine	Reappt.	Cons/Court.USA	Internal Medicine
Hespen, Haley A., CRNP	NA	NA	NA	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Hewes, Amelia R., MD	Reappt.	Active USA	OBGYN	Reappt.	Courtesy USA	OBGYN	Reappt.	Active/Court.USA	OBGYN
Hewitt, Jocelyn E., MD	New Appt.	Comm. Staff HCA	Internal Medicine	New Appt.	Comm. Staff HCA	Internal Medicine	New Appt.	Comm. Staff HCA	Internal Medicine
Hixson, William C., MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Hogue, Antwan J., MD	Reappt.	Consulting USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Cons./Active-USA	Internal Medicine
Houston, Eileen D., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Huddleston, Adam J., MD	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology
Hults, Kayla P., CRNP	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN	New Appt.	APP USA	OBGYN
Hunter, Rachel L., MD	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery
Hussain, Zeiad, MD	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology	Reappt.	Active USA	Radiology
Hutchens, Dennis W., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Idriss, Rajab, MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
August, September, and October 2020

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Johnson, Alfreda M., RN	New Appt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Joiner, Jade M., Dental Assistant	New Appt.	APP	Surgery	New Appt.	APP	Surgery	NA	NA	NA
Jones, Brian J., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	NA	NA	NA
Jones, Loren L., CRNP	NA	NA	NA	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Jones, III, Richard E., MD	Reappt.	Community Staff	Internal Medicine	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Jones, Vanessa L., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Kalra, Sarathi, MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Ac tive USA	Emergency Med.	NA	NA	NA
King, Jessica L., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Kirkland, Jordan C., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
LaFrance, Brianne M., CNIM	Reappt.	APP	Neurosurgery	Reappt.	APP	Neurosurgery	NA	NA	NA
Laskay, Kathleen M., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Lewis, Elizabeth S., CRNP	Reappt.	APP HCA	Surgery	Reappt.	APP HCA	Surgery	Reappt.	APP HCA	Surgery
Lim, Whei Ying, MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Little, Jr., Walter K., DMD	Reappt.	Non-Priv. APP	Surgery	Reappt.	Non-Priv. APP	Surgery	NA	NA	NA
Lowthert, Lori A., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Lutz, Peter O., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Ly, Justin Q., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA
Maguire, Raymond J., MD	New Appt.	Active USA	Ped. Emerg. Med.	New Appt.	Active USA	Emergency Med.	NA	NA	NA
Malozzi, Christopher M., DO	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Mannion, Melissa L., MD	New Appt.	Consulting	Pediatrics	NA	NA	NA	NA	NA	NA
Marshall, Cara A., RN	New Appt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Mayer, David C., MD	Reappt.	Active	Pediatrics	Reappt.	Courtesy	Pediatrics	NA	NA	NA
McCoy, Amy M., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
McDaniel, Mark A., MD	Reappt.	Community Staff	Family Medicine	Reappt.	Community Staff	Family Medicine	NA	NA	NA
McGrath, John W., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
McMullan, Eddrice M., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Courtesy USA	Anesthesiology	NA	Active/Court.USA	NA
Mehta, Anita D., MD	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine	New Appt.	Active USA	Internal Medicine
Mirza, Asadullah B., MD	NA	NA	NA	Reappt.	Active HCA	Internal Medicine	Reappt.	Active HCA	Internal Medicine
Moore, Allie O., CRNP	New Appt.	APP USA	OBGYN Eval. Ctr	NA	NA	NA	NA	NA	NA
Moore, Rachel M., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Morrison, Katie L., PA	Reappt.	APP USA	Orthopaedics	Reappt.	APP USA	Orthopaedics	Reappt.	APP USA	Orthopaedics
Moss, Charlotte A., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Murray, Kelly M., PA	Reappt.	APP USA	Family Medicine	Reappt.	APP USA	Family Medicine	Reappt.	APP USA	Family Medicine
Myers, Lori A., MD	NA	NA	NA	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Myers, Lori A., MD	NA	NA	NA	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Neese, Forrest L., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Noh, Paul H., MD	New Appt.	Active HCA	Surgery	New Appt.	Active HCA	Surgery	New Appt.	Active HCA	Surgery
Norris, Florence E., RN	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Oh, Richard J., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA
Pai, Sachin G., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine

USA HEALTH HOSPITALS
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
BOARD OF TRUSTEE REPORT
August, September, and October 2020

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Palesano, Richard L., MD	New Appt.	Active	Surgery	NA	NA	NA	NA	NA	NA
Parker, Jr., Cecil L., MD	NA	NA	NA	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Parmley, Richard R., MD	Reappt.	Comm. Staff USA	Pediatrics	Reappt.	Comm. Staff USA	Pediatrics	Reappt.	Comm. Staff USA	Pediatrics
Pate, Emily P., CRNP	Reappt.	APP USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Patil, Pallavi A., MD	New Appt.	Active USA	Pathology	New Appt.	Active USA	Pathology	New Appt.	Active USA	Pathology
Paul, Ashton L., Dental Assistant	New Appt.	APP	Surgery	New Appt.	APP	Surgery	NA	NA	NA
Petersen, Madison P., MD	New Appt.	Active USA	Anesthesiology	New Appt.	Active USA	Anesthesiology	NA	NA	NA
Petrossian, Robert, MD	NA	NA	NA	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine
Pettway, Kimberly M., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Pittman, Kathryn P., CRNA, DNP	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology
Powell, Stacy M., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Quatrino, Gregory M., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Rachel, James N., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Radcliff, Virginia S., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Reed, Jason M., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Rettig, Kenneth R., MD	Reappt.	Consulting USA	Pediatrics	NA	NA	NA	Reappt.	Consulting USA	Pediatrics
Revere, Cherie J., CRNP	NA	NA	NA	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Rich, Jamie L., CRNP	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine
Rifai, Aref, MD	Reappt.	Actuve	Surgery	NA	NA	NA	NA	NA	NA
Roberson-Trammell, Katrina, MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Roberts, Lauren L., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Roberts, Wilder M., CCCA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Rodning, Kai J., MD	Reappt.	Active USA	Anesthesiology	Reappt.	Active USA	Anesthesiology	NA	NA	NA
Rogers, Vera Renee, RN	Reappt.	APP	OBGYN	Reappt.	APP	OBGYN	NA	NA	NA
Ross, III, Robert L., MD	NA	NA	NA	New Appt.	Comm. Staff HCA	Internal Medicine	NA	NA	NA
Rutigliano, Megan L., PA	NA	NA	NA	Reappt.	APP HCA	Internal Medicine	Reappt.	APP HCA	Internal Medicine
Sanders, Michael K., MD	NA	NA	NA	Reappt.	Active USA	Internal Medicine	NA	NA	NA
Savells, Katherine L., MD	Reappt.	Active	Pediatrics	NA	NA	NA	NA	NA	NA
Self, Lauren C., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Semple, Henry C., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Sharma, Kamal P., MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Sharma, Kamal P., MD	Reappt.	Active USA	Ped. Emerg. Med.	NA	NA	NA	NA	NA	NA
Shell, Grantham M., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Sheppard, Erin C., CRNP	Reappt.	APP USA	Family Medicine	Reappt.	APP USA	Family Medicine	Reappt.	APP USA	Family Medicine
Simpson, Regena A., CRNP	Reappt.	APP USA	OBGYN	NA	NA	NA	Reappt.	APP USA	OBGYN
Sinclair, Richards S., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Sindel, Lawrence J., MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	NA	NA	NA
Skipper, Caitlin E., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Slater, Nicole A., PHARM D	Reappt.	APP	Family Medicine	Reappt.	APP	Family Medicine	NA	NA	NA
Smith, Anna M., RN	New Appt.	Non-Priv. APP	Internal Medicine	New Appt.	Non-Priv. APP	Internal Medicine	NA	NA	NA
Sparks, Anthony L., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA

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NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Stokes, Justin Blake, CRNP	NA	NA	NA	New Appt.	APP USA	Surgery	New Appt.	APP USA	Surgery
Stokes, Timothy B., MD	New Appt.	Active USA	Ped. Emerg. Med.	New Appt.	Active USA	Emergency Med.	NA	NA	NA
Stover, Cheryl D., CRNA	New Appt.	APP USA	Anesthesiology	New Appt.	APP USA	Anesthesiology	NA	NA	NA
Smith, James M., DO	Reappt.	Community Staff	Family Medicine	Reappt.	Community Staff	Family Medicine	NA	NA	NA
Swain, Roberta A., MD	NA	NA	NA	New Appt.	Comm. Staff HCA	Internal Medicine	NA	NA	NA
Swain, Jr., Ronnie E., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Talerico, Christina, MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Tengsupakul, Supatida, MD	Reappt.	Active USA	Pediatrics	NA	NA	NA	Reappt.	Active USA	Pediatrics
Terry, Andrew P., MD	Reappt.	Courtesy	Surgery	NA	NA	NA	NA	NA	NA
Thomas, Jacqueline F., CRNP	Reappt.	Non-Priv. APP	Family Medicine	Reappt.	Non-Priv. APP	Family Medicine	NA	NA	NA
Tillman, Lisa M., RN	New Appt.	Non-Priv. APP	Internal Medicine	New Appt.	Non-Priv. APP	Internal Medicine	NA	NA	NA
Tucker, Elizabeth A., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Vick, Valerie L., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Walker, Jennifer D., MD	Reappt.	Community Staff	Pediatrics	NA	NA	NA	NA	NA	NA
Weatherly, Daniela V., MD	Reappt.	Courtesy HCA	Family Medicine	Reappt.	Courtesy HCA	Family Medicine	Reappt.	Courtesy HCA	Family Medicine
Weinstein, Leonard S., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Weishaar, Brendan A., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Whitt, Sharron, PCT	Reappt.	APP	Internal Medicine	New Appt.	APP	Internal Medicine	NA	NA	NA
Wilhite, Annelise M., MD	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN	New Appt.	Active USA	OBGYN
Wilson, Brittany M., CRNP	NA	NA	NA	New Appt.	Non-Priv. APP	Internal Medicine	NA	NA	NA
Winkler, Carey L., MD	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN	Reappt.	Active USA	OBGYN
Wojtala, Kathleen Q., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Yarbrough, Theresa N., MD	Reappt.	Active HCA	Internal Medicine	Reappt.	Active HCA	Internal Medicine	Reappt.	Active HCA	Internal Medicine
Yontz, Dustin L., MD	NA	NA	NA	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine
Younger, Austin R., MD	New Appt.	Active HCA	Surgery	New Appt.	Active HCA	Surgery	New Appt.	Active HCA	Surgery
Yuliati, Asri, MD	New Appt.	Active USA	Neurology	New Appt.	Active USA	Neurology	New Appt.	Active USA	Neurology
NAME	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Change Requests	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**
Bender, Stephanie, MD	Added Priv.	Active HCA	Internal Medicine	Added Priv.	Active HCA	Internal Medicine	Added Priv.	Active HCA	Internal Medicine
Chang, Michael C., MD	Chg. Status	Consulting USA	Surgery	NA	NA	NA	Chg. Status	Consulting USA	Surgery
Crook, Errol D., MD	Add. Priv.	Active USA	Internal Medicine	Add. Priv.	Active USA	Internal Medicine	Add. Priv.	Active USA	Internal Medicine
Correa, Kristin, DMD	Added Priv.	APP	Surgery	Added Priv.	APP	Surgery	NA	NA	NA
Fonseca, Annabelle L., MD	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery
Fox, Shaketa, RN	Added Priv.	APP	Internal Medicine	Added Priv.	APP	Internal Medicine	NA	NA	NA
Gonner, Jacqueline, CRNP	Chg. Coll. Phy	APP USA	Pediatrics	NA	NA	NA	Chgd Coll. Phy.	APP USA	Pediatrics
Jacobs, Amy , CRNP	Chg. Coll. Phy	APP USA	Pediatrics	NA	NA	NA	Chgd Coll. Phy.	APP USA	Pediatrics
Johnson, Alfreda M., RN	New Appt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Jones, Vanessa L., CRNP	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine	Reappt.	APP USA	Internal Medicine
Kappell, Margaret, CRNP	Deleted Priv.	APP HCA	Internal Medicine	Chg. Status	Non-Priv. APP	Internal Medicine	NA	NA	NA
Kittrell, William A., MD	Added Priv.	Active HCA	Internal Medicine	Added Priv.	Active HCA	Internal Medicine	Added Priv.	Active HCA	Internal Medicine

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Change Requests (Continued)	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**	**Type/Stat**	**Category**	**Dept/Ser**
Lewis, Annie, Dental Assistant	Added Priv.	APP	Surgery	Added Priv.	APP	Surgery	NA	NA	NA
Mannion, Melissa, MD	Added/Deleted	Consulting	Pediatrics	NA	NA	NA	NA	NA	NA
Martinez-Ceballos, Jose E., MD	Chg. Status	Academic	Pediatrics	Del. Priv.	Active USA	Pediatrics	Chgd./Delete	Acad/Active USA	Pediatrics
McGrath, John W., RN	Add. Priv.	APP	Internal Medicine	Add Priv.	APP HCA	Internal Medicine	NA	NA	NA
McMahon, Daniel P., MD	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery	Added Priv.	Active USA	Surgery
Moore, Rachel M., CRNP	Added Priv.	APP USA	Surgery	Added Priv.	APP USA	Surgery	Added Priv.	APP USA	Surgery
Murray, Kelly M., PA	Added Priv.	APP USA	Family Medicine	Added Priv.	APP USA	Family Medicine	Added Priv.	APP USA	Family Medicine
Murray, Valerie, RN	Added Priv.	APP	Internal Medicine	Added Priv.	APP	Internal Medicine	NA	NA	NA
Pettway, Kimberly, RN	Added Priv.	APP	Internal Medicine	Added Priv.	APP	Internal Medicine	NA	NA	NA
Pringle, Blair H., CRNP	Added Priv.	APP USA	Internal Medicine	Added Priv.	APP USA	Internal Medicine	Added Priv.	APP USA	Internal Medicine
Rutigliano, Megan L., PA	NA	NA	NA	Chgd Coll. Phy.	APP HCA	Internal Medicine	Chgd Coll. Phy.	APP HCA	Internal Medicine
Seaman, Deanna, CRNP	Added Priv.	APP USA	Pediatrics	NA	NA	NA	Added Priv.	APP USA	Pediatrics
Swain, Jr., Ronnie E., MD	Added Priv.	Courtesy	Surgery	Added Priv.	Courtesy	Surgery	NA	NA	NA
Williamson, Amelia, RN	Added Priv.	APP	Internal Medicine	Added Priv.	APP	Internal Medicine	NA	NA	NA
Wilson, Rosanne, CRNP	NA	NA	NA	Chgd Status	Non-Priv. APP	Internal Medicine	NA	NA	NA

