UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

WHIDDON ADMINISTRATION BUILDING – PRESIDENT'S OFFICE (STE. 130), BOARD ROOM

MARCH 14, 2024
1:30 P.M.

AUDIT COMMITTEE – RON GRAHAM, CHAIR

1 Roll Call
2 Approve: Minutes
3 Report: KPMG Audit Reports, Year Ended September 30, 2023
Basic Financial Statements
Independent Auditors' Report on Internal Control Over Financial Reporting
Communication to the Audit Committee (SAS #114 Letter)
Bond Compliance Letter
Basic Financial Statements, USA Research and Technology Corporation
Basic Financial Statements, USA Health Care Authority
4 Report: KPMG Report on Intercollegiate Athletics
5 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR

6 Roll Call
7 Approve: Minutes
8 Report: Endowment and Investment Performance
9 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE – JIMMY SHUMOCK, CHAIR

10 Roll Call
11 Approve: Minutes
12 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments & Reappointments for November and December 2023, and January 2024
13 Recommendation to Approve: USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
14 Report: USA Health and Whiddon College of Medicine

ACADEMIC EXCELLENCE AND STUDENT SUCCESS COMMITTEE – MIKE WINDOM, CHAIR

15 Roll Call
16 Approve: Minutes
17 Recommendation to Approve: Revised Academic Excellence and Student Success Committee Charge
18 Recommendation to Approve: Tenure
19 Report: Academic Affairs
20 Report: Student Affairs
21 Report: Diversity and Community Engagement
22 Report: Research and Economic Development

BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR

23 Roll Call
24 Approve: Minutes
25 Report: Quarterly Financial Statements for the Three Months Ended December 31, 2023
26 Recommendation to Approve: Issuance of Series 2024-A and 2024-B Revenue Bonds
27 Report: University Facilities

LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR

28 Roll Call
29 Approve: Minutes
30 Report: Strategic Planning

COMMITTEE OF THE WHOLE – ARLENE MITCHELL, CHAIR

31 Roll Call
32 Approve: Minutes
33 Approve: Executive Session

MARCH 15, 2024
10:30 A.M.

BOARD OF TRUSTEES MEETING – ARLENE MITCHELL, CHAIR PRO TEMPORE

1 Roll Call
2 Approve: Minutes
3 Report: University President
4 Report: Faculty Senate President
5 Report: Student Government Association President
6 Present: Certificates of Appreciation
7 Approve: Consent Agenda Items
USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2023 and January 2024
USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
Revised Academic Excellence and Student Success Committee Charge
8 Report: Audit Committee
9 Report: Development, Endowment and Investments Committee
10 Report: Health Affairs Committee
11 Report: Academic Excellence and Student Success Committee
12 Approve: Tenure
13 Report: Budget and Finance Committee
14 Approve: Issuance of Series 2024-A and 2024-B Revenue Bonds
15 Report: Long-Range Planning Committee

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING SCHEDULE

THURSDAY, MARCH 14, 2024:

1:30 p.m.	**Committee Meetings (consecutive)**	**Whiddon Administration Bldg. President's Office (Ste. 130), Board Room**

FRIDAY, MARCH 15, 2024:

10:30 a.m.	**Board of Trustees Meeting**	**Whiddon Administration Bldg. President's Office (Ste. 130), Board Room**

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

STANDING COMMITTEES
2022-2025

EXECUTIVE COMMITTEE:

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

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

- Chandra Brown Stewart, **Vice Chair**
- Scott A. Charlton, M.D.
- Luis Gonzalez
- James H. Shumock
- Steven H. Stokes, M.D
- Michael P. Windom
- James A. Yance, **Chair**

ACADEMIC EXCELLENCE AND STUDENT SUCCESS CTE.:

- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- Luis Gonzalez
- William Ronald Graham
- Robert D. Jenkins III
- Bill W. Lewis II
- Lenus M. Perkins
- Michael P. Windom, **Chair**

EVALUATION AND COMPENSATION COMMITTEE:

- Katherine Alexis Atkins
- Scott A. Charlton, M.D., **Vice Chair**
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Luis Gonzalez
- Robert D. Jenkins III, **Chair**
- James H. Shumock
- Michael P. Windom

AUDIT COMMITTEE:

- Katherine Alexis Atkins, **Vice Chair**
- E. Thomas Corcoran
- William Ronald Graham, **Chair**
- Robert D. Jenkins III
- Bill W. Lewis II
- Lenus M. Perkins

HEALTH AFFAIRS COMMITTEE:

- Chandra Brown Stewart
- Scott A. Charlton, M.D.
- E. Thomas Corcoran
- Steven P. Furr, M.D. , **Vice Chair**
- James H. Shumock, **Chair**
- Steven H. Stokes, M.D.
- James A. Yance

BUDGET AND FINANCE COMMITTEE:

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

LONG-RANGE PLANNING COMMITTEE:

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

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING AGENDA
AND MINUTES

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

WHIDDON ADMINISTRATION BUILDING – PRESIDENT'S OFFICE (STE. 130), BOARD ROOM

MARCH 14, 2024
1:30 P.M.

AUDIT COMMITTEE – RON GRAHAM, CHAIR

1 Roll Call
2 Approve: Minutes
3 Report: KPMG Audit Reports, Year Ended September 30, 2023
Basic Financial Statements
Independent Auditors' Report on Internal Control Over Financial Reporting
Communication to the Audit Committee (SAS #114 Letter)
Bond Compliance Letter
Basic Financial Statements, USA Research and Technology Corporation
Basic Financial Statements, USA Health Care Authority
4 Report: KPMG Report on Intercollegiate Athletics
5 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR

6 Roll Call
7 Approve: Minutes
8 Report: Endowment and Investment Performance
9 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE – JIMMY SHUMOCK, CHAIR

10 Roll Call
11 Approve: Minutes
12 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments & Reappointments for November and December 2023, and January 2024
13 Recommendation to Approve: USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
14 Report: USA Health and Whiddon College of Medicine

ACADEMIC EXCELLENCE AND STUDENT SUCCESS COMMITTEE – MIKE WINDOM, CHAIR

15 Roll Call
16 Approve: Minutes
17 Recommendation to Approve: Revised Academic Excellence and Student Success Committee Charge
18 Recommendation to Approve: Tenure
19 Report: Academic Affairs
20 Report: Student Affairs
21 Report: Diversity and Community Engagement
22 Report: Research and Economic Development

BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR

23 Roll Call
24 Approve: Minutes
25 Report: Quarterly Financial Statements for the Three Months Ended December 31, 2023
26 Recommendation to Approve: Issuance of Series 2024-A and 2024-B Revenue Bonds
27 Report: University Facilities

LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR

28 Roll Call
29 Approve: Minutes
30 Report: Strategic Planning

COMMITTEE OF THE WHOLE – ARLENE MITCHELL, CHAIR

31 Roll Call
32 Approve: Minutes
33 Approve: Executive Session

MARCH 15, 2024
10:30 A.M.

BOARD OF TRUSTEES MEETING – ARLENE MITCHELL, CHAIR PRO TEMPORE

1 Roll Call
2 Approve: Minutes
3 Report: University President
4 Report: Faculty Senate President
5 Report: Student Government Association President
6 Present: Certificates of Appreciation
7 Approve: Consent Agenda Items
USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2023 and January 2024
USA Health Hospitals Medical Staff Bylaws and Associated Documents Revisions
Revised Academic Excellence and Student Success Committee Charge
8 Report: Audit Committee
9 Report: Development, Endowment and Investments Committee
10 Report: Health Affairs Committee
11 Report: Academic Excellence and Student Success Committee
12 Approve: Tenure
13 Report: Budget and Finance Committee
14 Approve: Issuance of Series 2024-A and 2024-B Revenue Bonds
15 Report: Long-Range Planning Committee

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: March 5, 2024

TO: USA Board of Trustees

FROM: Lenus M. Perkins
Secretary, Board of Trustees

SUBJECT: Meeting Minutes

Included herein are the unapproved minutes for the Board of Trustees and standing committee meetings held on December 7 and 8, 2023. Please review these documents for approval or amendment at the meetings on March 14 and 15, 2024.

LMP:mge

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

December 8, 2023
9:00 a.m.

A meeting of the University of South Alabama (USA) Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Friday, December 8, 2023, at 9:00 a.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Alexis Atkins, Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Steve Furr, Luis Gonzalez, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance were present.
Member Absent:	Kay Ivey.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Janée and Jo Bonner, Bennett Booth (Southerner), Monica Chambliss, Lynne Chronister, Angela Coleman, Amya Douglas (SGA), Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Buck Kelley, Andi Kent, Kim and Nick Lawkis, Hayden Matheson (Southerner), Kelly McCarron, John Marymont, Abe Mitchell, Mike Mitchell, Jesse Ortiz, Kristen Roberts, Laura Schratt, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Christina Wassensaar (Faculty Senate).

Upon calling the meeting to order, Chair Mitchell greeted everyone and expressed her appreciation for the privilege of serving as Board Chair and working closely with the Trustees, leadership and staff. She credited the great things happening at the University to the hard work of those in the room and beyond. Following the attendance roll call, **Item 1**, she called for adoption of the revised agenda, **Item 1.A**, noting that a report from the Evaluation and Compensation Committee would follow **Item 16**. On motion by Mr. Corcoran, seconded by Dr. Stokes, the Board voted unanimously to adopt the revised agenda. Chair Mitchell called for consideration of the minutes for a Board of Trustees meeting held on September 8, 2023, **Item 2**. On motion by Mr. Shumock, seconded by Capt. Jenkins, the Board voted unanimously to adopt the minutes.

Chair Mitchell called for consideration of **Item 3** as follows. On motion by Mr. Graham, seconded by Judge Windom, the Board voted unanimously to approve the resolution:

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

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

WHEREAS, a draft of the proposed revised Bylaws, which is attached hereto and incorporated by reference herein, was provided to each member of the Board on November 8, 2023, in compliance with the notice requirements of Article VIII of the Bylaws that pertain to amendment of the Bylaws, and

WHEREAS, the proposed revised Bylaws is presented for the Board's consideration of approval, and

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

THEREFORE, BE IT RESOLVED, the Board of Trustees approves and adopts the revised *Bylaws of the University of South Alabama Board of Trustees* as submitted.

Chair Mitchell called on President Bonner to deliver the President's Report, **Item 4**. President Bonner recognized Mr. Abe Mitchell, Honorary Trustee; Ms. Kim Lawkis, USA National Alumni Association (NAA) President; and Mr. Bennett Booth and Ms. Hayden Matheson, Southerner ambassadors.