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Resigned/Retired	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**
Beasley, Stephen A., MD	NA	NA	NA	Resigned	6/30/2020	Internal Medicine	Resigned	6/30/2020	Internal Medicine
Berkow, Roger L., MD	Resigned	7/20/2020	Pediatrics	Resigned	7/20/2020	Pediatrics	Resigned	7/20/2020	Pediatrics
Eisenbeis, Elizabeth J., PA	Resigned	8/28/2020	Family Medicine	Resigned	8/28/2020	Family Medicine	NA	NA	NA
Ding, Linda E., MD	Resigned	7/19/2020	Surgery	Resigned	7/19/2020	Surgery	Resigned	7/19/2020	Surgery
Gandy, Roy, MD	NA	NA	NA	Reappt.	Academic	Surgery	NA	NA	NA
Gavan, Brian S., MD	Resigned	8/28/2020	Pediatrics	NA	NA	NA	Resigned	8/28/2020	Pediatrics
Gillis, Angela P., CRNA	Retired	7/31/2020	Anesthesiology	Retired	7/31/2020	Anesthesiology	NA	NA	NA
Gillispie, Susan M., CRNP	Resigned	8/17/2020	Family Medicine	Resigned	8/17/2020	Family Medicine	Resigned	8/17/2020	Family Medicine
Gosche, John R., MD	Resigned	8/26/2020	Surgery	NA	NA	NA	Resigned	8/26/2020	Surgery
Islam, Bilal N., MD	Resigned	6/1/2020	Family Medicine	Resigned	6/1/2020	Family Medicine	Resigned	6/1/2020	Family Medicine
Jackson, Michelle S., MD	NA	NA	NA	Resigned	9/11/2020	Internal Medicine	Resigned	9/11/2020	Internal Medicine
Jha, Om P., MD	Resigned	8/31/2020	Pediatrics	Resigned	8/31/2020	Pediatrics	Resigned	8/31/2020	Pediatrics
Kay, John K., CRNA	Resigned	9/12/2020	Anesthesiology	Resigned	9/12/2020	Anesthesiology	NA	NA	NA
Kohaut, Edward C., MD	Resigned	7/16/2020	Pediatrics	NA	NA	NA	Resigned	7/16/2020	Pediatrics
Kothandapani, Virupaksha, PhD	NA	NA	NA	Retired	8/21/2020	Psychiatry	NA	NA	NA
Lester, Amber L., CRNP	NA	NA	NA	Resigned	9/11/2020	Internal Medicine	Resigned	9/11/2020	Internal Medicine
Lewis, Annie M., Dental Assistant	Resigned	9/1/2020	Surgery	Resigned	9/1/2020	Surgery	NA	NA	NA
Merritt, Lindsey S., DO	NA	NA	NA	Resigned	8/21/2020	Internal Medicine	Resigned	8/21/2020	Internal Medicine
Pate, David N., MD	Resigned	9/11/2020	Internal Medicine	Resigned	9/11/2020	Internal Medicine	Resigned	9/11/2020	Internal Medicine
Pearsall, Albert W., MD	Resigned	8/31/2020	Orthopaedics	Resigned	8/31/2020	Orthopaedics	Resigned	8/31/2020	Orthopaedics
Rodriguez, Reynaldo, DO	Resigned	7/10/2020	Internal Medicine	Resigned	7/10/2020	Internal Medicine	Resigned	7/10/2020	Internal Medicine
Rosner, Hilary L., CRNP	Resigned	8/5/2020	Pediatrics	NA	NA	NA	Resigned	8/5/2020	Pediatrics

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NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Resigned/Retired (Continued)	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**
Schulingkamp, Amy M., CRNP	NA	NA	NA	Resigned	7/17/2020	Internal Medicine	Resigned	7/17/2020	Internal Medicine
Seltzer, Marjorie L., CRNP	Resigned	7/7/2020	Internal Medicine	Resigned	7/7/2020	Internal Medicine	Resigned	7/7/2020	Internal Medicine
Spiro, Arthur W., MD	NA	NA	NA	Resigned	8/14/2020	Family Medicine	NA	NA	NA
Todd, Mary A., RN	Retired	8/14/2020	OBGYN	Retired	8/14/2020	OBGYN	NA	NA	NA
Toldi, James P., DO	Resigned	8/31/2020	Family Medicine	Resigned	8/31/2020	Family Medicine	Resigned	8/31/2020	Family Medicine
Turner, Curtis W., MD	Resigned	8/5/2020	Pediatrics	Resigned	8/5/2020	Pediatrics	Resigned	8/5/2020	Pediatrics
Woullard-Breland, Lori, CRNA	Resigned	8/12/2020	Anesthesiology	Resigned	8/12/2020	Anesthesiology	NA	NA	NA

December 3, 2020

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS

WHEREAS, revisions to the USA Health Hospitals Medical Staff Bylaws and associated documents, approved October 22, 2020, by the active voting General Medical Staff members via email and attached hereto, are recommended for approval by the Medical Executive Committees and the Executive Committee of USA Health Hospitals,

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

Proposed Changes to the USA Health Hospitals Medical Staff Bylaws/Documents
Revisions Approved via email vote by the USA Health Hospitals Active Medical Staff on October 22, 2020

Bold and Underline are <u>additions</u> - Strikethroughs are ~~deletions~~

Proposed Bylaw/Associated Document Revisions:

<u>MEDICAL STAFF BYLAWS</u>

1. **Medical Staff Dues-** Administration right to waive dues **(p. 2)**
2. **Courtesy Staff - Prerogatives and Responsibilities-** To allow admitting privileges **(p. 2)**
3. **Coverage Staff - Qualifications and Responsibilities-** To allow to cover for Courtesy Staff **(p.2-3)**
4. **Medical Staff Committees - Performance Improvement Functions-** Added pain management **(p. 3)**
5. **Provisions Common to all Meetings - Quorum and Voting-** CMO to vote to break a tie **(p. 3-4)**
6. **Basic Steps/Details - Process for Privileging-** 30 days to notify applicant of board decision **(p. 4)**
7. **Basic Steps/Details-Process for Credentialing (Appointment/Reappointment)** See above **(p. 4)**
8. **Amendments - Medical Staff Bylaws-** Moves the Executive Committee as the final step **(p. 5)**
9. **Other Medical Staff Documents-** Seven days to return a vote **(p. 5)**

<u>CREDENTIALING POLICY</u>

10. **Definitions from Credentialing Policy-** Added USA Health Credentialing Board (USAHCB) **(p. 5)**
11. **Procedure for Initial Appointment-MEC Recommendation-** HCB Approval Process **(p.5-6)**
12. **Procedure for Reappointment- Factors for Evaluation-** Peer recommendation when no data **(p.6)**

<u>ORGANIZATIONAL MANUAL</u>

13. **Medical Staff Committees- Executive Committee-** Revised membership composition **(p. 6)**
14. **Medical Staff Committees-CW Peer & Quality Review Committee-** Revised composition **(p. 7)**
15. **Medical Staff Committees-University Hospital Peer Review Committee-** New section **(p. 7)**

<u>ADVANCED PRACTICE POLICY</u>

16. **APP Credentialing Procedure- Board Action-** HCB Approval Process and 30-day notification **(p. 7)**

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MEDICAL STAFF BYLAWS REVISIONS

ARTICLE 1-<u>GENERAL</u>
<u>1.C. MEDICAL STAFF DUES</u>

(2) Dues shall be payable upon request Administrator or designee is responsible for the maintenance of financial records associated with the dues.

(3) Failure to pay dues shall result in ineligibility to apply for Medical Staff reappointment. **<u>Hospital administration will have the right to waive dues when indicated such as when related to contractual arrangements.</u>**

<u>2.B COURTESY STAFF</u>
<u>2.B.2. Prerogatives and Responsibilities</u>:
Courtesy Staff members:

(a) **<u>admit patients without limitation, except as otherwise provided in their specific delineation of clinical privileges, the Bylaws or Bylaws-related documents, or as limited by the Board;</u>**
~~(a)~~(b) shall exercise such clinical privileges as are granted to them;
~~(b)~~ (c) may attend and participate in Medical Staff and department or service line meetings (without vote);
~~(c)~~ (d) may not hold office or serve as department or service line chairs or committee chairs;
~~(d)~~ (e) may be invited to serve on committees (with vote);
~~(e)~~ (f) are generally excused from providing specialty coverage for the Emergency Department for unassigned patients, but:

(1) must assume the care of any of their patients who present to the Emergency Department when requested to do so by an Emergency Department physician,

(2) must accept referrals from the Emergency Department for follow-up care of their patients treated in the Emergency Department, and

(3) will be required to provide specialty coverage if the MEC finds that there are insufficient Active Staff members in a particular specialty area to perform these responsibilities;

~~(f)~~ (g) shall cooperate in the professional practice evaluation and performance improvement processes;
~~(g)~~ (h) shall pay any applicable application fees, dues, and assessments.

<u>2.E. COVERAGE STAFF</u>
<u>2.E.1. Qualifications</u>:
The Coverage Staff shall consist of physicians and oral and maxillofacial surgeons who:

(a) desire appointment to the Medical Staff solely for the purpose of being able to provide coverage assistance to Active **<u>or Courtesy</u>** Staff members who are members of their group practice or coverage group;
(b) at each reappointment time, provide such quality data and other information as may be requested to assist in an appropriate assessment of current clinical competence and overall qualifications for appointment and clinical privileges (including, but not limited to, information from another hospital, information from the individual's office practice, information from managed care organizations in which the individual participates, and/or receipt of confidential evaluation forms completed by referring/referred to physicians);
(c) are not required to satisfy any defined response time requirements in place at the Hospital, except for those times when they are providing coverage; and
(d) agree that their Medical Staff appointment and clinical privileges will be automatically relinquished, with no right to a hearing or appeal, if their coverage arrangement with the Active **<u>or Courtesy</u>** Staff member(s) terminates for any reason.

<u>2.E.2. Prerogatives and Responsibilities:</u>
<u>Coverage Staff members:</u>

(a) when providing coverage assistance for an Active or Courtesy Staff member, shall be entitled to admit and/or treat patients who are the responsibility of the Active or Courtesy Staff member who is being covered (i.e., the Active or Courtesy Staff member's own patients or unassigned patients who present through the Emergency Department when the Active **<u>or Courtesy</u>** Staff member is on call);

Proposed Changes to the USA Health Hospitals Medical Staff Bylaws/Documents
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<u>ARTICLE 5 - MEDICAL STAFF COMMITTEES AND PERFORMANCE IMPROVEMENT FUNCTIONS</u>
<u>5.D. PERFORMANCE IMPROVEMENT FUNCTIONS:</u>
The Medical Staff is actively involved in performance improvement functions, including reviewing data and recommending and implementing processes to address the following:

(1) patient safety, including processes to respond to patient safety alerts, meet patient safety goals and reduce patient safety risks;
(2) the Hospital's and individual practitioners' performance on Joint Commission and Centers for Medicare & Medicaid Services ("CMS") core measures;
(3) medical assessment and treatment of patients;
(4) use of information about adverse privileging determinations regarding any practitioner;
(5) medication usage, including review of significant adverse drug reactions, medication errors and the use of experimental drugs and procedures;
(6) the utilization of blood and blood components, including review of significant transfusion reactions;
(7) operative and other procedures, including tissue review and review of discrepancies between pre-operative and post-operative diagnoses;
(8) appropriateness of clinical practice patterns;
(9) significant departures from established patterns of clinical practice;
(10) education of patients and families;
(11) coordination of care, treatment and services with other practitioners and Hospital personnel;
(12) accurate, timely and legible completion of medical records;
(13) the required content and quality of history and physical examinations, as well as the time frames required for completion, all of which are set forth in Appendix B of these Bylaws;
(14) the use of developed criteria for autopsies;
(15) sentinel events, including root cause analyses and responses to unanticipated adverse events;
(16) nosocomial infections and the potential for infection;
(17) unnecessary procedures or treatment;
(18) appropriate resource utilization: and
(19) **<u>pain assessment, pain management, and safe opioid prescribing</u>**

<u>6.D. PROVISIONS COMMON TO ALL MEETINGS</u>
<u>6.D.2. Quorum and Voting:</u>

(a) For any regular or special meeting of the Medical Staff, department, or committee, those voting members present (but not fewer than two) shall constitute a quorum. Exceptions to this general rule are that for meetings of the MEC and the Leadership Council the presence of at least 50% of the voting members of the committee shall constitute a quorum. **<u>In the event of a tie vote the Chief Medical Officer would vote at the MEC and Leadership Council meetings.</u>**
(b) Once a quorum is established, the business of the meeting may continue and all actions taken shall be binding, even if attendance drops below a quorum during the course of the meeting.
(c) Recommendations and actions of the Medical Staff, departments, service lines, and committees shall be by consensus. In the event it is necessary to vote on an issue, that issue will be determined by a majority vote of those individuals present. Voting may be by written ballot at the discretion of the Presiding Officer.
(d) The voting members of the Medical Staff, a department, service line, or a committee may also be presented with a question by mail, facsimile, e-mail, hand delivery, website posting, or telephone and their votes returned to the Presiding Officer by the method designated in the notice. Except for actions by the MEC and the Leadership Council (which require a 50% quorum), a quorum for purposes of these votes shall be the number of responses returned to the Presiding Officer by the date indicated. The question raised shall be determined in the affirmative if a majority of the responses returned has so indicated.
(e) When determining whether a specific percentage or a majority has been achieved with respect to a vote of the Medical Staff or a department, service line or committee, an individual who has recused himself or herself from participation in the vote shall not be counted as a voting member (for example, if there are ten voting members of a committee and one recuses himself or herself on a particular matter, the majority vote for that matter would be calculated as five of the remaining nine votes). **<u>When there is a tie vote the CMO shall vote to break the tie.</u>**
(f) At the discretion of the Presiding Officer, one or more Medical Staff members may participate in a meeting by telephone conference.