President Bonner turned to Dr. Erdmann, who recognized senior volleyball and soccer athletes and introduced Mr. Jesse Ortiz, Head Volleyball Coach. Dr. Erdmann discussed the advancement of USA's volleyball and soccer programs in the Sun Belt Conference over recent years, as well as the teams' 2023 season and post-season performance and academic achievement. Coach Ortiz shared brief remarks about his role and the student athletes introduced themselves.

President Bonner welcomed Mr. Luis Gonzalez, new USA Trustee, to his first Board meeting and he commented on Mr. Gonzalez's decades-long career in Major League Baseball and enduring involvement as a member of the USA family. He underscored the commitment of all Board members to bolster the University's position as the *Flagship of the Gulf Coast* and support campus activities, such as the recent *Grilled Cheese and Doughnuts* gathering sponsored by the Honor's College, which he noted was attended by Mr. Shumock and Judge Windom.

President Bonner shared information on recent and upcoming events and initiatives, including the annual Holiday Concert; the inaugural lighting of Christmas trees on the main campus; a partnership with the NAA to elevate the "South" magazine and expand its distribution; the acquisition of Providence Hospital and its clinics; the "A Night Honoring Healers" annual benefit and recognition ceremony; the introduction of a state-of-the-art operating room wing at University Hospital; the dedication of the new Pediatric Emergency Center at USA Health Children's & Women's Hospital on January 10; and the Whiddon College of Medicine groundbreaking ceremony occurring later in the morning. He also discussed the positive impact of the high school bus tours on enrollment, noting that one high school guidance counselor who visited campus with a student group subsequently shared of one prospective student's application to South following their tour.

President Bonner invited Ms. Monica Chambliss, Coordinator of Medical Affairs Development Support Services, to join him, and he announced her selection as *Employee of the Quarter*. He turned to Ms. Kelly McCarron, Associate Vice President for Medical Affairs – USA Health Development, who read an excerpt from her nomination of Ms. Chambliss. President Bonner presented Ms. Chambliss with a certificate commemorating the occasion and Ms. Chambliss expressed appreciation for the recognition.

President Bonner called upon Provost Kent for a report. Provost Kent shared that a recent trip to Washington, D.C., for a professional conference provided opportunities for President Bonner and her to market South's story with major media outlets, including *Inside Higher Education* and *The Chronicle of Higher Education*. As to student recruitment, she credited the Enrollment Services team for their diligent work, and talked about the *Jag Day* bus tours, noting that one tour – for St. Martin High School, the alma mater of Ms. Amya Douglas, Student Government Association (SGA) President – was featured by *Inside Higher Education* in a national article. She advised of the Mobile Bay Area Veterans Day Commission's recognition of President Bonner as 2023 *Patriot of the Year*, as well as its recognition of Ms. Lauren McGrady and Ms. Jenna Lankford, ROTC students, as *2023 Cadets of the Year* and of Mr. David Riley, USA alumnus, as *2023 Veteran of the Year*. She said that reaffirmation of the University's accreditation had been officially authorized by the Southern Association of Colleges and Schools Commission on Colleges and attributed this success to the team involved led by Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness; Dr. Julie Estis, Executive Director – Academic Enhancement; and Ms. Alison Wood, Institutional Effectiveness Specialist. She reminded the group that Dr. Michael Capella and Dr. Angela Barlow would begin in their new roles as deans for the Mitchell College of Business and College of Education and Professional Studies, respectively, in January 2024. Concluding, Provost Kent stated that Fall Commencement would take place on December 15 with Mr. Shumock delivering the keynote address.

Chair Mitchell called for a report from the Faculty Senate President, **Item 5**. Dr. Donna Streeter, 2023-2024 Faculty Senate President, discussed the strategic goals developed by the Senate over the semester that were based on feedback from a recent faculty survey and pertained to salary adjustments; equitable workloads and a non-tenure instructional track; and faculty-student engagement. She stated that another endeavor of the Senate was development of an annual survey to collect insights on faculty experiences that could be shared with the faculty and leadership.

Chair Mitchell called for a report from the SGA President, **Item 6**. Ms. Amya Douglas, 2023-2024 SGA President, provided a summary of the SGA's accomplishments and involvement over the fall semester, advising of 19 Senate bills passed; more than 21 Senate projects introduced, and funding of projects in excess of $20,000. Among the other topics she reflected on were Homecoming and

Destroy Troy week festivities; a memorial ceremony held for a departed student; and seeds sown for the future work of the SGA.

Chair Mitchell called for consideration of consent agenda resolutions as follows, **Item 7**, all of which were unanimously recommended for Board approval by the respective committees that met on December 7, 2023. (To view additional documents authorized, refer to Appendix A.) On motion by Mr. Corcoran, seconded by Dr. Stokes, the Board voted unanimously to approve the resolutions:

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.

RESOLUTION
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 directors for three-year terms effective January 1, 2024, and expiring December 31, 2026,

- Milton "Tony" Wallace — Men's Golf
- Jill Showers-Chow — Women's Basketball

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby ratify the directors of the Jaguar Athletic Fund, Inc., as set forth.

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2023

WHEREAS, the USA Health Hospitals Medical Staff appointments and reappointments for August, September and October 2023 are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS

WHEREAS, revisions to the USA Health Hospitals Medical Staff Bylaws and to associated documents, as attached hereto, are recommended for approval by the Medical Executive Committees and the Executive Committee of the USA Health Hospitals,

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

RESOLUTION
USA HEALTH HOSPITALS NOMINATION OF MEDICAL EXECUTIVE COMMITTEE CHAIR-ELECT OFFICERS FOR 2024 AND 2025

WHEREAS, the following slate of officers approved by the active Medical Staff members via electronic vote on October 19, 2023, are recommended for approval by the Medical Executive Committees and the Executive Committee of the USA Health Hospitals,

USA Health Children's & Women's Hospital

- Chair-Elect/Secretary, Medical Executive Committee — Edward Panacek, M.D.
- Moving to Chair, Medical Executive Committee — Jennifer Scalici, M.D.

USA Health University Hospital

- Chair-Elect/Secretary, Medical Executive Committee — Rachel Seaman, M.D.
- Serving as Chair, Medical Executive Committee — Jon Simmons, M.D.

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

RESOLUTION
DEPARTMENT OF NEUROLOGY WAIVER OF ELIGIBILITY REQUEST

WHEREAS, USA Health is the only tertiary Level 4 Epilepsy Center (the "Center") in the Gulf Coast tristate region and it is imperative to have a physician with neonatal and pediatric seizure management experience for the Center, and

WHEREAS, recruitment for this specialty has been difficult in the last ten years, and

WHEREAS, Luis Mayor Romero, M.D., is an excellent candidate who could be a great faculty member and could help build a comprehensive pediatric epilepsy program to serve our community, and

WHEREAS, Dr. Romero does not meet the eligibility criteria to join the medical staff because he is not eligible for ABMS (American Board of Medical Specialties) board certification, yet he is a foreign medical graduate who holds an ECFMG (Educational Commission for Foreign Medical Graduates) certification and completed two and one-half years of postgraduate training through ACGME (Accreditation Council for Graduate Medical Education)-accredited programs, and he is certified by the ABCN (American Board of Clinical Neurophysiology) in EEG (electroencephalogram) and clinical neurophysiology with added qualifications in critical care EEG and pediatric EEG, though the ABCN is not part of the ABMS, and

WHEREAS, a waiver of eligibility request is recommended for Board approval by the Medical Executive Committees and Credentialing Board of the USA Health Hospitals,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the waiver of eligibility request as submitted.

RESOLUTION
DEPARTMENT OF UROLOGY WAIVER OF ELIGIBILITY REQUEST

WHEREAS, USA Health has the only urology clinic in the area backed by the resources of academic medicine and University Urology is dedicated to delivering patient-centered urologic care to men, women and children along the Gulf Coast, and

WHEREAS, recruitment for this specialty is of the highest priority, and

WHEREAS, Jatinder Kumar, M.D., is an excellent candidate who could be a great faculty member and compliment the University Urology team as a Reconstructive Urologist, and, while he does not meet the eligibility criteria to join the medical staff because he is not eligible for ABMS (American Board of Medical Specialties) board certification due to being a foreign medical graduate, he completed a fellowship in advanced Urology at the University of Florida College of Medicine in 2021 and, once hired, Dr. Kumar will be board eligible to become Urology board-certified through an alternative pathway which allows a candidate to appeal to the Urology Certification Board once they have been in a full-time academic position for seven years, and

WHEREAS, the waiver of eligibility request is recommended for Board approval by the Medical Executive Committees and Credentialing Board of the USA Health Hospitals,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the waiver of eligibility request as submitted.

RESOLUTION
REVISED BYLAWS OF THE UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

WHEREAS, the Board of Trustees (the "Board") of the University of South Alabama approved the purchase of substantially all of the assets of that certain acute care hospital known as Providence Hospital located in Mobile, Alabama ("Hospital"), as well as certain specified related assets, in a transaction that closed on October 1, 2023 (the "Transaction),

WHEREAS, the University of South Alabama Health Care Authority ("USA HCA") was the acquiring entity of the Hospital,

WHEREAS, as an Alabama hospital, the Hospital is required by The Joint Commission and the Alabama Department of Public Health to have a governing body that oversees the credentialling of medical staff members with privileges to practice medicine at the Hospital,

WHEREAS, the Board of Directors of USA HCA, by resolution in its September 6, 2023, meeting, voted to amend the Bylaws of the USA HCA to provide for Board oversite of the medical staff of USA Health Providence Hospital effective October 1, 2023, and to clarify that the Board of Directors will serve as the governing board for USA Health Providence Hospital,

WHEREAS, the Articles of Incorporation and the Bylaws of the USA HCA require that any amendments to the Bylaws are to be made by the USA HCA Board of Directors subject to the approval of the Board of Trustees of the University of South Alabama,

WHEREAS, the USA Board of Trustees now desires to authorize and approve the amendment of the Bylaws of the USA HCA as provided in this resolution,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby approves the amendment of the Bylaws of the USA HCA as proposed by the Board of Directors of the USA HCA and shown on the attached Exhibit A.

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; the Executive Vice President and Provost; and the University President,

- Amelia Baldwin, Ph.D., Accounting
- Mark Colarusso, Ph.D., Mathematics & Statistics
- Ying Johnson, Ph.D., Economics, Finance, & Real Estate
- Zoya Khan, Ph.D., Modern and Classical Languages
- Huubinh Le, Ph.D., Economics, Finance, & Real Estate
- Scott Liebertz, Ph.D., Political Science & Criminal Justice
- Harry Miller, Ph.D., History
- Matthew Patterson, Art & Art History
- Matthew Pettway, Ph.D., Modern and Classical Languages
- Carol Sawyer, Ph.D., Earth Sciences
- Jim Swofford, Ph.D., Economics, Finance, & Real Estate
- Kelly Urban, Ph.D., History
- Michelle Strong, Ph.D., History
- Brett Webb, Ph.D., Civil, Coastal, and Environmental Engineering

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves the sabbatical awards for Fall 2024 through Spring 2025 as recommended.

RESOLUTION
FACULTY EMERITUS

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

ACADEMIC AFFAIRS:
- Jorg Feldvoss, Ph.D., Professor of Mathematics
- Marsha Hamilton, Ph.D., Associate Professor of History
- Russ Hardin, Ph.D., Professor of Accounting
- Mihaela Martin, Ph.D., Associate Professor of Modern & Classical Languages & Literature
- Mark Moberg, Ph.D., Professor of Sociology, Anthropology & Social Work
- Tim Sherman, Ph.D., Professor of Biology
- Tom Thomas, Ph.D., Associate Professor of Electrical & Computer Engineering
- Kelly Woodford, Ph.D., Professor of Business

WHIDDON COLLEGE OF MEDICINE:
- Johnson Haynes, Jr., M.D., Professor of Internal Medicine (Posthumous)
- Jorge L. Herrera, M.D., Professor of Internal Medicine
- Prasit Nimityongskul, M.D., Professor of Orthopaedic Surgery
- Daniel L. Preud'Homme, M.D., Professor of Pediatrics (Posthumous)
- Jonathan G. Scammell, Ph.D., Professor of Comparative Medicine,

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 Executive Vice President and Provost or the Vice President for Medical Affairs; and the University President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus or Associate Professor Emeritus,

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

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

Chair Mitchell called for a report from the Audit Committee, **Item 8**. Mr. Graham, Committee Chair, advised of a Committee meeting held on December 7, 2023, and he provided a summary of the business that took place.

Chair Mitchell called for a report from the Development, Endowment and Investments Committee, **Item 9**. Mr. Yance, Committee Chair, said that a Committee meeting took place on December 7, 2023, and he gave a recap of the work accomplished.

Chair Mitchell called for a report from the Health Affairs Committee, **Item 10**. Mr. Shumock, Committee Chair, stated that the Committee met on December 7, 2023, and he presented a summation of the matters addressed.

Chair Mitchell called for a report from the Academic and Student Affairs Committee, **Item 11**. Judge Windom, Committee Chair, pointed out that the Committee's new name was the *Academic Excellence and Student Success Committee*, as authorized upon the Board's adoption of the revised *Bylaws of the Board of Trustees of the University of South Alabama* earlier in the meeting. He indicated that the Committee held a meeting on December 7, 2023, and he provided an overview of the actions and reports that occurred. He added that the Committee voted unanimously to recommend Board approval of **Item 12** as follows. On motion by Mr. Yance, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolution:

RESOLUTION
TENURE

WHEREAS, in accordance with University policy, an application for tenure from Nasser Lakkis, M.D., a Whiddon College of Medicine faculty member, has been reviewed by faculty peers, the Dean of the Whiddon College of Medicine/Vice President for Medical Affairs, and the University President, and is hereby recommended for approval effective on December 8, 2023,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby grants tenure to Nasser Lakkis, M.D., as recommended.

Chair Mitchell called for a report from the Budget and Finance Committee, **Item 13**. Mr. Corcoran, Committee Chair, advised of a Committee meeting held on September 7, 2023, and he provided a synopsis of the proceedings. He further noted that the Committee voted unanimously to recommend Board approval of **Item 14** as follows, and he moved for its approval. Ms. Atkins seconded and the Board voted unanimously to approve the resolution:

A RESOLUTION AUTHORIZING THE AMENDMENT, MODIFICATION AND, IF NECESSARY, REFUNDING BY EXCHANGE OF THE UNIVERSITY FACILITIES REVENUE BOND, SERIES 2023-A, AND TAXABLE UNIVERSITY FACILITIES REVENUE BOND, SERIES 2023-B

BE IT RESOLVED by the Board of Trustees (the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (the "University") as follows:

Section 1. (a) Findings.
The Board has determined and hereby finds and declares that the following facts are true and correct:

(1) under the Twenty-First Supplemental University Facilities Trust Indenture dated April 19, 2023 (the "Twenty-First Supplemental Indenture") between the University and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), on April 19, 2023, the University issued its not to exceed $80,000,000 University Facilities Revenue Bond, Series 2023-A (the "Series 2023-A Bond") to DNT Asset Trust (the "2023-A Lender"), and its not to exceed $20,000,000 Taxable University Facilities Revenue Bond, Series 2023-B (the "Series 2023-B Bond" and, together with the Series 2023-A Bond, the "Series 2023 Bonds") to JPMorgan Chase Bank, N.A. (the "2023-B Lender" and, together with the 2023-A Lender, the "2023 Lenders"); and

(2) the Series 2023 Bonds were structured as "draw-down" obligations under which the University may elect to borrow funds to pay the purchase price for an existing 349 bed medical facility known as Providence Hospital and related facilities (the "USA Providence Hospital Acquisition") and to cover potential capital repairs and improvements to those facilities; and

(3) at the time Series 2023 Bonds were issued, USA Health officials expected the closing of the USA Providence Hospital Acquisition to occur before June 30, 2023 and to refinance the Series 2023 Bonds with long-term bonds in the months that followed; and

(4) after the Series 2023 Bonds were delivered, the closing date for the USA Providence Hospital Acquisition was postponed to October 1, 2023, and due to the significant increase in interest rates that commenced during the Fall of this year it may be unfavorable to refinance the Series 2023 Bonds on a long-term basis before they mature on April 19, 2024; and

(5) in light of the delay in the closing of the USA Providence Hospital Acquisition and given current interest rates the University has determined that it may be desirable to extend the current maturity date of the Series 2023 Bonds to offer additional time to refinance the Series 2023 Bonds; it is necessary, advisable, and in the interest of the University to amend, modify and/or restate the Series 2023 Bonds and enter such other agreements as shall be necessary to extend their maturity dates and make whatever other modifications and changes may be required by the 2023 Lenders in connection therewith; provided, the same comply with the Parameters for Amendment described below.

Section 2. Parameters for Amendment.
(a) The University is hereby authorized to amend, modify and/or restate, as the case may be, the Series 2023 Bonds and all supplemental indentures, documents and agreements related thereto by entering the documents and agreements as described and set forth in Section 3 and Section 4 below; provided; in doing so the following conditions shall be complied with (collectively, the "Parameters for Amendment"):

(i) the final maturity date of each of the Series 2023 Bonds (or, if issued, the Amended and Restated Series 2023 Bonds as hereinafter defined) is not later than April 19, 2025;

(ii) interest is payable on a monthly basis or on a quarterly basis, as well as on any date principal may become due;

(iii) the 2023-A Variable Rate is calculated based upon Adjusted Term SOFR or a variable interest rate base similar to Adjusted Term SOFR, if required by the 2023-A Lender and deemed acceptable by PFM Financial Advisors LLC, as the financial advisor to the University ("PFM"), and the 2023-A Spread (or its equivalent if a different variable rate base is used) is not greater than 90 basis points (or, following a Determination of Taxability, 130 basis points);

(iv) the 2023-B Variable Rate is calculated based upon Adjusted Term SOFR or a variable interest rate base similar to Adjusted Term SOFR if required by the 2023-B Lender and deemed acceptable by PFM, and the 2023-B Spread (or its equivalent if a different variable rate base is used) is not greater than 130 basis points;

(v) the 2023-A Advance Deadline (as defined in the 2023-A Advance Agreement) is not later than April 15, 2025, and the 2023-B Advance Deadline (as defined in the 2023-B Advance Agreement) is not later than April 15, 2025;

(vi) if the 2023 Lenders charge an unused fee or similar fee for funds not currently drawn down, such amount may not exceed 20 basis points of any unused amount; and

(vi) the 2023-A Maximum Available Amount (as defined in the 2023-A Advance Agreement) is not greater than $80,000,000, and the 2023-B Maximum Available Amount (as defined in the 2023-B Advance Agreement) is not greater than $20,000,000.

(b) Capitalized terms used and not otherwise defined in this Section 2 shall have the meaning currently given to them in the Twenty-First Supplemental Indenture.

Section 3. Amendments to Existing Financing Documents; Amendatory Documents.
(a) In order to extend the maturity date of the Series 2023 Bonds and include such additional terms and changes as may be required by the 2023-A Lender and the 2023-B Lender (collectively, the "2023 Lenders"), the Board does hereby authorize the President of the University and the Chief Financial Officer of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, such amendments, documents, certificates, notices, directives, and other instruments (collectively, the "Amendatory Documents") as shall be necessary or desirable to amend, modify, and/or restate, as the case may be (i) the Twenty-First Supplemental Indenture, (ii) the Series 2023-A Bond, (iii) the Series 2023-B Bond, (iv) that certain Advance Agreement (2023-A) dated April 19, 2023, between the University and the 2023-A Lender (the "2023-A Advance Agreement"), (v) that certain Advance Agreement (2023-B) dated April 19, 2023, between the University and the 2023-B Lender (the "2023-B Advance Agreement"), and (vi) the other documents and agreements heretofore delivered in connection with the Series 2023 Bonds; provided, that the Parameters for Amendment are complied with. The Board does hereby further authorize the Secretary of the Board, the Vice Chair of the Board, and the Chair Pro Tempore of the Board, or any of them, to affix to the Amendatory Documents the corporate seal of the University and to attest the same.

Section 4. Amended and Restated Series 2023 Bonds; Twenty-Second Supplemental Indenture and Related Agreements.
The following provisions of this Section 4 shall be operative only if the University and the 2023 Lenders determine for new bonds to be issued under the University Facilities Revenue Trust Indenture dated as of February 15, 1996, between the University and the Trustee, as heretofore supplemented and amended and as further supplemented and amended by the Twenty-Second Supplemental Indenture hereafter described (the "Indenture"), versus through delivery of the Amendatory Documents, in order to extend the maturity date of the Series 2023 Bonds and reflect the other terms and changes required by the 2023 Lenders in connection therewith.

(a) Authorization of Amended and Restated Series 2023 Bonds.
The Board does hereby authorize the issuance and delivery of (i) to the 2023-A Lender, the University's Amended and Restated University Facilities Revenue Bond, Series 2023-A, in a maximum principal amount of not to exceed $80,000,000 (the "Amended and Restated Series 2023-A Bond"), and (ii) to the 2023-B Lender, the University's Taxable Amended and Restated University Facilities Revenue Bond, Series 2023-B, in a maximum principal amount of not to exceed $20,000,000 (the "Amended and Restated Series 2023-B Bond" and, together with the Amended and Restated Series 2023-A Bond, the "Amended and Restated Series 2023 Bonds"). The Board does hereby authorize the President of the University to execute and deliver, for and in the name and behalf of the University (i) the Amended and Restated Series 2023-A Bond in substantially the form of the Series 2023-A Bond, with such additional terms and changes thereto as shall be deemed necessary or desirable by the President of the University; provided, such additional terms and changes comply with the Parameters for Amendment, and (ii) the Amended and Restated Series 2023-B Bond in substantially the form of the Series 2023-B Bond, with such additional terms and changes as shall be deemed necessary or desirable by the President of the University; provided, such additional terms and changes comply with the Parameters for Amendment. The Board does hereby further authorize the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to affix the corporate seal of the University to the Amended and Restated Series 2023 Bonds.