Proposed Changes to the USA Health Hospitals Medical Staff Bylaws/Documents
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<u>ARTICLE 8 - BASIC STEPS AND DETAILS</u>

The details associated with the following Basic Steps are contained in the Credentials Policy and the Advance Practice Professionals Policy in a more expansive form.

<u>8.B. PROCESS FOR PRIVILEGING</u>

Requests for privileges are provided to the applicable department chair or service line chair, who reviews the individual's education, training, and experience and prepares a form provided by the Medical Staff Office stating whether the individual meets all qualifications. The Combined Credentials Committee then reviews the chair's assessment, the application, and all supporting materials and makes a recommendation to the MEC. The MEC may accept the recommendation of the Combined Credentials Committee, refer the application back to the Combined Credentials Committee for further review, or state specific reasons for disagreement with the recommendation of the Combined Credentials Committee. If the recommendation of the MEC to grant privileges is favorable, it is forwarded to the ~~Board for final action~~ **<u>USA Health Credentialing Board to review and approve requests for appointment, reappointment and granting of clinical privileges to USA Health and its hospitals and clinics.</u> <u>This approval is the final step for granting of full privileges. For favorable recommendations, the applicant will be notified of the decision within 30 days.</u>** If the recommendation of the MEC is unfavorable, the individual is notified by the Hospital Administrator of the right to request a hearing.

<u>8.C. PROCESS FOR CREDENTIALING (APPOINTMENT AND REAPPOINTMENT)</u>

Complete applications are provided to the applicable department chair or service line chair, who reviews the individual's education, training, and experience and prepares a form provided by the Medical Staff Office stating whether the individual meets all qualifications. The Combined Credentials Committee then reviews the chair's assessment, the application, and all supporting materials and makes a recommendation to the MEC. The MEC may accept the recommendation of the Combined Credentials

Committee, refer the application back to the Combined Credentials Committee for further review, or state specific reasons for disagreement with the recommendation of the Combined Credentials Committee. If the recommendation of the MEC to grant appointment or reappointment is favorable, it is forwarded to the ~~Board for final action~~ **<u>USA Health Credentialing Board to review and approve requests for appointment, reappointment and granting of clinical privileges to USA Health and its hospitals and clinics.</u> <u>This approval is the final step for granting of full privileges. For favorable recommendations, the applicant will be notified of the decision within 30 days.</u>** If the recommendation of the MEC is unfavorable, the individual is notified by the Hospital Administrator of the right to request a hearing.

<u>ARTICLE 9-AMENDMENTS</u>

<u>9.A. MEDICAL STAFF BYLAWS</u>

(2) All proposed amendments to these Bylaws must be reviewed by the Bylaws Committee, ~~the Executive Committee~~, and both MECs prior to a vote by the Medical Staff. The MECs may hold a Medical Staff meeting with the relevant Medical Staff to discuss proposed amendments; however, voting shall not take place at a meeting but, rather, will be accomplished in accordance with this section. The MECs shall present all proposed amendments to the voting staffs by written or electronic ballot to be returned to the Medical Staff Office by the date indicated on the ballot, which date shall be at least **<u>7</u>** ~~14~~ days after the proposed amendment was provided to the voting staffs. Along with the proposed amendments, the MEC may, in its discretion, provide a written report on them either favorably or unfavorably. To be adopted, the amendment must receive a majority of the votes cast. **<u>The amendment would then be presented to the Executive Committee for approval.</u>**

<u>9.B. OTHER MEDICAL STAFF DOCUMENTS</u>

(2) An amendment to the Credentials Policy, Medical Staff Organization Manual, Advance Practice Professionals Policy, or the Medical Staff Rules and Regulations may be made by a majority vote of the members of each MEC present and voting at any meeting of that Committee where a quorum exists. Notice of all proposed amendments shall be provided to each voting staff member of the Medical Staff at least **<u>7</u>** ~~*14*~~ days prior to the respective MEC meeting, and any voting staff member may submit written comments to the MEC. If there is any disagreement between the MECs for the two Hospitals with respect to an amendment(s), a joint meeting shall be scheduled to discuss and resolve the disagreement.

Proposed Changes to the USA Health Hospitals Medical Staff Bylaws/Documents
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MEDICAL STAFF CREDENTIAL POLICY REVISIONS

<u>ARTICLE 1 - GENERAL</u>
<u>1.A. DEFINITIONS</u>

The following definitions shall apply to terms used in this Policy:

(1) "BOARD" means the University of South Alabama Board of Trustees, or its designated committee.

(2) **<u>"USA Health Credentialing Board" ("USAHCB") consist of four (4) voting members- Vice President of Medical Affairs/Dean of the College of Medicine, the Chief Medical Officer, and two (2) BOT members, as appointed by the USA Board of Trustees; and one (1) non-voting member- the CEO of USA Health.</u>**

<u>ARTICLE 3 - PROCEDURE FOR INITIAL APPOINTMENT</u>
<u>3.A. PROCEDURE FOR INITIAL APPOINTMENT</u>
<u>3.A.6. MEC Recommendation</u>:

(a) At its next regular meeting after receipt of the written findings and recommendation of the Combined Credentials Committee, the MEC shall:

(1) adopt the findings and recommendation of the Combined Credentials Committee, as its own; or
(2) refer the matter back to the Combined Credentials Committee for further consideration and responses to specific questions raised by the MEC prior to its final recommendation; or
(3) state its reasons in its report and recommendation, along with supporting information, for its disagreement with the Combined Credentials Committee's recommendation.

(b) If the recommendation of the MEC is to appoint, the recommendation shall be forwarded to the **<u>USA Health Credentialing</u>** Board.

(c) If the recommendation of the MEC is unfavorable and would entitle the applicant to request a hearing in accordance with Section 7.A.1(a) of this Policy, the MEC shall forward its recommendation to the Hospital Administrator, who shall promptly send Special Notice to the applicant. The Hospital Administrator shall then hold the application until after the applicant has completed or waived a hearing and appeal.

<u>3.A.7. Board Action</u>:

(a) <u>Expedited Review</u>: The Board may delegate to a committee, consisting of at least two Board members, action on appointment, reappointment, and clinical privileges if there has been a favorable recommendation from the Combined Credentials Committee and the MEC and there is no evidence of any of the following:

(1) a current or previously successful challenge to any license or registration;
(2) an involuntary termination, limitation, reduction, denial, or loss of appointment or privileges at any other hospital or other entity; or
(3) an unusual pattern of, or an excessive number of, professional liability actions resulting in a final judgment against the applicant.

Any decision reached by the Board **<u>Committee (this is referring to the USA Health Credentialing Board)</u>** to appoint shall be effective immediately. ~~and shall be forwarded to the Board for ratification at its next meeting.~~ **<u>This approval will be presented at the next board meeting.</u>**

AND ADDITIONAL PROCESS CHANGE TO 3.A.7 BOARD ACTION:

(d) Any final decision by the Board to grant, deny, revise or revoke appointment and/or clinical privileges will be disseminated to appropriate individuals **<u>within 30 calendar days</u>** and, as required, reported to appropriate entities.

<u>ARTICLE 5-PROCEDURE FOR REAPPOINTMENT</u>
5.A.2. Factors for Evaluation:
In considering an individual's application for reappointment, the factors listed in Section 2.A.3 of this Policy will be considered. Additionally, the following factors will be evaluated as part of the reappointment process:

(a) compliance with the Bylaws, Rules and Regulations, and policies of the Medical Staff and the Hospital;

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(b) participation in Medical Staff duties, including committee assignments, emergency call, consultation requests, quality of medical record documentation, cooperation with case management, participation in quality improvement, utilization activities, and professional practice evaluation activities, and such other reasonable duties and responsibilities as assigned;

(c) the results of the Hospital's performance improvement and professional practice evaluation activities, taking into consideration practitioner-specific information compared to aggregate information concerning other individuals in the same or similar specialty (provided that, other practitioners will not be identified); **<u>Upon renewal of privileges, when insufficient practitioner- specific data is available, a peer recommendation is evaluated</u>.**
(TJC MS 07.01.03 EP2)

(d) any focused professional practice evaluations;

(e) verified complaints received from patients, families, and/or staff; and

(f) other reasonable indicators of continuing qualifications.

MEDICAL STAFF ORGANIZATIONAL MANUAL REVISIONS

<u>ARTICLE 3 – MEDICAL STAFF COMMITTEES</u>
<u>3.F. EXECUTIVE COMMITTEE</u>
<u>3.F.1. Composition</u>:

The Executive Committee is a joint committee with authority for both Hospitals which shall consist of the Vice President of Medical Affairs/Dean of the College of Medicine, who shall serve as the Chair, ~~the Hospital Administrators, the CMO, the CNO, the CFO, the Chair of the MEC from each Hospital, the Immediate Past Chair of the MEC from each Hospital, and the Academic/Service Line Department Chairs.~~ **<u>the CEO, and appropriate Chairs, Service Line Leaders and Senior Administrators</u>**.

<u>3.K. USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL</u>
<u>PEER & QUALITY REVIEW COMMITTEE</u>
3.K.1. Composition:

The USA Health Children's & Women's Hospital Peer & Quality Review Committee shall consist of ~~the chair of the Surgery Steering Committee; the Academic Chairs of Pediatrics, OB/Gyn, Family Medicine, and Emergency Medicine; medical directors of PICU and NICU; Family Medicine, OB/Gyn, and Pediatric program directors; other representatives of the Medical Staff, including hospitalists, proceduralists and specialists; Quality Management case reviewers and USA attorney representatives as *ex officio* members.~~ **<u>appropriate medical staff representation from the medical staff departments and Quality Management staff.</u>**

<u>3.M USA HEALTH UNIVERSITY HOSPITAL PEER REVIEW COMMITTEE</u>
<u>3.M.1 Composition:</u>

<u>The USA Health University Hospital Peer Review Committee shall consist of appropriate medical staff representation from the medical staff departments and Quality Management staff.</u>

<u>3.M.2 Duties:</u>

<u>The USA Health University Hospital Peer Review Committee shall:</u>

(a) **<u>review and evaluate appropriateness of clinical care which includes complication prevention and mitigation actions when applicable, oversight and coordination of care, documentation, and coding;</u>**

(b) **<u>oversee the implementation of the peer review process;</u>**

(c) **<u>evaluate appropriateness of care and make recommendations for actions with practitioners or to the system.</u>**

(e) **<u>formulate Quality Improvement recommendations when care provides an opportunity for improvement or is related to a variance in practice, technique, adherence to evidence-based care or recommended practice, or other identified area; and</u>**

(f) **<u>perform any additional functions as may be set forth in applicable peer review policies or as requested by the Leadership Council, the MEC, or the Board</u>**

Proposed Changes to the USA Health Hospitals Medical Staff Bylaws/Documents
Revisions Approved via email vote by the USA Health Hospitals Active Medical Staff on October 22, 2020

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ADVANCE PRACTICE PROFESSIONALS POLICY

<u>5.A.6. Board Action</u>:
(a) <u>Expedited Review</u>: The Board may delegate to a committee, consisting of at least two Board members, action on appointment, reappointment, and clinical privileges if there has been a favorable recommendation from the Combined Credentials Committee and the MEC and there is no evidence of any of the following:

(1) a current or previously successful challenge to any license or registration;
(2) an involuntary termination, limitation, reduction, denial, or loss of appointment or privileges at any other hospital or other entity; or
(3) an unusual pattern of, or an excessive number of, professional liability actions resulting in a final judgment against the applicant.

Any decision reached by the Board **<u>Committee (this is referring to the USA Health Credentialing Board)</u>** to appoint shall be effective immediately. ~~and shall be forwarded to the Board for ratification at its next meeting.~~ **<u>This approval will be presented at the next board meeting.</u>**

AND ADDITIONAL PROCESS CHANGE TO 5.A.6 BOARD ACTION:

(d) Any final decision by the Board to grant, deny, revise or revoke appointment and/or clinical privileges will be disseminated to appropriate individuals **<u>within 30 calendar days</u>** and, as required, reported to appropriate entities. (MS 06.01.09 The decision to grant, limit, or deny an initially requested privilege or an existing privilege petitioned for renewal is communicated to the requesting practitioner within the time frame specified in the medical staff Bylaws).

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

DATE: November 19, 2020

TO: Tony Waldrop, President AJW

FROM: Andrea Kent, Interim Provost and Senior Vice President, Academic Affairs A Kent

SUBJECT: Sabbatical Recommendations for Fall 2021 – Spring 2022

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

NAME	DISCIPLINE	TIME PERIOD
Timothy Lombardo	History	Spring 2022
Alex Beebe	Earth Sciences	Fall 2021
Justin St. Clair	English	Fall 2021 & Spring 2022
Jaclyn Bunch	Political Sciences & Criminal Justice	Spring 2022
Nemanja Kosovalic	Mathematics & Statistics	Fall 2021 & Spring 2022
Joseph Currier	Psychology	Spring 2022
Harry Roddy	German	Spring 2022
Armin Straub	Mathematics & Statistics	Fall 2021 & Spring 2022
Chris Raczkowski	English	Fall 2021
Samuel Baker	Philosophy	Fall 2021 & Spring 2022
Elizabeth Rivenbark	Art History	Spring 2022
Patrick Shaw	English	Spring 2022
Ryan McDermott	Counseling & Instructional Sciences	Fall 2021
Alex Sharland	Marketing & Quantitative Methods	Fall 2021
David Turnipseed	Management	Spring 2022

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

December 3, 2020

RESOLUTION

SABBATICAL AWARDS

WHEREAS, in accordance with University policy, proposals for sabbatical awards from the following faculty have been reviewed and recommended by the respective faculty committees, departmental chair, and college dean, and by the Interim Provost and Senior Vice President for Academic Affairs and President:

- Timothy Lombardo, Assistant Professor of History
- Alex Beebe, Associate Professor of Earth Sciences
- Justin St. Clair, Associate Professor of English
- Jaclyn Bunch, Associate Professor of Political Sciences & Criminal Justice
- Nemanja Kosovalic, Associate Professor of Mathematics & Statistics
- Joseph Currier, Associate Professor of Psychology
- Harry Roddy, Associate Professor of German
- Armin Straub, Assistant Professor of Mathematics & Statistics
- Chris Raczkowski, Associate Professor of English
- Samuel Baker, Assistant Professor of Philosophy
- Elizabeth Rivenbark, Associate Professor of Art History
- Patrick Shaw, Associate Professor of English
- Ryan McDermott, Assistant Professor of Counseling & Instructional Sciences
- Alex Sharland, Professor of Marketing & Quantitative Methods
- David Turnipseed, Professor of Management,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves said sabbatical awards for Fall 2021 – Spring 2022.

SABBATICAL RECOMMENDATIONS
Fall 2021 – Spring 2022

College of Arts and Sciences

1) Timothy Lombardo, Assistant Professor of History
   Sabbatical Request: Spring 2022 at full pay

   Dr. Timothy Lombardo's proposed research project for his sabbatical examines the connection of small-scale brewing businesses on urban space in America, from the 1970s through the present. His assessment is that a study of microbrewers in urban revitalization and gentrification will open up questions of race, glass, gender and inequality in contemporary America. This project involves archival research, oral history, and case studies in Brooklyn, Chicago and Denver. The project has already been supported by the University in the form of a Seed Grant to Support the Arts and Humanities and by the National Endowment for the Humanities (NEH), from which Dr. Lombardo received a Summer Stipend grant in 2020

2) Alex Beebe, Associate Professor of Earth Sciences
   Sabbatical Request: Fall 2021 at full pay

   Dr. Alex Beebe plans to use his sabbatical semester to prepare manuscripts based on previously collected data. The manuscripts will be submitted to high impact journals in Dr. Beebe's discipline. In addition to preparing manuscripts, Dr. Beebe is planning 1 week of field work during his sabbatical semester.

3) Justin St. Clair, Associate Professor of English
   Sabbatical Request: Fall 2021 & Spring 2022 at half pay

   Dr. Justin St. Clair's new project, Sound Readings: A Short History of the Soundtracked Book, promises to add to the cultural history of the relationship between sound and print culture by exploring a range of artifacts running from the early twentieth century to the 2000s and using the analysis of early soundtracked books to frame a broader consideration of contemporary transmedia. Dr. St. Clair has made the exploration of the relationship between sound and literature the core preoccupation of his career, reflected in a range of significant publications as well as his stewardship of the Independent Music Collective on campus. His articles appear in venues like Big Muddy, The Journal of Sonic Studies, and the anthology Audiobooks, Literature, and Sound Studies. Dr. St. Clair's work opens up new fields of inquiry in sound culture studies. This sabbatical will enable him to complete his monograph and continue to progress professionally at the university.

4) Jaclyn Bunch, Associate Professor of Political Sciences & Criminal Justice
   Sabbatical Request: Spring 2022 at full pay

   Dr. Jaclyn Bunch proposes to use the sabbatical to launch a book project on Intergovernmental Health Relations, which is at the intersection of her research and teaching interests in federalism and intergovernmental relations, healthcare and health policy. As Dr. Bunch outlines in her proposal, the sabbatical will also represent an opportunity to further networks and relationships with stakeholders.

5) Nemanja Kosovalic, Associate Professor of Mathematics & Statistics
Sabbatical Request: Fall 2021 & Spring 2022 at half pay

Dr. Nemanja Kosovalić plans to advance his research program by visiting his collaborator Dr. Brian Pigott at Wofford College, Spartanburg, South Carolina during Academic Year (AY) 2021-22. He is researching nonlinear wave equations and their connections to dynamical systems theory, number theory, and equivariant bifurcation theory.

6) Joseph Currier, Associate Professor of Psychology
Sabbatical Request: Spring 2022 at full pay

Dr. Joseph Currier proposes to visit with, and plan with, his collaborators for a large, multi-site study of PTSD and moral injury. Dr. Currier is already an internationally known and respected leader in this field, but his sabbatical will allow him key planning time to put together a large-scale grant application that would position the Department of Psychology as a leading research institute in the field.

7) Harry Roddy, Associate Professor of German
Sabbatical Request: Spring 2022 at full pay

Dr. Harry Roddy plans to travel to Germany to consult relevant collections and archives shaping his work into what will be his first monograph. For the past several years, Dr. Roddy has been laying the groundwork for his monograph in a series of articles that have appeared in respected journals such as The German Quarterly and Seminar: A Journal of Germanic Studies. The proposed book, a study of masculinity and utopianism in the works of H.H. Jahnn, R.D. Brinkmann, and R.W. Fassbinder, will place these three artists, who worked in different genres, in conversation with one another. Dr. Roddy's work will illuminate what he calls their "perverse utopianism," a literary as well as cultural phenomenon that developed against the backdrop of the sweeping changes that characterized German society from Weimar through the Cold War.

8) Armin Straub, Assistant Professor of Mathematics & Statistics
Sabbatical Request: Fall 2021 & Spring 2022 at half pay

Dr. Armin Straub plans to advance his research program by visiting his collaborators at University College London, the Research Institute for Symbolic Computation (RISC) at Johannes Kepler University, and University College Dublin during Academic Year (AY) 2021-22. He is researching applications of number theory to knot theory and computer algebra, and the intersection of analysis and combinatorics.

9) Chris Raczkowski, Associate Professor of English
Sabbatical Request: Fall 2021 at full pay

When the storied Cambridge editor Ray Ryan sought to find an editor for a proposed volume on crime fiction, he approached Dr. Chris Raczkowski, and the Cambridge University Press volume, A History of American Crime Fiction, was born. Dr. Raczkowski edited the volume, introduced it, and supplied the namesake chapter on "Criminal Modernism," as his work on the collection influenced the shape and development of his monograph. His articles appear in top venues like Studies in the Novel and the Modern Fiction Studies. This sabbatical will allow Dr. Raczkowski to complete the book manuscript for Criminal Modernism and bring it into review at the press that is the top of his field. This monograph will create professional and critical interest that will make an impact in scholarship on modernism and American literature.

10) Samuel Baker, Assistant Professor of Philosophy
Sabbatical Request: Fall 2021 & Spring 2022 at half pay

Dr. Samuel Baker plans to work on four articles, three of which he plans to incorporate into a book project, tentatively entitled, Aristotle on Truth as the Good of the Intellect. (As is customary in his field, he intends to initially publish parts of the project as articles, and then to expand them into a book.) He will also use his sabbatical to improve his mastery of those foreign languages that are essential for his research.

11) Elizabeth Rivenbark, Associate Professor of Art History
Sabbatical Request: Spring 2022 at full pay

Dr. Elizabeth Rivenbark's sabbatical proposal is to complete two chapters related to artists using the absent body to address body politics, search and secure a publisher and continue her research on absent body to address body politics associated with the civil rights movements of the 1960s.

12) Patrick Shaw, Associate Professor of English
Sabbatical Request: Spring 2022 at full pay

Dr. Patrick Shaw plans to develop a monograph on Gertrude Stein's contribution to rhetoric. Dr. Shaw has been active as a presenter and author of works in the field of rhetoric and in composition studies, and his interest in Gertrude Stein and her challenging and engaging rhetoric has spanned his career. By structuring this project around her identity-specifically the "three identities" that he identifies in this project-Dr. Shaw creates an illuminating framework for understanding such a complex figure in relation to modernism with its associations with masculine discourse. His presentation, "Gertrude Stein on the Borders of Identity," which was eventually the basis for an article, has already attracted the interest of an editor at Lexington Books.

College of Education and Professional Studies

13) Ryan McDermott, Assistant Professor of Counseling & Instructional Sciences
Sabbatical Request: Fall 2021 at full pay

Dr. Ryan McDermott is requesting time to work with his co-author to write the fifth edition of the textbook *Positive Psychology: The scientific and practical explorations of human strengths*. The authorship of a textbook that has significant academic usage, provides not only additional recognition for Dr. McDermott, but also our university.

Mitchell College of Business

14) Alex Sharland, Professor of Marketing & Quantitative Methods
Sabbatical Request: Fall 2021 at full pay

Dr. Alex Sharland's sabbatical application focuses a research agenda on the issues of Caribbean economic performance, foreign direct investment, human capital development and sovereign wealth funds. The interaction of these institutions and concepts provides fertile ground for research evaluating best practices in Caribbean Islands. The goal of the research is at least one journal article but possibly more.

15) David Turnipseed, Professor of Management
Sabbatical Request: Spring 2022 at full pay

Dr. David Turnipseed plans to travel to universities in Yogyakarta, Indonesia and Heilbron, Germany, both of which have partner arrangements with Mitchell College of Business. These locations were chosen because of their importance in the global economy and their cultures compared to the United States: Germany because of its similarity, and Indonesia, because of its difference. Dr. Turnipseed plans to lecture in classes in both locations, and interact with professors, students, and businesspeople to increase knowledge of those highly relevant cultures. He also intends to conduct a study in the two countries, an analysis of personality and individual differences, and national culture on perceptions and utilization of substitutes for leadership which combines his three teaching areas.

December 3, 2020

RESOLUTION

FACULTY EMERITUS

WHEREAS, the following faculty members have retired from the University of South Alabama, or will soon retire as specified below:

ACADEMIC AFFAIRS:
- David Chang, Professor of Cardiorespiratory Care
- Ron Nelson, Associate Professor of Political Science and Criminal Justice
- Timothy Op't Holt, Professor of Cardiorespiratory Care
- Bill Pruitt, Senior Instructor of Cardiorespiratory Care
- Roy Ryder, Professor of Earth Sciences
- Karyn Tunks, Professor of Leadership and Teacher Education
- Gerald Wilson, Professor of Communication

COLLEGE OF MEDICINE:
- Mary I. Townsley, Ph.D., Professor of Physiology and Cell Biology (effective on her retirement date of 1/1/2021),

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; in serving to positively inspire students; and, regarding those with clinical backgrounds, for dedication to the treatment and healing of patients; all for which, in accordance with University policy, the respective faculty committees, departmental chair and college dean, the Interim Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus, Associate Professor Emeritus or Senior Instructor Emeritus in accord with the rank of each upon retirement,

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

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

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

DATE: November 17, 2020

TO: Tony Waldrop, President

FROM: Andrea Kent, Interim Provost and Senior Vice President, Academic Affairs

AKent

SUBJECT: Emeritus Recommendations

In accordance with recommendations by the faculty, 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, Associate Professor Emeritus, and Senior Instructor Emeritus appropriate for their respective rank at retirement effective upon approval by you and the Board of Trustees.

- David Chang, Professor of Cardiorespiratory Care (Professor Emeritus)
- Ron Nelson, Associate Professor of Political Science and Criminal Justice (Associate Professor Emeritus)
- Timothy Op't Holt, Professor of Cardiorespiratory Care (Professor Emeritus)
- Bill Pruitt, Senior Instructor of Cardiorespiratory Care (Senior Instructor Emeritus)
- Roy Ryder, Professor of Earth Sciences (Professor Emeritus)
- Karyn Tunks, Professor of Leadership and Teacher Education (Professor Emeritus)
- Gerald Wilson, Professor of Communication (Professor Emeritus)

Thank you.

Approved: Tony Waldrop

Disapproved: ___________________________

AMK/rmh

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Dean/College of Medicine

DATE: October 23, 2020

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

FROM: Dr. John V. Marymont
Vice-President for Medical Affairs and Dean of the College of Medicine

SUBJECT: College of Medicine Emeritus Recommendation, 2020

I recommend awarding the rank of professor emeritus to retired College of Medicine faculty as specified below and have included the faculty's CV for your review. With your approval, I request presentation of the recommendation to the Board of Trustees at the December meeting.

- Mary I. Townsley, Ph.D., Professor of the Department of Physiology and Cell Biology (effective on her retirement date of 1/1/2021)

Update: University Accreditation by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC)

In December 2018, SACSCOC approved new Principles of Accreditation, which are the standards the University must meet to maintain its accreditation.

Accreditation, by an accrediting body approved by the United States Department of Education, is required to be eligible to receive federal financial aid and often to qualify for most extramural funding (public or private).

Also, in December 2018, SACSCOC approved a modified accrediting process called Differentiated Review. Differentiated Review was made available to institutions who qualified based on a series of indicators measuring institutional stability. If approved, Differentiated Review allows institutions to formally respond to 40 of the 73 Principles of Accreditation. In November 2020, the University of South Alabama was approved to be part of the first group of institutions approved for Differentiated Review.

The SACSCOC Leadership team for The University of South Alabama's Decennial Reaffirmation in 2023 includes: Dr. Tony Waldrop, Dr. Andrea Moore Kent, Dr. Angela Coleman, Mr. Scott Weldon, and Dr. Julie Estis. This leadership team will participate in the orientation for institutions who are part of the Reaffirmation Class of 2023 during the SACSOC Annual Meeting being held virtually in early December.

There will be an official kick-off for our SACSCOC Reaffirmation activities when we return from the winter break to include forming a writing team and planning for the development of our next Quality Enhancement Plan (QEP).

The complete list of standards to be addressed during Differentiated Review follows.

Though not part of Differentiated Review all standards are monitored for compliance.

The Principles of Accreditation are found at https://sacscoc.org/app/uploads/2019/08/2018PrinciplesOfAcreditation.pdf

Principles of Accreditation to be reviewed as part of Differentiated Review

Section 1: Integrity
1.1. The institution operates with integrity in all matters. *(Integrity)* [CR]

Section 2: Mission
2.1. The institution has a clearly defined, comprehensive, and published mission specific to the institution and appropriate for higher education. The mission addresses teaching and learning and, where applicable, research and public service. *(Institutional mission)* [CR]

Section 4: Governing Board
4.1. The institution has a governing board of at least five members that:

(a) is the legal body with specific authority over the institution.

(b) exercises fiduciary oversight of the institution.

(c) ensures that both the presiding officer of the board and a majority of other voting members of the board are free of any contractual, employment, personal, or familial financial interest in the institution.

(d) is not controlled by a minority of board members or by organizations or institutions separate from it.