(b) Source of Payment of the Amended and Restated Series 2023 Bonds.
The principal of and the interest on the Amended and Restated Series 2023 Bonds shall be payable from Pledged Revenues, as defined in the Indenture. The Amended and Restated Series 2023 Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama (the "State") and shall not be payable out of moneys appropriated to the University by the State. The agreements, covenants and representations contained in this resolution, in the Amended and Restated Series 2023 Bonds, and in the Indenture, do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the Amended and Restated Series 2023 Bonds nor the pledge or any agreement contained in the Indenture, or in this resolution shall be or constitute an obligation of any nature whatsoever of the State, and neither the Amended and Restated Series 2023 Bonds nor any obligations arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State. Nothing contained in this section shall, however, relieve the University from the observance and performance of the several covenants and agreements on its part herein contained and contained in the Indenture.

(c) Authorization of Twenty-Second Supplemental Indenture.
The Board does hereby authorize the President of the University and the Chief Financial Officer of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, to the Trustee, a Twenty-Second University Supplemental University Facilities Revenue Trust Indenture, in substantially the form of the Twenty-First Supplemental Indenture, with such additional terms or changes as shall be deemed necessary or desirable by the President of the University or the Chief Financial Officer of the University (the "Twenty-Second Supplemental Indenture"); provided, such additional terms and changes shall be in compliance with the Parameters for Amendment. The Board does hereby further authorize and direct the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to affix the corporate seal of the University to the Twenty-First Supplemental Indenture and to attest the same.

(d) Authorization of Amended and Restated Advance Agreements.
The Board does hereby authorize the President of the University and the Chief Financial Officer of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, (i) an Amended and Restated Advance Agreement (2023-A) between the University and the 2023-A Lender, in substantially the form of the 2023-A Advance Agreement, with such additional terms and changes as shall be deemed necessary or desirable by the President of the University or the Chief Financial Officer of the University; provided, such additional terms and changes are in accordance with the Parameters for Amendment, and (ii) an Amended and Restated Advance Agreement (2023-B) between the University and the 2023-B Lender, in substantially the form of the 2023-B Advance Agreement, with such additional terms or changes as shall be deemed necessary or desirable by the President of the University or the Chief Financial Officer of the University; provided, such additional terms and changes are in accordance with the Parameters for Amendment. The Board does hereby further authorize the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, to affix the corporate seal of the University to such amended and restated advance agreements.

(e) Amended and Restated Series 2023 Bonds to be Issued as Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture.
The Amended and Restated Series 2023 Bonds, if issued, shall be issued as additional parity bonds under Article VIII of the Indenture. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture, and no such default is imminent;

(2) the Amended and Restated Series 2023-A Bond shall be designated "Series 2023-A", and the Amended and Restated Series 2023-B Bond shall be designated "Series 2023-B";

(3) the Amended and Restated Series 2023-A Bond shall be delivered to the 2023-A Lender in exchange for the Series 2023-A Bond, and the Amended and Restated Series 2023-B Bond shall be delivered to the 2023-B Lender;

(4) the Amended and Restated Series 2023 Bonds are to be issued by exchange and at a price equal to the face amount of each such instrument (payment of such price being evidenced by receipt of the bond exchanged therefor);

(5) pursuant to the provisions of the Indenture, the University has issued and sold, and currently has outstanding its:

(i) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond"),

(ii) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond"),

(iii) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond"),

(iv) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond"),

(v) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond"),

(vi) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016-A Bonds"),

(vii) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds"),

(viii) $47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds"),

(ix) $18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds"),

(x) $19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (the "Series 2019-C Bond"),

(xi) $37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020 (the "Series 2020 Bonds"),

(xii) $40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021 (the "Series 2021-A Bonds"),

(xiii) $15,387,000 University Facilities Revenue Bonds, Series 2021-B, dated July 8, 2021 (the "Series 2021-B Bonds"),

(xiv) $20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September 23, 2021 (the "Amended and Restated Series 2016-B Bond"),

(xv) $35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September 23, 2021 (the "Amended and Restated Series 2016-C Bond"),

(xvi) $45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September 23, 2021 (the "Amended and Restated Series 2016-D Bond"), and

(xvii) the Series 2023 Bond;

(6) The only bonds outstanding under the Indenture at the time of issuance of the Amended and Restated Series 2023 Bonds (which shall result in the termination of the Series 2023 Bonds) are the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, Series 2016-A Bonds, the Series 2017 Bonds, Series 2019-A Bonds, Series 2019-B Bonds, the Series 2019-C Bond, Series 2020 Bonds, Series 2021-A Bonds, the Series 2021-B Bonds, the Amended and Restated Series 2016-B Bond, the Amended and Restated Series 2016-C Bond, and the Amended and Restated Series 2016-D Bond; and

(7) the Series 2023 Bonds are being issued for the purposes described in Section 1 (a) hereof.

The Trustee is hereby requested to authenticate the Amended and Restated Series 2023-A Bond to the 2023-A Lender at the time it is to be delivered to the 2023-A Lender, and to authenticate the Amended and Restated Series 2023-B Bond to the 2023-B Lender at the time it is to be delivered to the 2023-B Lender.

Section 5. General Authorization; Chief Financial Officer.

(a) The President of the University, the Chief Financial Officer of the University, the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board, or any of them, are hereby authorized to execute and deliver, by and in the name of the University, such agreements, certifications, instruments, amendments, or other documents (collectively, "Additional Documents"), containing such terms as such officer shall approve and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution; provided, the Parameters for Amendment are complied with. The Secretary of the Board, the Vice Chair of the Board, and the Chair Pro Tempore of the Board, or any of them, are hereby authorized to affix the corporate seal of the University to such Additional Documents and to attest the same.

(b) Without limiting the generality of Section 5(a) hereof, the President and the Chief Financial Officer of the University, or either of them, are hereby authorized to execute and deliver a Tax Compliance Agreement and Certificate and an IRS Form 8038-G in the event it is determined by bond counsel to the University that the transactions contemplated by this resolution constitute a "reissuance" of the Series 2023-A Bond for purposes of the Internal Revenue Code of 1986, as amended.

(c) The Board does hereby declare that the title of Vice President for Finance and Administration has been extinguished, and that, for all purposes of the Indenture, the duties and responsibilities of the Vice President for Finance and Administration have been vested in the Chief Financial Officer of the University. The Chief Financial Officer of the University is hereby authorized to sign and execute any and all documents or instruments that, under the Indenture, are to be signed or delivered by the Vice President for Finance and Administration (including any predecessor title to Vice President for Finance and Administration). Without limiting the generality of the foregoing, the Board declares and confirms that the Chief Financial Officer of the University is hereby one and the same as the Vice President for Finance and Administration (including any predecessor title to Vice President for Finance and Administration) for purposes of the Indenture.

Section 6. Resolution Constitutes a Contract; Severability.
The provisions of this resolution shall constitute a contract between the University and the holders of the Series 2023 Bonds, as amended pursuant to this resolution, or, if the Amended and Restated Series 2023 Bonds are issued in exchange for the Series 2023 Bonds, the holders of the Amended and Restated Series 2023 Bonds. The various provisions of this resolution are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this resolution.

Chair Mitchell called for a report from the Long-Range Planning Committee, **Item 15**. Ms. Brown Stewart, Committee Chair, advised that a Committee meeting took place on December 7, 2023, and she briefed the Board on the business that occurred. She added that the Committee voted unanimously to recommend Board approval of **Item 16** as follows. On motion by Ms. Atkins, seconded by Judge Lewis, the Board voted unanimously to approve the resolution:

RESOLUTION
UNIVERSITY OF SOUTH ALABAMA STRATEGIC PLANNING PRIORITIES

WHEREAS, the University of South Alabama (the "University"), with a global reach and a special focus on the Gulf Coast, strives to make a difference in the lives of those it serves through promoting discovery, health and learning, and

WHEREAS, the University of South Alabama is *The Flagship of the Gulf Coast* and is an essential partner in the development and growth of the City of Mobile, the Gulf Coast region, and their citizens, and

WHEREAS, the University is a diverse community of scholars in which students have access to the tools and resources they need to be academically and personally successful and in which all faculty have access to the support they need to be excellent teachers, researchers, scholars, artists and healthcare providers, and

WHEREAS, University Strategic Planning Priorities provide guidance and direction to faculty, staff and administrators for future planning and how to continue to grow and improve the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the University Strategic Planning Priorities for use in future planning and budgeting, as well as in the evaluation of the success of the University in achieving its mission.

Chair Mitchell called for a report from the Evaluation and Compensation Committee, **Item 16.A**. Capt. Jenkins, Committee Chair, advised of a comprehensive presidential compensation cost analysis completed in partnership with the national consulting firm Sullivan Cotter and considered by the Evaluation and Compensation Committee. He stated the data derived became the driver for the resolution distributed to the Trustees, **Item 16.B** as follows. He thanked Ms. Dukes and Mr. John Elliott, Chief Human Resources Officer, for their assistance throughout this process. On motion by Mr. Yance, seconded by Dr. Charlton, the Board voted unanimously to approve the resolution:

RESOLUTION
PRESIDENT'S EMPLOYMENT CONTRACT

WHEREAS, the Evaluation and Compensation Committee of the Board of Trustees of the University of South Alabama (the "Committee") is charged with conducting periodic performance reviews of the President and recommending to the Board the appropriate compensation package for the President, and

WHEREAS, the Committee has reviewed the performance of Mr. Josiah R. Bonner, Jr., as the President of the University of South Alabama and has made its recommendations regarding compensation to the Board of Trustees, and

WHEREAS, the Board of Trustees wishes to extend Mr. Bonner certain terms of employment in the form of a revised contract of employment, and

WHEREAS, terms are being discussed with Mr. Bonner,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby conveys its authority to finalize the terms of Mr. Bonner's employment as President of the University of South Alabama and to sign the contract evidencing such terms to its Chair *pro tempore*, Mrs. Arlene Mitchell, in consultation with the chair of the Evaluation and Compensation Committee, Robert D. Jenkins III, and

BE IT FURTHER RESOLVED, upon recommendation from the Evaluation and Compensation Committee, the Board authorizes its Chair *pro tempore*, Mrs. Arlene Mitchell, in consultation with the chair of the Committee, Robert D. Jenkins III, to execute such supplemental agreements with Mr. Bonner as the Committee may deem necessary to secure President Bonner's services on a prospective basis.

Regarding **Item 17** as follows, Chair Mitchell, Mr. Graham and President Bonner took the floor and Mr. Graham commented on the tenure of Ms. Laura Schratt as USA's former Executive Director of the Office of Internal Audit. Mr. Graham credited Ms. Schratt with raising the bar in her role, and he read the resolution and moved for its approval. Ms. Brown Stewart seconded and the Board voted unanimously to approve the resolution. Ms. Schratt was presented a commemorative resolution and she conveyed appreciation for the recognition:

RESOLUTION
COMMENDATION OF MS. LAURA SCHRATT

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

WHEREAS, Ms. Laura Schratt faithfully and honorably served the University of South Alabama as executive director of the Office of Internal Audit and chief financial compliance officer from 2020-2023, and

WHEREAS, Ms. Schratt came to South after having served as chief audit executive at the North Dakota University System and with years of experience as a financial analyst and auditor, and

WHEREAS, Ms. Schratt used her considerable skills and talent upon her arrival at the University to elevate USA audit operations and structures, ensure alignment with industry standards, and develop a professional team in the Office of Internal Audit team, and

WHEREAS, Ms. Schratt served as a strategic and collaborative leader and oversaw varied aspects of internal audit, including financial compliance, risk assessment, audit planning and execution reporting, while also coordinating assistance for external audits, and

WHEREAS, Ms. Schratt served as a partner to faculty and staff to streamline and improve processes at both the University and USA Health, cultivating educational outreach and a quarterly e-newsletter published in conjunction with the Office of Compliance on relevant and timely issues, and

WHEREAS, Ms. Schratt built a reputation as an experienced administrator who led with fairness and integrity and, aside from her professional calling, is also known by her colleagues and friends as a skilled baker, as well as an avid Disney and Jeep enthusiast who enjoys travel,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama extends its sincere appreciation to Ms. Laura Schratt for her contributions to the University and offers best wishes to her and her family in their future endeavors.

In closing, President Bonner announced that Ms. Rita Harper, Executive Assistant in the Office of the Executive Vice President and Provost, was celebrating her birthday, and he reminded Board members and guests about the Whiddon College of Medicine groundbreaking ceremony and luncheon following the meeting. Chair Mitchell wished everyone a happy and safe holiday season. There being no further business, the meeting was adjourned at 10:16 a.m.

Attest to:	Respectfully submitted:
Lenus M. Perkins, Secretary	Arlene Mitchell, Chair pro tempore

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Audit Committee

December 7, 2023
1:30 p.m.

A meeting of the Audit Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Mr. Ron Graham, Chair, on Thursday, December 7, 2023, at 1:31 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Alexis Atkins, Tom Corcoran, Ron Graham, Ron Jenkins and Lenus Perkins were present.
Member Absent:	Bill Lewis.
Other Trustees:	Chandra Brown Stewart, Scott Charlton, Steve Furr, Luis Gonzalez, Arlene Mitchell, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Monica Ezell, Melinda Gratwick (KPMG), Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Amanda Price (KPMG), Kristen Roberts, Keith Shurbutt (KPMG), Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman, Christina Wassenaar (Faculty Senate) and Ashley Willson (KPMG).

Following the attendance roll call, **Item 1**, Mr. Graham called for consideration of the minutes for a meeting held on September 7, 2023, **Item 2**. On motion by Mr. Corcoran, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Mr. Graham called on Ms. Roberts for the presentation of **Item 3**, the KPMG audit reports for the fiscal year ended September 30, 2023. Ms. Roberts welcomed Ms. Ashley Willson, KPMG lead engagement partner, who, along with KPMG's Ms. Amanda Price and Mr. Keith Shurbutt, delivered the required communications. Ms. Willson noted that KPMG was prepared to issue an unmodified opinion on the draft financial statements once approved by University management. Mr. Shurbutt advised that an unmodified opinion on the single audit, pertaining to compliance and federal programs, would be issued.

Mr. Graham called on Mr. Susman to address **Item 4**, ratification of the fiscal year 2024 Office of Internal Audit (OIA) budget. Mr. Susman explained that the OIA budget, which was part of the overall 2023-2024 University budget authorized in September 2023, provided the resources necessary for the OIA to carry out its mission as outlined in the OIA charter, and he provided an overview on budget factors. On motion by Ms. Atkins, seconded by Mr. Corcoran, the Committee voted unanimously to ratify the 2024 OIA budget.

Regarding **Item 5**, a report on the activities of the OIA, Mr. Susman discussed the OIA 2023 Annual Report, the search underway to fill the position of OIA director, and plans for a quality assessment to be conducted with assistance from the firm of Warren Averett.

There being no further business, the meeting was adjourned at 1:46 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, 2023

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Basic Financial Statements
September 30, 2023

Table of Contents

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

Basic Financial Statements

September 30, 2023

Table of Contents

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2023

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, 2023 and 2022, 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, USA HealthCare Management, LLC, Jaguar Realty, LLC, and various billing entities 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 are discretely presented.

Financial Highlights

At September 30, 2023 and 2022, the University had total assets and deferred outflows of $2,049,385,000 and $1,849,857,000, respectively; total liabilities and deferred inflows of $1,556,146,000 and $1,488,669,000, respectively; and net position of $493,239,000 and $361,188,000, respectively.

The University has experienced a significant growth in its healthcare operations over the past several years incurring increases in net patient service revenues of $71,391,000, or 10%, between 2022 and 2023. Due to improved operational performance by both the University and USA Health, significant market growth, and the issuance of the 2023 bonds, there was a notable increase in cash and investment balances between 2022 and 2023, increasing by $159,510,000, or 26%, to $763,957,000 at September 30, 2023.

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

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University at September 30, 2023. 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 statement of net position, along with all of the University's basic financial statements, is prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

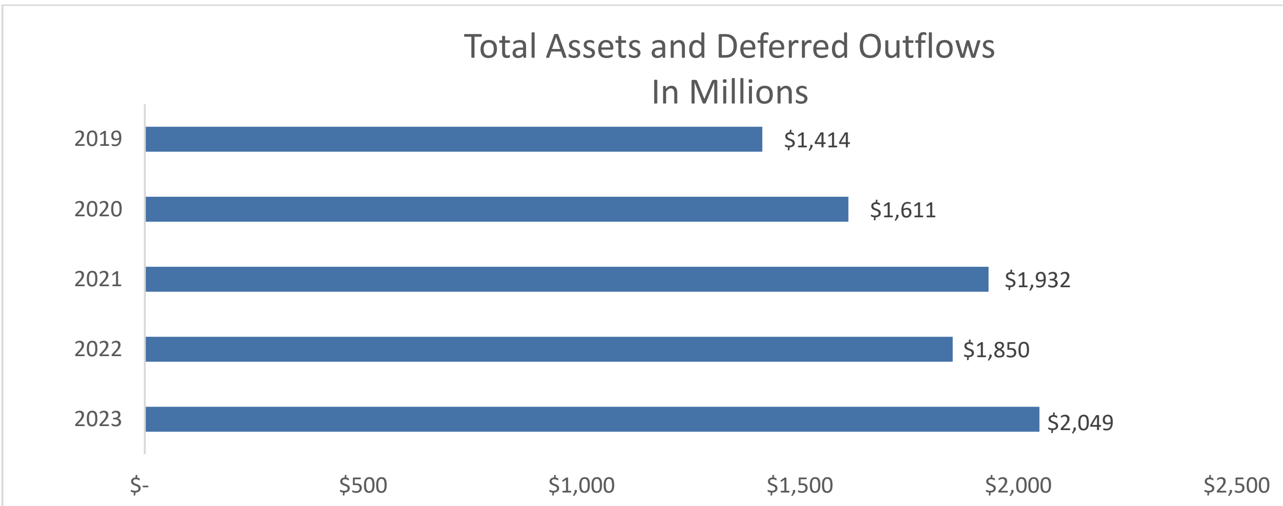
The condensed schedules of net position at September 30, 2023 and 2022 follow (in thousands):

Condensed Schedules of Net Position

		2023	2022
Assets:			
Current	$	508,729	362,646
Capital assets, net		914,673	840,112
Other noncurrent		383,610	421,804
Total assets		1,807,012	1,624,562
Deferred outflows		242,373	225,295
Total assets and deferred outflows		2,049,385	1,849,857
Liabilities:			
Current	$	307,203	211,958
Noncurrent		934,032	975,247
Total liabilities		1,241,235	1,187,205
Deferred inflows		314,911	301,464
Total liabilities and deferred inflows	$	1,556,146	1,488,669
Net position:			
Net investment in capital assets	$	383,248	373,258
Restricted, nonexpendable		79,728	74,299
Restricted, expendable		90,416	90,534
Unrestricted deficit		(60,153)	(176,903)
Total net position	$	493,239	361,188

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, restricted cash and cash equivalents, and investments. Of these amounts, cash and cash equivalents, restricted cash and cash equivalents, and investments comprise approximately 50%, 17%, and 13%, respectively, of current assets at September 30, 2023. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments, and capital assets. The increase in total assets and deferred outflows is attributed to an increase in investment value and restricted cash and cash equivalents.

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.

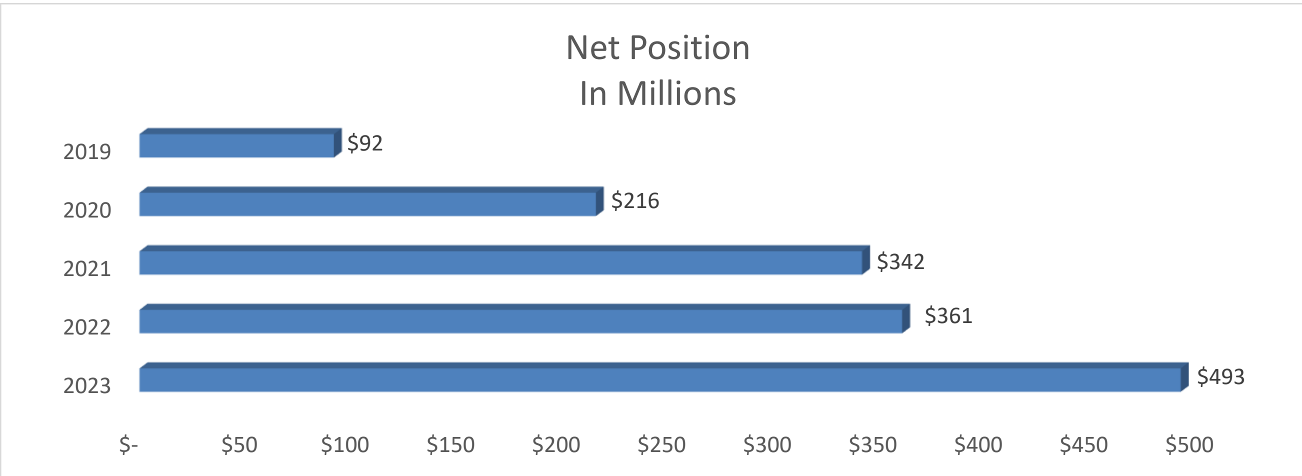
Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University and donor agreements, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University 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 deficit of net position represents amounts not invested in capital assets or 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, 2023 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.