(e) is not presided over by the chief executive officer of the institution.
(Governing board characteristics) [CR]

4.2. The governing board

(d.) defines and addresses potential conflict of interest for its members. *(Conflict of interest)*

(f.) protects the institution from undue influence by external persons or bodies. *(External influence)*
(g.) defines and regularly evaluates its responsibilities and expectations. *(Board self-evaluation)*

Section 5: Administration and Organization
5.1. The institution has a chief executive officer whose primary responsibility is to the institution. *(Chief executive officer)* [CR]

5.2. The chief executive officer has ultimate responsibility for, and exercises appropriate control over, the following:

(a) The institution's educational, administrative, and fiscal programs and services. *(CEO control)*

(b) The institution's intercollegiate athletics program. *(Control of intercollegiate athletics)*
(c) The institution's fund-raising activities. *(Control of fund-raising activities)*

5.4. The institution employs and regularly evaluates administrative and academic officers with appropriate experience and qualifications to lead the institution. *(Qualified administrative/academic officers)*

Section 6: Faculty
6.1. The institution employs an adequate number of full-time faculty members to support the mission and goals of the institution. *(Full-time faculty)* [CR]

6.2. For each of its educational programs, the institution

(a) Justifies and documents the qualifications of its faculty members. *(Faculty qualifications)*

(b) Employs a sufficient number of full-time faculty members to ensure curriculum and program quality, integrity, and review. *(Program faculty)*
(c) Assigns appropriate responsibility for program coordination. *(Program coordination)*

Section 7: Institutional Planning and Effectiveness
7.1. The institution engages in ongoing, comprehensive, and integrated research-based planning and evaluation processes that (a) focus on institutional quality and effectiveness and (b) incorporate a systematic review of institutional goals and outcomes consistent with its mission. *(Institutional Planning)* [CR]

7.2. The institution has a QEP that (a) has a topic identified through its ongoing, comprehensive planning and evaluation processes; (b) has broad-based support of institutional constituencies; (c) focuses on improving specific student learning outcomes and/or student success; (d) commits resources to initiate, implement, and complete the QEP; and € includes a plan to assess achievement. *(Quality Enhancement Plan)*

Section 8: Student Achievement
8.2. The institution identifies expected outcomes, assesses the extent to which it achieves these outcomes, and provides evidence of seeking improvement based on analysis of the results in the areas below:
(a) Student learning outcomes for each of its educational programs. *(Student outcomes: educational programs)*

Section 9: Educational Program Structure and Content
9.1. Educational programs (a) embody a coherent course of study, (b) are compatible with the stated mission and goals of the institution, and (c) are based on fields of study appropriate to higher education. *(Program content)* [CR]

9.2. The institution offers one or more degree programs based on at least 60 semester credit hours or the equivalent at the associate level; at least 120 semester credit hours or the equivalent at the baccalaureate level; or at least 30 semester credit hours or the equivalent at the post-baccalaureate, graduate, or professional level. The institution provides an explanation of equivalencies when using units other than semester credit hours. The institution provides an appropriate justification for all degree programs and combined degree programs that include fewer than the required number of semester credit hours or its equivalent unit. *(Program length)* [CR]

9.3. The institution requires the successful completion of a general education component at the undergraduate level that:
(a) is based on a coherent rationale.

(b) is a substantial component of each undergraduate degree program. For degree completion in associate programs, the component constitutes a minimum of 15 semester hours or the equivalent; for baccalaureate programs, a minimum of 30 semester hours or the equivalent.
(c) ensures breadth of knowledge. These credit hours include at least one course from each of the following areas: humanities/ fine arts, social/behavioral sciences, and natural

science/ mathematics. These courses do not narrowly focus on those skills, techniques, and procedures specific to a particular occupation or profession. *(General education requirements)* [CR]

Section 10: Educational Policies, Procedures, and Practices
10.2. The institution makes available to students and the public current academic calendars, grading policies, cost of attendance, and refund policies. *(Public information)*

10.5. The institution publishes admissions policies consistent with its mission. Recruitment materials and presentations accurately represent the practices, policies, and accreditation status of the institution. The institution also ensures that independent contractors or agents used for recruiting purposes and for admission activities are governed by the same principles and policies as institutional employees. *(Admissions policies and practices)*

10.6. An institution that offers distance or correspondence education:

(a) ensures that the student who registers in a distance or correspondence education course or program is the same student who participates in and completes the course or program and receives the credit.

(b) has a written procedure for protecting the privacy of students enrolled in distance and correspondence education courses or programs.

(c) ensures that students are notified, in writing at the time of registration or enrollment, of any projected additional student charges associated with verification of student identity.

(Distance and correspondence education)

Section 11: Library and Learning/Information Resources
11.1. The institution provides adequate and appropriate library and learning/information resources, services, and support for its mission. *(Library and learning/information resources)* [CR]

Section 12: Academic and Student Support Services

12.1 The institution provides appropriate academic and student support programs, services, and activities consistent with its mission. *(Student support services)* [CR]

12.4. The institution (a) publishes appropriate and clear procedures for addressing written student complaints, (b) demonstrates that it follows the procedures when resolving them, and (c) maintains a record of student complaints that can be accessed upon request by SACSCOC. *(Student complaints)*

12.6. The institution provides information and guidance to help student borrowers understand how to manage their debt and repay their loans. *(Student debt)*

Section 13: Financial and Physical Resources
13.1 The institution has sound financial resources and a demonstrated, stable financial base to support the mission of the institution and the scope of its programs and services. *(Financial resources)* [CR]

13.2. The member institution provides the following financial statements:

(a) an institutional audit (or Standard Review Report issued in accordance with *Statements on Standards for Accounting and Review Services* issued by the AICPA for those institutions audited as part of a system-wide or statewide audit) for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide.
(b) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year.
(c) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.

13.3. The institution manages its financial resources in a responsible manner. *(Financial responsibility)*

13.6. The institution (a) is in compliance with its program responsibilities under Title IV of the most recent Higher Education Act as amended and (b) audits financial aid programs as required by federal and state regulations. In reviewing the institution's compliance with these program responsibilities under Title IV, SACSCOC relies on documentation forwarded to it by the U.S. Department of Education. *(Federal and state responsibilities)*

13.7. The institution ensures adequate physical facilities and resources, both on and off campus, that appropriately serve the needs of the institution's educational programs, support services, and other mission-related activities. *(Physical resources)*

Section 14: Transparency and Institutional Representation

14.1. The institution (a) accurately represents its accreditation status and publishes the name, address, and telephone number of SACSCOC in accordance with SACSCOC's requirements and federal policy; and (b) ensures all its branch campuses include the name of that institution and make it clear that their accreditation depends on the continued accreditation of the parent campus. *(Publication of accreditation status)*

14.3. The institution applies all appropriate standards and policies to its distance learning programs, branch campuses, and off-campus instructional sites. *(Comprehensive institutional reviews)*

14.4. The institution (a) represents itself accurately to all U.S. Department of Education recognized accrediting agencies with which it holds accreditation and (b) informs those agencies of any change of accreditation status, including the imposition of public sanctions. (See SACSCOC policy Accrediting Decisions of Other Agencies.) *(Representation to other agencies)*

14.5. The institution complies with SACSCOC's policy statements that pertain to new or additional institutional obligations that may arise that are not part of the standards in the current *Principles of Accreditation*. *(Policy compliance)*

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

LONG-RANGE PLANNING COMMITTEE

Strategic Planning Update

- The University of South Alabama Strategic Planning Process is underway once again.
- The Strategic Planning Committee was reappointed and will have its first meeting on Wednesday, December 9, 2020 at 8:30 am via Zoom.

Interim Provost and Interim Senior Vice President for Academic Affairs
Andrea Moore Kent

Executive Vice President
John Smith (Co-Chair)

USA Student
Dawson Atkinson

Associate Vice President for Research
Michael Chambers

Assistant Vice President for Auxiliary Services
Chris Cleveland

Associate Vice President, Institutional Effectiveness
Angela Coleman

Chief Diversity and Inclusion Officer
Paul Frazier

Assistant Dean, COM Accreditation and Planning
Tim Gilbert

Assistant Administrative, USA Health System
Liz Kirby

Associate Vice President Medical Affairs, USA Health Development
Kelly McCarron

Associate Professor, Civic, Coastal, and Environmental Engineering
President, Faculty Senate
John Cleary

Deputy Athletic Director
Daniel McCarthy

Vice President, Student Affairs/Dean of Students
Mike Mitchell

Associate Vice President, Facilities Management
Randy Moon

Associate Vice President, Academic Affairs
Harold Pardue

Chief Policy Officer/AVP Medical Affairs
Danny Rickert

Associate Vice President, Finance and Administration
Polly Stokley

Dean, Engineering
John Usher

Professor, Adult Health Nursing
Elizabeth VandeWaa

City Councilman
Joel Daves

Pres/CEO at Goodwill Easter Seals of the Gulf Coast
Frank Harkins

Mobile County Commissioner
Merceria Ludgood

USA Trustee and Executive Director at Lifeline Counseling
Chandra Brown Stewart

Chair, USA Board of Trustees and Executive Vice President, Engineering Firm
Jimmy Shumock

Site Director at Airbus Americas Engineering
David Trent

Over the next year, there will be five phases that lead us to completion of our Strategic Plan. Ultimately, the Strategic Plan will be approved by the Board of Trustees at its December 2021 Board Meeting.

Visioning is occurring now across the University and USA Health.

The Community Input Phase will include surveys and virtual community conversations to help us understand what our constituencies feel the University's priorities and outcomes should be in the next five years.

Along with other data about the University, the Strategic Planning Committee will take all of the community input into account before approving a draft Strategic Plan.

The draft Strategic Plan, will be released to the community for additional input that will help the Strategic Planning Committee refine the plan and help the University identify indicators of success to assess the University's progress on its strategic plan.

The community's feedback on the draft Strategic Plan will be considered in development of a final plan.

You should feel free to direct any questions about the planning process to the Co-Chairs of the Strategic Planning Committee:

Andrea Moore Kent, Interim Provost and Interim Senior Vice President for Academic Affairs: akent@southalabama.edu or 251.460.6261

John Smith, Executive Vice President: johns@southalabama.edu or 251.460.6171

Or to Angela Coleman, Associate Vice President, Office of Institutional Effectiveness macoleman@southalabama.edu or 251.460.7475

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE
COMMITTEE

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: November 5, 2020

TO: President Tony G. Waldrop TGW

FROM: G. Scott Weldon Scott

SUBJECT: Amendments to Supplementary Retirement Plan

Attached is a resolution for consideration by the Board of Trustees concerning one of the University's supplementary retirement plans, the Section 401(a) plan (University of South Alabama Money Purchase Pension Plan).

We request approval and adoption of the restated 401(a) plan in compliance with the Internal Revenue Service required amendments guidance, which includes substantive updates only in regards to rollover distributions.

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

Attachment

December 3, 2020

RESOLUTION

RESTATEMENT OF THE UNIVERSITY OF SOUTH ALABAMA MONEY PURCHASE PENSION PLAN

WHEREAS, the University of South Alabama, in 2004, authorized the establishment of a 401(a) Money Purchase Pension Plan, which was restated to comply with the administrative requirements of the Economic Growth and Tax Relief Act of 2001, said restatement having been submitted to and approved in September 2012 by the Internal Revenue Service, conditioned upon the adoption of the restated plan, which adoption was approved on December 6, 2012, by the University of South Alabama Board of Trustees, and

WHEREAS, a restatement of the said 401(a) Money Purchase Pension Plan occurred on January 1, 2020, to comply with the Internal Revenue Service required amendments guidance issued since 2012,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby approves and adopts the attached Restated 401(a) Money Purchase Pension Plan and authorizes the University President or other university contract officer to sign the plan document.

UNIVERSITY OF SOUTH ALABAMA

401(a) Money Purchase Pension Plan

As Amended and Restated
Effective January 1, 2020

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ARTICLE 1.
Definitions

Section 1.1 Accumulation Account means the separate account established for each Participant under the Plan.

Section 1.2 Annual Compensation Limit shall mean the limit for contributions set forth in Code Section 401(a)(17), as the same is adjusted from year to year.

Section 1.3 Annuity Starting Date shall mean (i) the first day of the first period for which an amount is payable as an annuity, or (ii) in the case of a benefit not payable in the form of an annuity, the first day in which all events have occurred which entitle the Participant to such benefit.

Section 1.4 Balance shall mean, with respect to an Accumulation Account at any time, the dollar amount of the balance of such Accumulation Account determined as of the preceding Quarter End, increased by the amount or amounts, if any, credited to such Accumulation Account pursuant to the terms of the Plan since such preceding Quarter End and reduced by the amount of any distributions made and any other amount or amounts, if any, charged to and removed from such Accumulation Account pursuant to the terms of the Plan since such preceding Quarter End.

Section 1.5 Beneficiary(ies) "Beneficiary" means the individual, institution, trustee, or estate designated by the Participant to receive benefits on the death of the Participant.

Section 1.6 Board means the Institution's Board of Trustees.

Section 1.7 Code means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code includes not only the section, but any comparable section or sections of any future legislation that amends, supplements, or supersedes the section.

Section 1.8 Compensation means wages paid to a Participant by the Institution that must be reported as wages on the Participant's W-2 Form. "Compensation" includes those wages that are not included in the Participant's gross income due to Participant participation in an IRC Section 125, 132(f)(4), 401(k), 403(b) elective deferral plan, 414(h)(1)(B), 414(h)(2), or 457 salary reduction agreement.

Notwithstanding any other stated Plan provision to the contrary, the annual compensation to be considered for each Participant shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit for Plan Year 2004 is $205,000. The annual compensation limit will be adjusted by the Commissioner of the Internal Revenue Service for increases in the cost-of-living and will be consistent with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

Notwithstanding the foregoing, Compensation for all applicable purposes under the Plan of Section 415 of the Code ("415 Compensation") shall be adjusted for the following types of compensation paid after a Participant's severance from employment with the Employer (or any other entity that is treated as the Employer pursuant to Sections 414(b), (c), (m) or (o) of the Code): regular pay, leave cashouts, and deferred compensation, salary continuation payments for military service Participants, and salary continuation payments for disabled Participants. However, leave cashouts and deferred compensation as described below may only be included in 415 Compensation to the extent such amounts are paid by the later of 2 ½ months after severance from employment or by the end of the Limitation Year that includes the date of such severance from employment. Any other payment of compensation paid after severance of employment that is not described in the following types of compensation is not considered 415 Compensation within the meaning of Section 415(c)(3) of the Code, even if payment is made within the time period specified above.

With regard to regular pay, 415 Compensation shall include regular pay after severance of employment if: (1) the payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and (2) the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in employment with the Employer.