(Continued)

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



All categories of restricted net position collectively increased by approximately $5,311,000 between September 30, 2023 and 2022, primarily due to market increases on investments. Unrestricted deficit decreased from $(176,903,000) to $(60,153,000) between September 30, 2023 and 2022. A summary of unrestricted net position (deficit) at September 30, 2023 is summarized as follows (in thousands):

		2023	2022
Unrestricted deficit related to net pension liability	$	(375,894)	(237,578)
Unrestricted deficit related to net OPEB liability		(53,421)	(205,378)
Unrestricted net position related to other activity		369,162	266,053
Unrestricted net position (deficit)	$	(60,153)	(176,903)

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the 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, 2023 and 2022 follow (in thousands):

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

		2023	2022
Operating revenues:			
Tuition and fees, net	$	125,929	130,677
Patient service revenues, net		791,446	720,055
Federal, state, and private grants and contracts		62,507	48,749
Other		80,143	80,440
		1,060,025	979,921
Operating expenses:			
Salaries and benefits		653,681	587,844
Supplies and other services		418,707	409,008
Other		115,211	98,038
		1,187,599	1,094,890
Operating loss		(127,574)	(114,969)
Nonoperating revenues and expenses:			
State appropriations		181,177	140,709
Net investment income		42,889	(53,135)
Other, net		(2,920)	27,626
Net nonoperating revenues		221,146	115,200
Income before capital contributions and grants and additions to endowment		93,572	231

(Continued)

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

		2023	2022
Capital appropriations, contributions and grants, and additions to endowment	$	38,479	25,711
Increase in net position		132,051	25,942
Beginning net position		361,188	342,310
Cumulative effect of change in account principle		—	(7,064)
Beginning balance, as adjusted		361,188	335,246
Ending net position	$	493,239	361,188

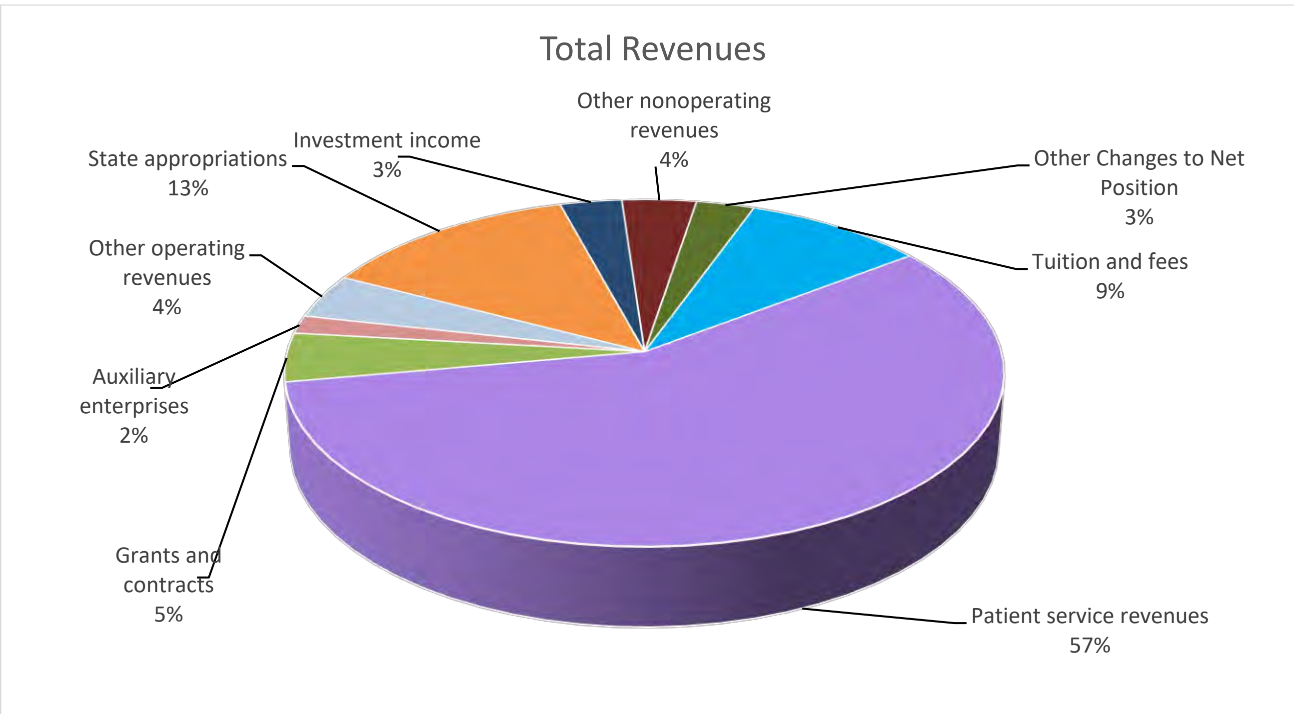
In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting, whereby certain leases that were previously classified as operating leases are now reported on the statement of net position. GASB Statement No. 87 required the University to record right-of-use assets and the corresponding current and noncurrent portions of lease liabilities for noncancelable, long-term contracts related to use of tangible property under which the University is the lessee. In addition, GASB Statement No. 87 required the University to record the current and noncurrent portions of lease receivables and the corresponding deferred inflow of resources for noncancelable, long-term contracts related to use of tangible property under which the University is the lessor. The adoption of the provisions of GASB Statement No. 87 resulted in a restatement of beginning unrestricted net position at October 1, 2021 by decreasing unrestricted net position $7,064,000.

In 2023, the University adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITA. This adoption resulted in increased right-of-use assets and the related lease and subscription obligations at the beginning of the fiscal year, in the amount of $25,081,000, which is represented in capital assets, net on the statement of net position. Upon analysis of the facts and circumstances at the time of adoption, the impact on beginning net position was deemed immaterial by management, and therefore, no prior-period adjustment was necessary.

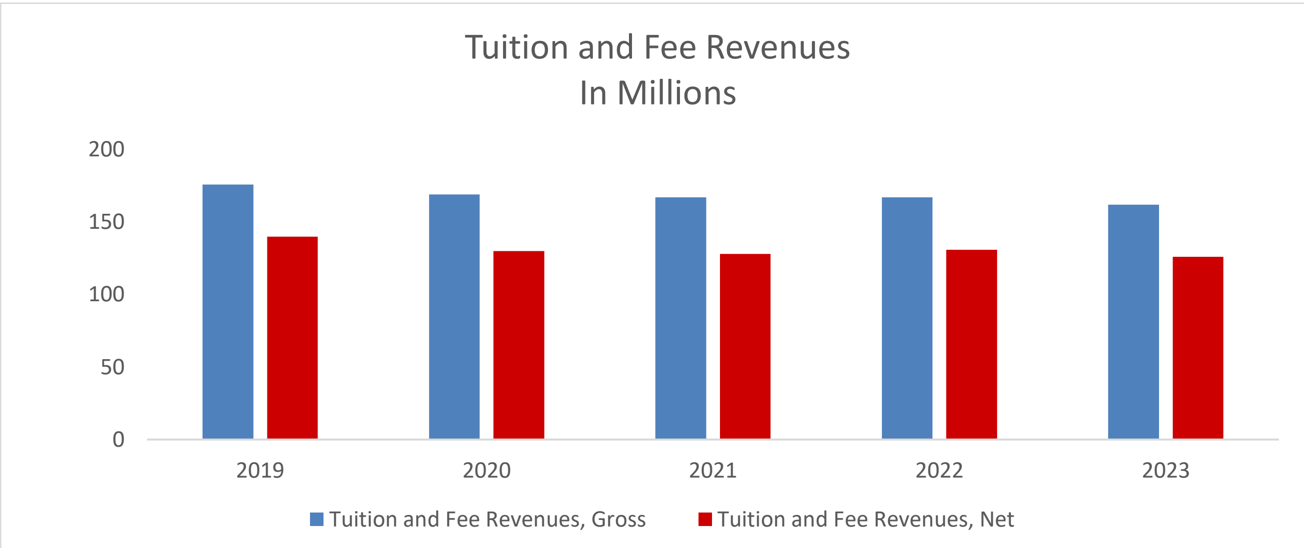
(Continued)

Approximately 57% of total revenues of the University were net patient service revenues in 2023. Excluding patient service revenues, tuition and fees charged to students and state appropriations represent the largest component of total University revenues, approximately 9% and 13% of total revenues in 2023, respectively. In 2023, grants and contracts (federal, state, and private) represented approximately 5% of total revenues.