With regard to leave cashouts and deferred compensation, leave cashouts shall be included in 415 Compensation if those amounts would have been included in the definition of 415 Compensation if they were paid prior to the Participant's severance from employment, and the amounts are payment for unused accrued bona fide sick, vacation, or other leave, but only if the Participant would have been able to use the leave if employment had continued. In addition, deferred compensation shall be included in 415 Compensation if the compensation would have been included in the definition of 415 Compensation if it had been paid prior to the Participant's severance from employment, and the compensation is received pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid at the same time if the Participant had continued in employment with the Institution and only to the extent that the payment is includible in the Participant's gross income.

With regard to salary continuation for military service Participants, 415 Compensation includes payments to an individual who does not currently perform services for the Employer by reason of qualified military service (as that term is used in Section 414(u)(1) of the Code) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

With regard to payments for disabled Participants, 415 Compensation does not include compensation paid to a Participant who is permanently and totally disabled (as defined in Section 22(e)(3) of the Code).

415 Compensation for a Limitation Year shall not include amounts earned but not paid during the Limitation Year solely because of the timing of pay periods and pay dates.

Section 1.9 Date of Employment or Reemployment means the first day in which an Eligible Employee is paid for the performance of services for the most recent period of service with the Institution. For a faculty member Date of Employment or Reemployment is the date of appointment.

Section 1.10 Direct Rollover shall mean a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

Section 1.11 Distributee shall mean an Eligible Employee, former Eligible Employee, or Beneficiary. In addition, the Eligible Employee's or former Eligible Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse.

Section 1.12 Effective Date means January 1, 2020 for this amendment and restatement. The original Effective Date of this Plan was January 1, 2004.

Section 1.13 Election Period shall mean with respect to a Participant's election not to receive a Qualified Joint and Survivor Annuity, the 90-day period ending on the Annuity Starting Date. With respect to a Participant's election not to receive a Qualified Preretirement Survivor Annuity, the period which begins on the first day of the Plan Year in which the Participant attains age 35 (or, if later, the date on which the Participant commences participation in the Plan) and ends on the date of the Participant's death. If a Participant separates from service prior to the first day of the Plan Year in which age 35 is attained, with respect to benefits accrued prior to separation, the Election Period shall begin on the date of separation.

Section 1.14 Eligible Compensation shall mean all such compensation, not in excess of the Annual Compensation Limit that can be utilized for contributions to the University of South Alabama Money Purchase Pension Plan, based upon the limits of Code Section 401(a) (17), as the same are adjusted from year to year.

Section 1.15 Eligible Employee means the full-time employee holding the office of President of the University of South Alabama, as of January 1, 2004, and any other employee of the Institution approved by the Institution. The term Eligible Employee shall not include self-employed individuals, as defined by Section 401(c)(1) of the Code.

Section 1.16 Eligible Retirement Plan shall mean an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), a qualified trust (an employees' trust) described in Section 401(a) of the Code which is exempt from tax under Section 501(a) of the Code and which agrees to separately account for amounts transferred into such plan from this Plan, an annuity plan described in Section 403(a) of the Code, an eligible deferred compensation plan described in Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality thereof which agrees to separately account for amounts transferred into such plan from this Plan, and an annuity contract described in Section 403(b) of the Code that accepts the distributee's eligible rollover distribution. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity, and in the case of an Eligible Rollover

Distribution to the non-Spouse Beneficiary, an Eligible Retirement Plan is an individual retirement account. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relation order, as defined in Code Section 414(p).

Section 1.17 Eligible Rollover Distribution shall mean any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities); and, effective for distributions on after January 1, 1999, any hardship distribution described in Section 401(k)(2)(B)(IV) of the Code.

Section 1.18 Funding Vehicles means a tax deferred annuity, fixed or variable in nature or a combination thereof, or a mutual fund issued for the purpose of funding accrued benefits under the Plan, which annuity contracts are described in Section 401(g) of the IRC.

Section 1.19 Institution or Employer means the University of South Alabama, which is an agency and instrumentality of the State of Alabama.

Section 1.20 Institution Contribution or Employer Contribution means contributions made by the Institution under this Plan.

Section 1.21 Limitation Year means the calendar year. The Limitation Year may only be changed by a Plan amendment. Furthermore, if the Plan is terminated effective as of a date other than the last day of the Plan's Limitation Year, then the Plan is treated as if the Plan had been amended to change its Limitation Year.

Section 1.22 Normal Retirement Age means age 65.

Section 1.23 Normal Retirement Date shall mean for any Participant the first day of the month in which such Participant attains age 65.

Section 1.24 Participant means any Eligible Employee of the Institution who participates in the Plan in accordance with Article 2.

Section 1.25 Plan means the Institution's 401(a) Money Purchase Pension Plan as set forth in this document.

Section 1.26 Plan Administrator means the Institution as more particularly described in Section 6.1.

Section 1.27 Plan Entry Date means the first day after the date that the employee has met the participation requirements set forth in Article 2.

Section 1.28 Plan Year means the calendar year.

Section 1.29 Qualified Election shall mean an election in writing signed by the Participant and filed with the Plan Administrator waiving the Qualified Joint and Survivor Annuity or the Qualified Preretirement Survivor Annuity during the Participant's Election Period. No such election shall become effective unless the Participant's Spouse has consented in writing to such election (including, if applicable, the identity of any Beneficiary designated by the Participant) and the Spouse's consent acknowledges the effect of such election and is witnessed by a Plan representative or a notary public. Unless it is established to the satisfaction of the Plan representative that the consent required may not be obtained because the Spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may by regulations prescribe. A Qualified Election may be revoked by the Participant in writing, without consent of a Spouse, at any time during the applicable Election Period. A Participant may make any number of Qualified Elections and revocations thereof.

Section 1.30 Qualified Joint and Survivor Annuity shall mean an annuity for the life of a Participant with a survivor annuity for the life of the Participant's Spouse which is one-half of the annuity payments during the joint lives of the Participant and the Participant's Spouse. In the case of a Participant who does not have a Spouse, the term Qualified Joint and Survivor Annuity shall mean an annuity for the life of the Participant.

Section 1.31 Qualified Preretirement Survivor Annuity shall mean an annuity for the life of the Participant's surviving Spouse, the actuarial equivalent of which is not less than 50% of the Balance of the Participant's Accumulation Accounts as of the date of death.

Section 1.32 Quarter End shall mean the last day of each calendar quarter, namely March 31, June 30, September 30 and December 31, commencing with December 31, 2004.

Section 1.33 Spouse shall mean the spouse to whom a Participant is married as of the earlier of the date payment of the benefit due the Participant is paid or commences to be paid or the date of the Participant's death.

Section 1.34 Required Beginning Date shall mean April 1 following the later of (i) the calendar year in which the Participant attains age 70 ½, and (ii) the calendar year in which the Participant separates from service.

Section 1.35 Year End shall mean December 31 of each Plan Year.

ARTICLE 2.
Eligibility for Participation

Section 2.1 Participation. All Eligible Employees will begin participation in this Plan on the Plan Entry Date during the first Plan Year beginning on or after the Effective Date.

If an individual is classified as an independent contractor or leased employee during any period of providing services to the Institution, such individual will be deemed to be in an ineligible class of employees for purposes of the Plan during such period, even if the individual is determined to be a common law employee during such period pursuant to a government audit or litigation.

Section 2.2 Notification. The Institution will notify each Eligible Employee in writing of eligibility to participate in the Plan. Each Participant is entitled to the benefits and is bound by all of the terms, provisions, and conditions of this Plan, including any and all amendments which from time to time may be adopted, including the terms, provisions and conditions of any Funding Vehicle(s) to which Employer Contributions have been applied.

Section 2.3 Reemployment. A Participant shall resume participation in the Plan immediately upon reemployment provided that he/she meets the qualifications set forth in Section 2.1 of Article 2.

Section 2.4 Return to Eligible Class. In the event a Participant is no longer a member of an eligible class of employees and becomes ineligible to participate, such employee will participate immediately upon returning to an eligible class of employee.

Section 2.5 Termination of Participation. A Participant will continue to be eligible for the Plan until one of the following conditions occur:

(a) he or she retires or is separated from employment as an Eligible Employee;

(b) the Plan is terminated;

(c) he or she elects phased retirement.

ARTICLE 3.
Employer Contributions

Section 3.1 Contributions. For each Plan Year beginning on and after January 1, 2004, the Institution shall contribute to the Plan for those Eligible Employees who have become Participants pursuant to Article 2 hereof an amount equal to twenty-five percent (25%) of such Participant's Compensation.

Employer Contributions are considered to be credited to Participants no later than the next business day following the day for which the Employer Contributions are made.

The Annual Compensation Limit will be adjusted by the Commissioner of the Internal Revenue Service for increases in the cost-of-living and will be consistent with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

Section 3.2 Allocation of Contributions. Employer Contributions shall be invested in the Investment Funds selected by a Participant, in accordance with the procedures established by the Plan Administrator as soon as practicable upon receipt of such Employer Contributions. Employer Contributions may be allocated by the Participant to one or more Investment Funds in whole number percentages.

Section 3.3 Participant Statements. At least once a year the Fund Sponsors to whom the Participant has allocated contributions will send the Participant a report summarizing the status of that portion of his or her Accumulation Account with that Fund Sponsor.

Section 3.4 Limitations. Notwithstanding anything to the contrary contained in this Plan, the obligation of the Institution to make contributions is subject to the provisions relating to the amendment and termination of the Plan. However, no amendment or termination will affect any obligation of the Institution to make contributions with respect to Compensation earned by Participants prior to the date of amendment or termination.

Section 3.5 Maximum Employer Contributions. Notwithstanding anything contained in this Plan to the contrary, the total Employer Contributions made for any Participant for any year will not exceed the amount permitted under Section 415 of the Code ("Maximum Annual Additive"). The limitations of Code Section 415 are hereby incorporated by reference.

For the purpose of calculating the limits of Code Section 415, compensation means 415 Compensation (as described in Section 1.6). Notwithstanding anything in the Plan to the contrary, the Maximum Annual Addition for purposes of Code Section 415 shall not include restorative payments. A restorative payment is a payment made to restore losses to the Plan resulting from actions by a fiduciary for which there is reasonable risk of liability for breach of a fiduciary duty under applicable federal or state law, where Participants who are similarly situated are treated similarly with respect to the payments. Generally, payments are restorative payments only if the payments are made in order to restore some or all of the Plan's losses due to an action (or a failure to act) that creates a reasonable risk of liability for such a breach of fiduciary duty (other than a breach of fiduciary duty arising from failure to remit contributions to the Plan). This includes payments to the Plan made pursuant to a court-approved settlement to restore losses to a qualified defined contribution plan on account of the breach of fiduciary duty (other than a breach of fiduciary duty arising from failure to remit contributions to the Plan).

The Maximum Annual Addition for purposes of Code Section 415 shall not include: (1) the direct transfer of a benefit or employee contributions from a qualified plan to this Plan; (2) rollover contributions (as described in Code Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16)); (3) repayments of loans made to a Participant from the Plan; and (4) repayments of amounts described in Code Section 411(a)(7)(B) (in accordance with Code Section 411(a)(7)(C)) and Code Section 411(a)(3)(D) or repayment of contributions to a governmental plan (as defined in Code Section 414(d)) as described in Code Section 415(k)(3), as well as Institution restorations of benefits that are required pursuant to such repayments.

Institution contributions are treated as credited to a participant's account for a particular Limitation Year only if the contributions are actually made to the plan no later than the 15th day of the tenth calendar month following the end of the calendar year or fiscal year (as applicable, depending on the basis on which the employer keeps its books) with or within which the particular Limitation Year ends.

Compensation shall include any elective deferral (as defined in Section 402(g)(3) of the Code) and any amount which is contributed or deferred by the Institution at the election of the Participant and which is not includible in the gross income of the Participant by reason of Sections 125, 132(f)(4) or 457 of the Code.

Notwithstanding any provision of the Plan to the contrary, if the annual additions (within the meaning of Code Section 415) are exceeded for any participant, then the Plan may only correct such excess in accordance with the Employee Plans Compliance Resolution System (EPCRS) as set forth in Revenue Procedure 2006-27 or any superseding guidance, including, but not limited to, the preamble of the final Section 415 regulations.

To the extent permitted by Section 415 of the Code and the regulations promulgated thereunder, if the Institution Contributions exceed the Maximum Annual Addition, the excess amounts will be held unallocated in a suspense account and will be applied to reduce Institution Contributions in succeeding Limitation Years.

For purposes of applying the limitations of Code Section 415, all defined contribution plans (without regard to whether a plan has been terminated) ever maintained by the Institution (or a "predecessor employer") under which the participant receives annual additions are treated as one defined contribution plan. The "Institution" means the Institution and all members of a controlled group or an affiliated service group that includes the Institution (within the meaning of Code Sections 414(b), (c), (m) or (o)), except that for purposes of this Section, the determination shall be made by applying Code Section 415(h), and shall take into account tax-exempt organizations under Regulation Section 1.414(c)-5, as modified by Regulation Section 1.415(a)-1(f)(1). For purposes of this Section:

(1) A former employer is a "predecessor employer" with respect to a participant in a plan maintained by the Institution if the Institution maintains a plan under which the participant had accrued a benefit while performing services for the former employer, but only if that benefit is provided under the plan maintained by the Employer. For this purpose, the formerly affiliated plan rules in Regulation Section 1.415(f)-1(b)(2) apply as if the Institution and predecessor employer constituted a single employer under the rules described in Regulation Section 1.415(a)-1(f)(1) and (2) immediately prior to the cessation of affiliation (and as if they constituted two, unrelated employers under the rules described in Regulation Section 1.415(a)-1(f)(1) and (2) immediately after the cessation of affiliation) and cessation of affiliation was the event that gives rise to the predecessor employer relationship, such as a transfer of benefits or plan sponsorship.

(2) With respect to the Institution, a former entity that antedates the Institution is a "predecessor employer" with respect to the participant if, under the facts and circumstances, the employer constitutes a continuation of all or a portion of the trade or business of the former entity.

For purposes of aggregating plans for Code Section 415, a "formerly affiliated plan" of an employer is taken into account for purposes of applying the Code Section 415 limitations to the employer, but the formerly affiliated plan is treated as if it had terminated immediately prior to the "cessation of affiliation." For purposes of this paragraph, a "formerly affiliated plan" of an employer is a plan that, immediately prior to the cessation of affiliation, was actually maintained by one or more of the entities that constitute the employer (as determined under the employer affiliation rules described in Regulation Section 1.415(a)-1(f)(1) and (2)), and immediately after the cessation of affiliation, is not actually maintained by any of the entities that constitute the employer (as determined under the employer affiliation rules described in Regulation Section 1.415(a)-1(f)(1) and (2)). For purposes of this paragraph, a "cessation of affiliation" means the event that causes an entity to no longer be aggregated with one or more other entities as a single employer under the employer affiliation rules described in Regulation Section 1.415(a)-1(f)(1) and (2) (such as the sale of a subsidiary outside a controlled group), or that causes a plan to not actually be maintained by any of the entities that constitute the employer under the employer affiliation rules of Regulation Section 1.415(a)- 1(f)(1) and (2) (such as a transfer of plan sponsorship outside of a controlled group).

Two or more defined contribution plans that are not required to be aggregated pursuant to Code Section 415(f) and the Regulations thereunder as of the first day of a Limitation Year do not fail to satisfy the requirements of Code Section 415 with respect to a participant for the Limitation Year merely because they are aggregated later in that Limitation Year, provided that no annual additions are credited to the participant's account after the date on which the plans are required to be aggregated.

If the Maximum Annual Addition is exceeded because the Participant is also participating in another Plan required to be aggregated with this Plan for Section 415 of the Code, then the extent to which annual contributions under this Plan will be reduced, as compared with the extent to which annual benefits or contributions under any other plans will be reduced, will be determined by the Employer in a manner as to maximize the aggregate benefits payable to the

Participant from all plans. If the reduction is under this Plan, the Institution will advise affected Participants of any additional limitation on their annual contributions required by this paragraph.

ARTICLE 4.
Vesting

All Employer Contributions shall be fully vested and non-forfeitable when such Employer Contributions are made.

ARTICLE 5.
Benefits

Section 5.1 Normal Retirement. If a Participant ceases to be an Eligible Employee on or after his Normal Retirement Date, all Accumulation Accounts maintained for him at the date he ceases to be an Eligible Employee shall be consolidated into a single Accumulation Account, the Balance of which shall be paid to such Participant as his benefit hereunder in accordance with the provisions of Section 5.5 hereof. Payment of such benefit shall be made or commenced as promptly as reasonably practicable after the end of the Plan Year in which such Participant ceases to be an Eligible Employee on or after his Normal Retirement Date.

Section 5.2 Total and Permanent Disability. If, while an Eligible Employee, a Participant shall become totally and permanently disabled, he shall be retired for disability under the Plan. All Accumulation Accounts maintained for him at the date he ceases to be an Eligible Employee shall be consolidated into a single Accumulation Account, the Balance of which shall be paid to such Participant as his benefit hereunder in accordance with the provisions of Section 5.5 hereof. Payment of such benefit shall be made or commenced as promptly as reasonably practicable after the Plan Administrator has accepted and approved the medical evidence of such total and permanent disability.

Total and permanent disability shall mean a physical or mental impairment which, in the judgment of the Plan Administrator, based upon medical reports and other evidence acceptable to the Plan Administrator, prevents an Eligible Employee (presumably on a permanent basis) from satisfactorily performing either his usual and normal duties for the Employer or the duties of such other position or job which the Employer makes available to him and for which such Eligible Employee is qualified by reason of his training, education or experience. In determining whether a Participant has become totally and permanently disabled, the Plan Administrator shall require such medical proof as it, in its discretion, may deem appropriate, which proof may include the certificate of one or more licensed physicians selected by the Plan Administrator that the Participant has become totally and permanently disabled as provided herein. If such disability was a direct result of any criminal or other illegal act of the Participant, then the Participant shall not be considered totally and permanently disabled under the terms of this Plan.

Section 5.3 Death.

(a) If a Participant shall die while he is an Eligible Employee, such Participant's Beneficiary shall have a 100% vested interest in all Accumulation Accounts maintained for the Participant at the date of his death. If such Participant is survived by a Spouse and the Participant has not made a Qualified Election during the applicable Election Period, such benefit shall be paid to the surviving Spouse in the form of a Qualified Preretirement Survivor Annuity, the actuarial equivalent of which is not less than 50% of the Participant's Accumulation Account as of the date of the Participant's death and which the Spouse may elect to have immediately distributed; provided, however, that such Spouse may elect to receive such benefits in one of the forms specified in subparagraph (i) or (ii) below rather than in the form of a Qualified Preretirement Survivor Annuity. The remainder of the death benefits or, if the Participant has made a Qualified Election, the entire amount of such death benefit shall be paid to the Beneficiary of the Participant in one of the following forms as the Beneficiary may elect:

(i) in a lump sum; or

(ii) in annual, semi-annual, quarterly, or monthly installments over a period not in excess of ten years.

The amount of each such installment payment shall be equal to the result obtained by dividing the Balance of the Accumulation Account immediately prior to payment of such installment by the number of installments then remaining to be paid.

Such an election may be effected by filing with the Plan Administrator a written instrument in such form as the Plan Administrator may prescribe prior to the date payment of such benefit is made or commenced. Payment of such benefit shall be made or commenced as promptly as practicable after such Participant's death.

Notwithstanding any provisions of the Plan to the contrary that would otherwise limit a Distributee's election under this section, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

A non-Spouse Beneficiary who is a "Designated Beneficiary" under Code Section 401(a)(9)(E) and the regulations thereunder may roll over all or any portion of his or her distribution to an individual retirement account the Beneficiary establishes for purposes of receiving the Eligible Rollover Distribution. If a non-Spouse Beneficiary receives a distribution from the Plan, the distribution is not eligible for a "60-day" rollover. If the Beneficiary is a trust, the Plan may make a direct rollover to an individual retirement account on behalf of the trust, provided the trust satisfies the requirements to be a "Designated Beneficiary" within the meaning of Code Section 401(a)(9)(E). A non-Spouse beneficiary may not roll over an amount that is a required minimum distribution, as determined under applicable Treasury regulations and other Internal Revenue Service guidance.

(b) Within the period beginning on the first day of the Plan Year in which the Participant attains age 32 and ending on the last day of the Plan Year immediately preceding the Plan Year in which the Participant attains age 35, the Plan Administrator shall provide the Participant with a written explanation of:

(i) the terms and conditions of the Qualified Preretirement Survivor Annuity;

(ii) the Participant's right to make a Qualified Election not to have his death benefit distributed in the form of a Qualified Preretirement Survivor Annuity and the effect of such a Qualified Election;

(iii) the right of the Spouse to consent to the Qualified Election; and

(iv) the Participant's right to revoke the Qualified Election and the effect of such a revocation.

If a Participant becomes a Participant after the first day of the Plan Year in which he attains age 32, the Plan Administrator shall provide such Participant with such notice no later than the day of the second Plan Year following the date on which such Participant became a Participant.

Section 5.4 Other Cessation of Employment. If a Participant ceases to be an Eligible Employee under circumstances other than those described in Section 5.1, Section 5.2 or Section 5.3, payment of the benefit, if any, to which such Participant is entitled shall be paid, or commenced to be paid, to him in accordance with the provisions of Section 5.5 hereof as promptly as reasonably practicable after the Quarter End of the Plan Year in which the Participant ceases to be an Eligible Employee.

Section 5.5 Form of Benefit Payment.

(a) Subject to the provisions set forth in subsection (b) of this Section 5.5, payment of the benefit to which a Participant has become entitled pursuant to the provisions of Section 5.1, Section 5.2, Section 5.3, or Section 5.4 hereof shall be made by applying the Participant's interest in the Accumulation Account maintained for such Participant to purchase from an insurance company licensed to do business in the State of Alabama an annuity contract providing for payment of a Qualified Joint and Survivor Annuity.

(b) A Participant who has become entitled to a benefit pursuant to the provisions of Section 5.1, Section 5.2, Section 5.3, or Section 5.4 hereof may, at any time during his Election Period, make a Qualified Election to have his benefit paid in a lump sum or in annual, semi-annual, quarterly, or monthly installments over a period not in excess of ten years instead of the form specified in subsection (a) above. If a Participant elects to have his benefit paid in installments, the amount of each such installment payment shall be equal to the result obtained by dividing the Balance of the Accumulation Account immediately prior to payment of such installment by the number of installments then remaining to be paid. Such election shall be made by executing and filing with the Plan Administrator a written instrument in such form as the Plan Administrator may prescribe or approve at any time during the Participant's Election Period. No such election shall become effective unless if the Participant has a Spouse at the date payment of his benefit is to commence, the Spouse has consented in writing to such election (including, if applicable, the identity of any Beneficiary designated by the Participant) and the Spouse's consent acknowledges the effect of such election and is witnessed by a Plan representative or a notary public, unless it is established to the satisfaction of the Plan representative that the consent required may not be obtained because the Spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may by regulation prescribe.

(c) The Plan Administrator shall at least 90 days prior to the Participant's Election Period provide the Participant with a written explanation of

(i) the terms and conditions of the Qualified Joint and Survivor Annuity;

(ii) the Participant's right to make, and the effect of, an election under this paragraph (b) to have his benefit provided in an alternative form;

(iii) the rights of the Participant's Spouse under this paragraph (b); and

(iv) the right to make, and the effect of, a revocation of an election under this paragraph (b).

Section 5.6 Death of Participant Prior to Receipt of Benefit. In the event of the death of a Participant after he has become entitled to receive a benefit hereunder and prior to the distribution to such Participant of his benefit, such benefit shall be paid to such Participant's Beneficiary as provided in Section 5.3 hereof; provided, however, that if payment is not made in the form of a Qualified Preretirement Survivor Annuity pursuant to Section 5.3 hereof, payment of the entire amount of such Participant's benefit must be distributed within five (5) years after the death of the Participant, except that:

(a) If any portion of the Participant's benefits are payable to or for the benefit of a Beneficiary and distribution commences to such Beneficiary within one year after the Participant's date of death (or such date as may be prescribed in regulations issued by the Secretary of the Treasury) then such benefits of the Beneficiary may be distributed over the life of such Beneficiary or over a period not extending beyond the life expectancy of such Beneficiary.

(b) If the deceased Participant's Beneficiary is his Spouse, benefits in accordance with subparagraph (a) above may commence on the date that the Participant would have attained age 70-1/2, and if the Spouse dies before such distributions begin, this section shall be applied as if the Spouse was the Participant.

(c) Any amount paid to a minor shall be treated as if it had been paid to the Spouse if such amount becomes payable to the Spouse upon such minor reaching majority.

In the event that the distribution of a Participant's benefit has commenced prior to his death, the remaining benefit shall be distributed to the Participant's Beneficiary at least as rapidly as under the method of distribution being employed at the Participant's death.

Section 5.7 Beneficiary.

(a) The Beneficiary of a Participant who is married at the date of his death shall be the Participant's Spouse unless

(i) the Participant has designated a person or persons (including a trust or a Participant's estate) other than his Spouse as his Beneficiary by written notice filed with the Plan Administrator in a form satisfactory to the Plan Administrator;

(ii) the Spouse of the Participant has consented in writing to such designation and has acknowledged the effect of such designation; and

(iii) the Spouse's consent to such designation and acknowledgment of the effect of such designation is witnessed by a Plan representative or a notary public.

(b) The Beneficiary of a Participant who is not married at the date of his death shall be the person or persons (including a trust or a Participant's estate) last designated by the

Participant by written notice filed with the Plan Administrator which designation may be changed from time to time by the Participant by written notice filed with the Plan Administrator in a form satisfactory to the Plan Administrator.

Section 5.8 Administrative Delay. If, on the date payment of a benefit, or an installment thereof, is due, the Balance of a Participant's or Beneficiary's Accumulation Account cannot be determined because the appropriate allocations to such Accumulation Account as of the preceding Year End have not been completed, payment of such benefit, or installment thereof, shall be deferred until such allocations have been completed and shall be made as promptly as practicable thereafter.

Section 5.9 Required Distributions.

(a) Notwithstanding the foregoing provisions hereof, under no circumstances shall payment of the benefit due a Participant be made or commenced later than the Participant's Required Beginning Date in accordance with the applicable requirements of Section 401(a)(9) of the Code and the Treasury Regulation promulgated with respect to benefits thereto.

(b) If such a Participant continues service as an Eligible Employee beyond such date, any additional amounts which may be credited to his Accumulation Account after said date shall be distributed on or before December 31 of the calendar year following the calendar year as of which such amounts were credited to such Accumulation Account.

Section 5.10 Compliance with Section 414(u) of the Code. Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE 6.
Administration

Section 6.1 Plan Administrator. The Institution, located at Office of the Vice President for Finance and Administration, Administration Building, Room 338, Mobile, AL, 36688, is the administrator of this Plan and is responsible for enrolling Participants and for performing other duties required for the operation of the Plan.

Section 6.2 Authority of the Institution. The Institution, by action of its Board or Board designee, may designate a person or persons other than the Institution to carry out any of its powers, authority, or responsibilities. Any delegation will be set forth in writing. The Institution has all the powers and authority expressly conferred upon it herein and further has the discretionary and final authority to determine all questions concerning eligibility and contributions under the Plan, including any uncertain terms and to resolve any disputes arising under and all questions concerning administration of the Plan. Any determination made by the Institution shall be given deference, if it is subject to judicial review, and shall be overturned only if it is arbitrary or capricious. In exercising these powers and authority, the Institution will at all times exercise good faith, apply standards of uniform application, and refrain from arbitrary action. The Institution may employ attorneys, agents, and accountants as it finds necessary or advisable to assist it in carrying out its duties.

Section 6.3 Action of the Institution. Any act authorized, permitted, or required to be taken by the Institution under the Plan, which has not been delegated in accordance with Section 6.2, may be taken by the members of the Board as indicated or required by the bylaws of the Board. All notices, advice, directions, certifications, approvals, and instructions required or authorized to be given by the Institution under the Plan will be in writing and signed by either (i) a majority of the members of the Board, or by any member or members as may be designated by an instrument in writing, signed by all members, as having authority to execute the documents on its behalf, or (ii) a person who becomes authorized to act for the Institution in accordance with the provisions of Section 6.2. Any action taken by the Institution which is authorized, permitted, or required under the Plan and is in accordance with Funding Vehicle's contractual obligations, is final and binding upon the Institution, all persons who have or who claim an interest under the Plan, and third parties dealing with the Institution.