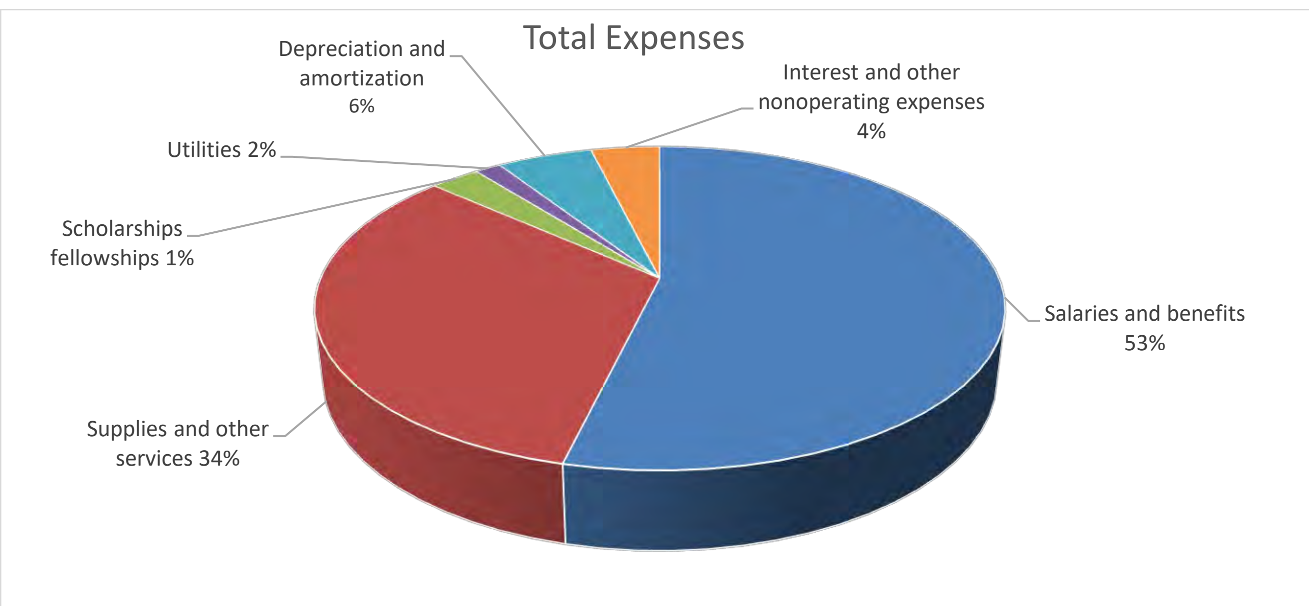
A summary of University revenues for the year ended September 30, 2023 is presented as follows:



Tuition revenues have generally remained steady 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 five fiscal years are as follows:

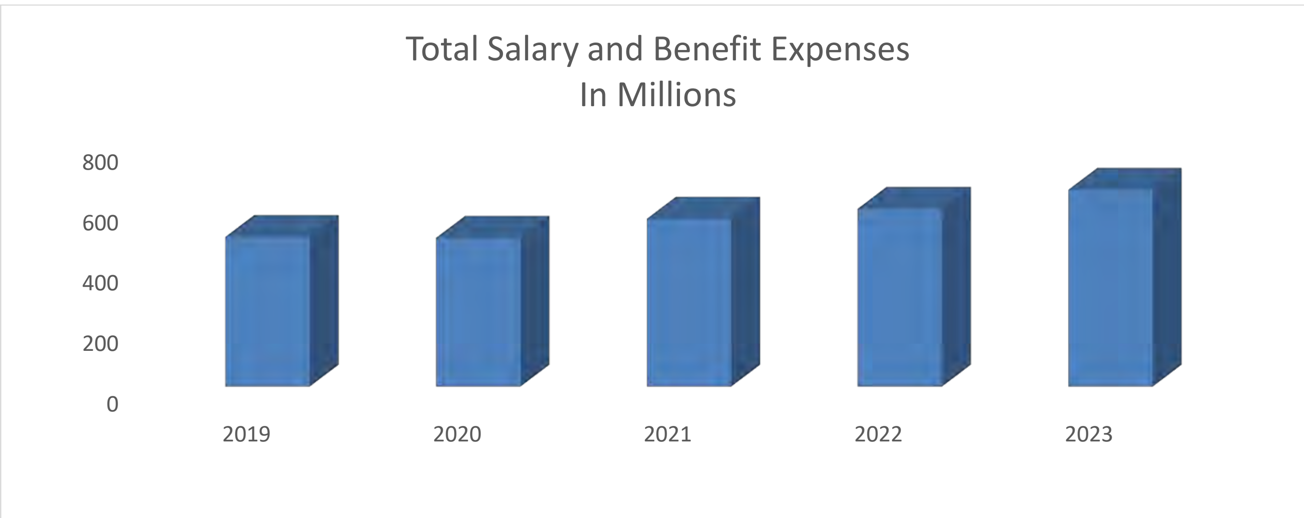


University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2023 is presented as follows:



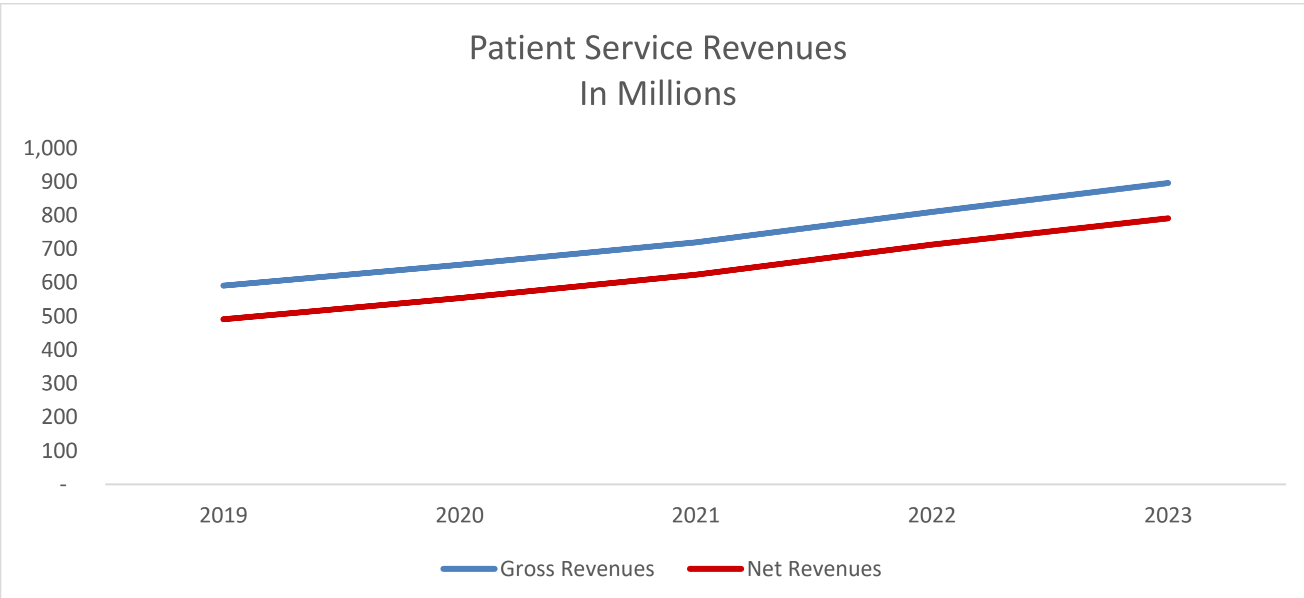
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships. Expenses related to auxiliary enterprise activities, USA Health, and depreciation and amortization are presented separately. Functional expense information is presented in note 18 to the basic financial statements.

In 2023, approximately 53% of the University's total expenses were salaries and benefits.



For the year ended September 30, 2023, the University reported an operating loss of approximately $127,574,000. The operating loss is offset by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, including capital appropriations, capital contributions and grants, and additions to the endowment, the total increase in net position was approximately $132,051,000 for the year ended September 30, 2023.

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



Statement of Cash Flows

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

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately $95,530,000 in 2023. Significant construction projects that remain in progress as of September 30, 2023 include the campus storm shelter, a 3D printer lab, Science Laboratory Building renovation, new Central Energy Plant, the demolition of Alpha Hall South and East, and utilities improvement in preparation for the new College of Medicine Building. Major projects completed and placed into service in fiscal year 2023 include Gamma 0-4 HVAC upgrade, Greek housing renovations, outdoor pool repairs, quantum cell service, Football Fieldhouse roof repairs, and the North Drive utilities project. At September 30, 2023, the University had outstanding commitments of approximately $26,764,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

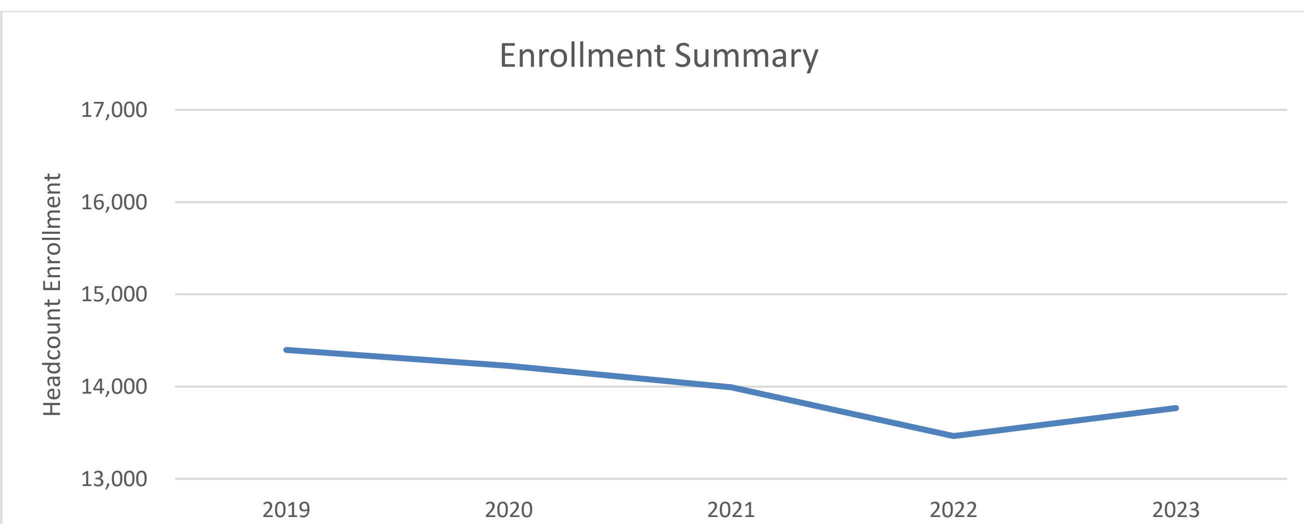
On March 5, 2021, the Financial Conduct Authority announced that the final publication date for US LIBOR would be June 30, 2023. Loans maturing after the end of LIBOR were reviewed to determine if appropriate language, referred to as fallback language, was used to provide for the replacement of LIBOR with an alternative index. The Alternative Reference Rates Committee (ARRC) has recommended the Secured Overnight Financing Rate (SOFR) as an alternative to replace LIBOR. As recommended by the ARRC, all rate and fee settings for affected facilities maturing after the end of LIBOR have been replaced with a SOFR-based index.

In April 2023, the University of South Alabama Health Care Authority (a component of the University) entered into an agreement with Gulf Coast Health System to acquire an acute care hospital, its ancillary-related healthcare delivery businesses, and related facilities effective October 1, 2023. This acquisition is referred to as Ascension Providence. In April 2023, the University delivered up to $80,000,000 University Facilities Revenue Bond (Draw-Down Loan), Series 2023-A, and up to $20,000,000 Taxable University Facilities Revenue Bond (Draw-Down Loan), Series 2023-B. The proceeds, along with internal contributions from the University, are financing this acquisition. The draw down facility allows the University, from time to time through April 15, 2024, to request funds from the 2023-A totaling up to $80,000,000 (2023-A Advances) and from the 2023-B totaling up to $20,000,000 (2023-B Advances). Interest payments are due on June 1, 2023, September 1, 2023, December 1, 2023, March 1, 2024, and April 19, 2024. The principal balance, which will be paid with proceeds from a long-term bond issuance, will be due on April 19, 2024. At September 30, 2023, the outstanding principal for 2023-A is $67,020,000 and 2023-B is $16,635,000.