Section 6.4 No reversion. Under no circumstances or conditions will any contributions of the Institution revert to, be paid to or inure to the benefit of, directly or indirectly the Institution. However, if Employer Contributions are made by the Institution by mistake of fact, these contributions may be returned to the Institution within one year of the date that the mistake of fact is discovered.

Section 6.5 Relationship of Federal and State Law. The Plan is intended to satisfy the applicable requirements of Section 401(a) of the Code that apply to government plans as defined in Section 414(d) including regulations and other authoritative pronouncements. To the extent not governed by the provisions of the Code or other federal laws, the Plan shall be administered and interpreted in accordance with the law of the State of Alabama.

ARTICLE 7.
Funding Vehicles

Section 7.1 Investment of Plan Contributions. Plan Contributions must be invested in one or more Funding Vehicles of the Sponsoring Organizations and any other Funding Vehicles for the Plan that the Employer makes available to Participants.

Section 7.2 Funding Vehicles. Plan Contributions are invested in one or more Funding Vehicles available to Participants under the Plan.

Section 7.3 Fund Transfers. Subject to a Funding Vehicle's rules for transfers and in accordance with the provisions of the Code for maintaining the tax deferral of the Accumulation Account(s), a Participant may transfer funds accumulated under the Plan among the Plan's approved Funding Vehicles to the extent permitted by the Funding Vehicles.

ARTICLE 8.
Claims Procedures

Section 8.1 Claims for Benefits. It shall not be necessary for a Participant or Beneficiary who has become entitled to receive a benefit hereunder to file a claim for such benefit with any person as a condition precedent to receiving a distribution of such benefit. However, any Participant or Beneficiary who believes that he has become entitled to a benefit hereunder and who has not received, or commenced receiving, a distribution of such benefit, or who believes that he is entitled to a benefit hereunder in excess of the benefit which he has received, or commenced receiving, may file a written claim for such benefit with the Plan Administrator at any time on or prior to the end of the Plan Year next following the Plan Year in which he allegedly became entitled to receive a distribution of such benefit. Such written claim shall set forth the Participant's or Beneficiary's name and address and a statement of the facts and a reference to the pertinent provisions of the Plan upon which such claim is based. The Plan Administrator shall, within ninety (90) days (45 days for a claim for benefits on account of disability) after such written claim is filed, provide the claimant with written notice of its decision with respect to such claim. If such claim is denied in whole or in part, the Plan Administrator shall, in such written notice to the claimant, set forth in a manner calculated to be understood by the claimant the specific reason or reasons for denial; specific references to pertinent provisions of the Plan upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect his claim and an explanation of why such material or information is necessary; and an explanation of the provisions for review of claims set forth in Section 8.2 hereof.

Section 8.2 Review of Claims. A Participant or Beneficiary who had filed a written claim for benefits with the Plan Administrator which has been denied may appeal such denial to the Plan Administrator and receive a full and fair review of his claim by filing with the Plan Administrator a written application for review at any time within sixty (60) days (180 days for a claim for benefits on account of disability) after receipt from the Plan Administrator of the written notice of denial of his claim provided for in Section 8.1 above. A Participant or Beneficiary who submits a timely written application for review, shall be entitled to review any and all documents pertinent to his claim and may submit issues and comments to the Plan Administrator in writing. Not later than sixty (60) days (45 days for a claim for benefits on account of disability) after receipt of a written application for review, the Plan Administrator shall give the claimant written notice of its decision on review, which written notice shall set forth in a manner calculated to be understood by the claimant specific reasons for its decision and specific references to the pertinent provisions of the Plan upon which the decision is based.

Section 8.3 Miscellaneous. Any act permitted or required to be taken by a Participant or Beneficiary by this Article 8 may be taken for and on behalf of such Participant or Beneficiary by such Participant's or Beneficiary's duly authorized representative.

Any claim, notice, application of other writing permitted or required to be filed with or given to a party by this Article 8 shall be deemed to have been filed or given when deposited in the U.S. mail, postage prepaid, and properly addressed to the party to whom it is to be given or with whom it is to be filed. Any such claim, notice, application, or other writing deemed filed or given pursuant to the next foregoing sentence shall, in the absence of clear and convincing evidence to the contrary, be deemed to have been received on the fifth business day following the date upon which it was filed or given. Any such claim, notice, application or other writing directed to the Plan Administrator shall be deemed properly addressed if addressed as follows:

Plan Administrator Money Purchase Pension Plan
University of South Alabama
Office of the Vice President for Finance and Administration
Administration Building
Room 338
Mobile, Alabama 36688

Any such notice, application, or other writing directed to a Participant or Beneficiary shall be deemed properly addressed if directed to the address set forth in the written claim filed by such Participant or Beneficiary.

ARTICLE 9.
Amendment And Termination

Section 9.1 Amendment and Termination. The Plan may be amended or terminated at any time by the Board or its designee. In the event of a termination of the Plan, the Institution will notify all Participants of the termination. As of the date of termination, all Accumulation Accounts of affected Participants will become nonforfeitable to the extent funded.

Section 9.2 Limitation. Notwithstanding the provisions of the "Amendment and Termination" section above, the following conditions and limitations apply:

(a) No amendment will be made which will operate to recapture for the Institution any contributions previously made under this Plan. However, Employer Contributions made based on a mistake of fact may be returned to the Institution within one year of the date on which the Employer Contribution was made. Also, Employer Contributions made in contemplation of approval by the Internal Revenue Service may be returned to the Institution if the Internal Revenue Service fails to approve the Plan.

(b) No amendment will deprive, take away, or alter any then accrued right of any Participant.

ARTICLE 10.
Miscellaneous

Section 10.1 Plan Non-Contractual. Nothing contained in this Plan will be construed as a commitment or agreement on the part of any person to continue his or her employment with the Institution, and nothing contained in this Plan will be construed as a commitment on the part of the Institution to continue the employment or the rate of compensation of any person for any period, and all Eligible Employees of the Institution will remain subject to discharge to the same extent as if the Plan had never been put into effect.

Section 10.2 Consent. Upon becoming a Participant, a Participant shall be conclusively deemed to have consented to all the terms and conditions of the Plan, as the same may be from time to time amended, and shall be bound thereby with the same force and effect as if he were a party thereto.

Section 10.3 Duty to Furnish Information. Each Participant shall from time to time furnish the Plan Administrator with such information as shall reasonably be required by the Plan Administrator on such form as the Plan Administrator shall from time to time prescribe.

Section 10.4 Claims of Other Persons. The provisions of the Plan will in no event be construed as giving any Participant or any other person, firm, or corporation, any legal or equitable right against the Institution, its officers, employees, or directors, except the rights as are specifically provided for in this Plan or created in accordance with the terms and provisions of this Plan.

Section 10.5 Non-Alienation of Retirement Rights or Benefits. Except to the extent required under applicable law, no benefit under the Plan may, at any time be subject in any manner to alienation, encumbrance, the claims of creditors or legal process. No person will have power in any manner to transfer, assign, alienate or in any way encumber his or her benefits under the Plan, or any part thereof, and any attempt to do so will be void and of no effect. However, this Plan will comply with any judgment, decree or order which establishes the rights of another person to all or a portion of a Participant's benefit under this Plan to the extent that is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Code, or any offset of a Participant's benefits which satisfies the requirements of Section 401(a)(13)(C) of the Code. If any Participant or Beneficiary shall attempt to dispose of his right to any benefit hereunder, or in the event there should be an effort to cease any such benefit by attachment, execution or other legal or equitable process, such right may pass and be transferred, at the discretion of the Plan Administrator or, to such person or persons as may be selected by the Plan Administrator from among the Beneficiaries, if any, theretofore designated by the Participant (if a Participant is involved), or from the spouse, children or other dependents of the Participant or Beneficiary in such shares as the Plan Administrator may appoint. Any appointment so made by the Plan Administrator may be revoked by it at any time and further appointments made by it may include the Participant.

Section 10.6 Exclusive Benefit. The Trust Fund is to be held and maintained for the exclusive purposes of providing the benefits specified herein for Participants and Beneficiaries and defraying reasonable expenses of administering the Plan. No Employer shall have a beneficial interest in the Trust Fund, and no part of the Trust Fund shall ever revert or be repaid to an Employer, directly or indirectly, except as follows:

If all or any portion of an Employer Contribution has been paid by mistake of fact, such Employer Contribution, or portion thereof, which has been paid by mistake of fact shall be returned to such Employer at any time within one calendar year after the date of payment thereof, upon such Employer's filing a written request therefore with the Plan Administrator.

The Contribution of the Employer made with respect to the first Plan Year ending on or after the date of adoption of the Plan by the Employer is expressly conditioned upon the qualification of the Plan under Section 401 of the Code, and if the Plan does not so qualify, such Contributions shall be returned to the Employer within one (1) year after the date of denial of qualification of the Plan upon the Employer's filing a written request therefore with the Plan Administrator.

The Employer Contribution for each Plan Year is expressly conditioned upon the deductibility of such Employer Contribution for such Plan Year under Section 404 of the Code. If, and to the extent that, the Employer is disallowed a deduction for a contribution, such contribution (to the extent disallowed as a deduction) shall be returned to the Employer within one (1) year after disallowance of such deduction upon the Employer's filing a written request therefore with the Plan Administrator.

Section 10.7 Merger, Consolidation, or Transfers of Plan Assets. The Plan will not be merged or consolidated with any other plan, nor will any of its assets or liabilities be transferred to another plan, unless, immediately after the merger, consolidation, or transfer of assets and liabilities, each Participant would receive a benefit under the Plan that is at least equal to the benefit that he/she would have received immediately prior to a merger, consolidation, or transfer of assets or liabilities assuming in each instance that the Plan had then been terminated.

IN WITNESS WHEREOF, the University of South Alabama has, by action duly taken, caused this Plan to be executed this ___________ day of __________________, 2020.

By: ____________________________________

Title: ____________________________________

ATTEST:

By: ________________________________

Title: ________________________________

Employer Identification number 63-0477348
Plan Number MPP1

December 3, 2020

RESOLUTION

BOND PURCHASE AGREEMENT FOR SERIES 2021 BONDS

BE IT RESOLVED by the Board of Trustees (herein called the "Trustees") of the University of South Alabama (herein called the "University"), as follows:

Section 1. Findings. The Trustees have ascertained and do hereby find and declare as follows:

(a) it is necessary, desirable and in the best interest of the University that the University design, develop, construct, acquire, equip and install (i) certain public capital improvements and assets to increase capacity within USA Health, including without limitation a new medical office building, operating room and emergency room renovations and improvements, and other improvements and assets, and (ii) and public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Capital Improvements");

(b) in order to provide the funds necessary to pay the costs of the 2021 Capital Improvements, it will be necessary for the University to issue one or more series of limited obligation University Facilities Revenue Bonds in an aggregate principal amount of up to approximately $50,000,000 (herein called the "Series 2021 Bonds");

(c) the University has determined to engage Raymond James & Associates, Inc., Hancock Whitney Investment Services, Inc., The Frazer Lanier Company Incorporated and Securities Capital Corporation (herein called the "Underwriters"), to serve as underwriters for the Series 2021 Bonds;

(d) it will be necessary for the University to enter into a purchase contract (herein called the "Purchase Contract") with the Underwriters respecting the sale of the Series 2021 Bonds prior to the date on which the issuance and delivery of the Series 2021 Bonds will be approved by the Trustees; and

(e) it is necessary for the Trustees to authorize the President of the University (or, in his absence, the Vice President for Finance and Administration of the University) to sign and deliver to the Underwriters the Purchase Contract, all as provided below.

Section 2. Authorization to Execute Purchase Contract. The Trustees do hereby authorize and direct the President of the University to execute the Purchase Contract between the University and the Underwriters with respect to the sale and delivery by the University of the Series 2021 Bonds. The Vice President for Finance and Administration of the University is hereby authorized to sign and deliver the Purchase Contract on behalf of the University in the event the President of the University is unavailable for such purpose at the time such agreement is submitted by the Underwriters for execution. The final form of the Purchase Contract shall be subject to ratification and approval by the Trustees following its execution by the President or by the Vice President for Finance and Administration, as the case may be, at such time as the Trustees adopt a resolution authorizing the issuance and delivery of the Series 2021 Bonds.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: November 12, 2020

TO: President Tony G. Waldrop

FROM: G. Scott Weldon

SUBJECT: Resolution to Authorize Execution of Bond Purchase Contract for 2021 Bonds

Attached is a resolution for consideration by the Board of Trustees concerning the University's 2021 Bond issue that will provide the funding for a new physicians' office, operating room expansion, and other capital projects and improvements. Some of the specifics of the bond issue will be:

- $50,000,000 Approximate Proceeds
- 20 Year Single Series

This resolution will provide the authorization by the President and V.P. for Finance and Administration to execute Bond Purchase Contracts between the University and Raymond James & Associates, Inc., Hancock Whitney Investment Services, Inc., The Frazer Lanier Company Incorporated and Securities Capital Corporation.

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

Attachment

December 3, 2020

RESOLUTION

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

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

WHEREAS, the following individuals have been nominated and have agreed to serve as USAFRAC directors, except as may otherwise be indicated, with terms beginning November 30, 2020:

REAPPOINTMENT:

Mr. David Trent	Four-year term expiring November 29, 2024

AMENDMENT:

Mr. Mark Hoffman	Realign term to meet guidelines in bylaws for a four-year term expiring November 29, 2022

APPOINTMENT: (Subject to acceptance and AT&T approval)

Mr. Glen Agnew	Four-year term expiring November 29, 2024,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees authorizes the aforementioned individuals to serve as members of the USAFRAC Board of Directors as set forth herein.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of the Vice President for Research and Economic Development

DATE: November 25, 2020

TO: Dr. Tony Waldrop, President TJW

FROM: Lynne Chronister, Vice President, Research and Economic Development

SUBJECT: Agenda Item for the University of South Alabama Board of Trustees Meeting on December 3, 2020

I recommend the attached resolution be presented to the USA Board of Trustees at the December 3, 2020, meeting. The USA Foundation for Research and Commercialization (FRAC) Board of Directors will meet on November 30, 2020, and will approve the nomination of two (2) FRAC Directors.

LC/acb

Attachment