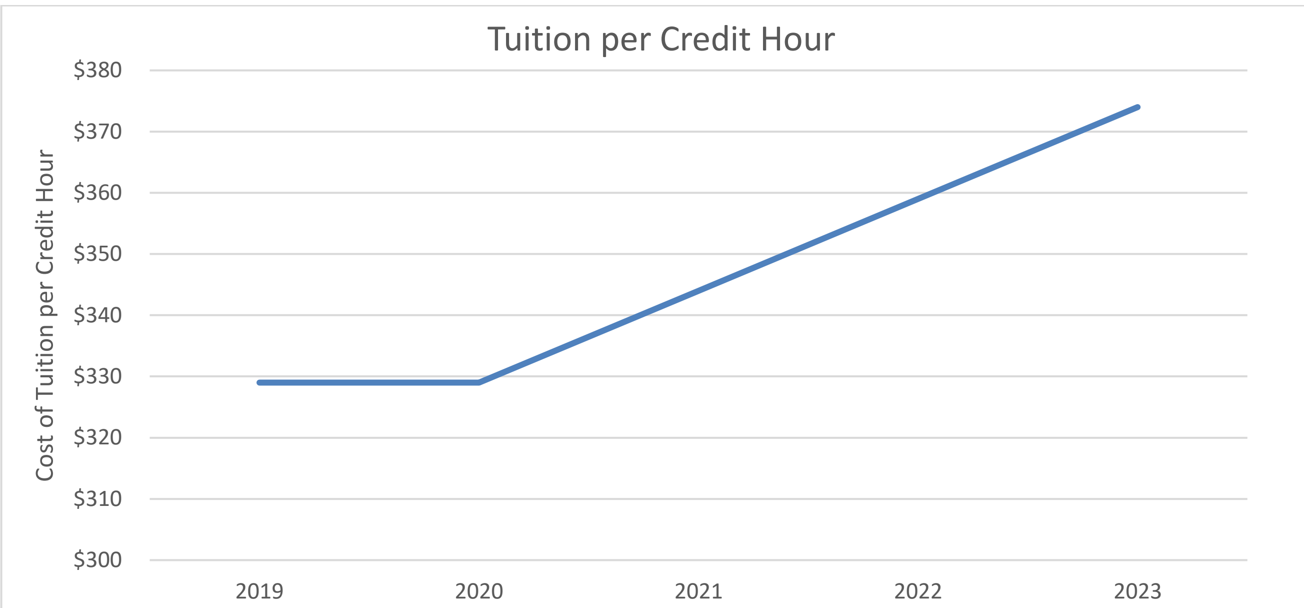
The University's credit rating is A1 (Negative) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Moody's Investors Services revised the University's outlook to negative from stable and affirmed its A1 issuer and revenue bond ratings in July 2023. Standard and Poor's Global Ratings affirmed the University's current rating in February 2023. Additional information regarding the University's debt is included in note 8.

Economic Outlook

While tuition and fee rates per credit hour have increased over the past five years, there have been declines in enrollment from 2019 through 2022. The University experienced a decline in enrollment of approximately 4% between Fall 2021 and Fall 2022 and an increase of 2% between Fall 2022 and Fall 2023. The University did have a rise in enrollment for Fall 2023, due mainly to increased freshman enrollment. The enrollment trend for the University between 2019 and 2023 is as follows:

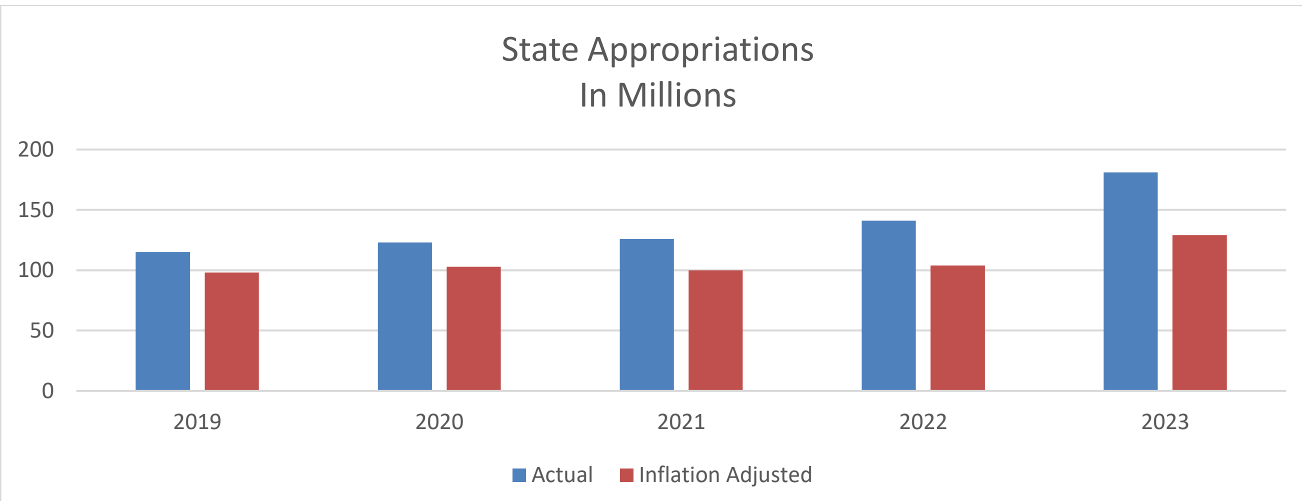


During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 9%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2019 and 2023 is as follows:



A state appropriation in the amount of approximately $140,714,000 and $129,098,000 was authorized for the years ended September 30, 2023 and 2022, respectively. Additional appropriations of approximately $40,463,000 were received in 2023 for capital project improvements and equipment. In 2022, additional appropriations of $4,111,000 and $7,500,000 were received for advancement and technology and certain academic and healthcare initiatives. A state appropriation in the amount of approximately $150,375,000, representing an increase of approximately 6.87%, has been authorized for the year ending September 30, 2024. While no announcement has been made, the University is aware that reductions in the 2024 appropriation are possible.

The five-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 healthcare 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 COVID-19 (the Crisis). The University returned to normal operations for the Fall 2021 semester, and USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

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, 2023, the University (including USA Health) has been awarded $105,456,000 in CARES Act and other funding from federal and state sources for COVID-19 relief. Of this amount, $6,202,000 was awarded in the year ended September 30, 2023 and $6,189,000 was awarded in the year ended September 30, 2022. Of the total amount awarded, $12,703,000 has been recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the year ended September 30, 2023.

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 Kristen Roberts; Chief Financial Officer; University of South Alabama Administration Building Suite 353, 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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of University of South Alabama (the University), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of University of South Alabama Foundation, which represent 82% and 33%, respectively, of the assets and revenues of the aggregate discretely presented component units as of September 30, 2023 and for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for University of South Alabama Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of University of South Alabama Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, 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 the schedule of the University's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 December 20, 2023 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
December 20, 2023

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statement of Net Position

September 30, 2023

(In thousands)

Current assets:		
Cash and cash equivalents	$	254,276
Restricted cash and cash equivalents		89,590
Investments		67,472
Patient receivables (net of allowance for doubtful accounts of $117,709)		48,350
Accounts receivable, other		31,200
Notes receivable, net		705
Prepaid expenses, inventories, and other		16,429
Lease receivable, current portion		707
Total current assets		508,729
Noncurrent assets:		
Restricted cash and cash equivalents		14,104
Restricted investments		262,264
Investments		76,251
Other noncurrent assets and accounts receivable		29,041
Lease receivable, less current portion		1,950
Capital assets, net		914,673
Total noncurrent assets		1,298,283
Total assets		1,807,012
Deferred outflows		242,373
Total assets and deferred outflows		2,049,385
Current liabilities:		
Accounts payable and accrued liabilities		103,834
Unrecognized revenues		64,430
Deposits		2,914
Current portion of other long-term liabilities		5,974
Current portion lease and subscription obligations		20,862
Current portion of long-term debt		109,189
Total current liabilities		307,203
Noncurrent liabilities:		
Long-term debt, less current portion		409,809
Lease and subscription obligations, less current portion		30,485
Other long-term liabilities, less current portion		64,423
Net pension liability		375,894
Net other postemployment benefits liability		53,421
Total noncurrent liabilities		934,032
Total liabilities		1,241,235
Deferred inflows		314,911
Total liabilities and deferred inflows		1,556,146
Net position:		
Net investment in capital assets		383,248
Restricted, nonexpendable:		
Scholarships		46,072
Other		33,656
Restricted, expendable:		
Scholarships		32,554
Other		57,862
Unrestricted deficit		(60,153)
Total net position	$	493,239

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2023

(In thousands)

Operating revenues:	
Tuition and fees (net of scholarship allowances of $40,572)	$ 125,929
Patient service revenues (net of provision for bad debts of $105,307)	791,446
Federal grants and contracts	33,285
State grants and contracts	12,992
Private grants and contracts	16,230
Auxiliary enterprises (net of scholarship allowances of $1,255)	23,227
Other operating revenues	56,916
Total operating revenues	1,060,025
Operating expenses:	
Salaries and benefits	653,681
Supplies and other services	418,707
Scholarships and fellowships	17,590
Utilities	20,481
Depreciation and amortization	77,140
Total operating expenses	1,187,599
Operating loss	(127,574)
Nonoperating revenues (expenses):	
State appropriations	181,177
Net investment income	42,889
Interest expense	(17,347)
Other nonoperating revenues	51,727
Other nonoperating expenses	(37,300)
Net nonoperating revenues	221,146
Income before capital appropriations, capital contributions and grants, and additions to endowment	93,572
Other changes in net position	
Capital appropriations	12,691
Capital contributions and grants	16,333
Additions to endowment	9,455
Total other changes in net position	38,479
Increase in net position	132,051
Net position:	
Beginning of year	361,188
End of year	$ 493,239

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statement of Cash Flows

Year ended September 30, 2023

(In thousands)

Cash flows from operating activities:		
Receipts related to tuition and fees	$	129,029
Receipts from and on behalf of patients and third-party payers		791,835
Receipts from grants and contracts		54,319
Receipts related to auxiliary enterprises		24,376
Payments to suppliers and vendors		(443,897)
Payments to employees and related benefits		(672,436)
Payments for scholarships and fellowships		(17,590)
Other operating receipts		78,668
Net cash used in operating activities		(55,696)
Cash flows from noncapital financing activities:		
State appropriations		181,177
Endowment gifts		9,455
Agency funds received		3,352
Agency funds disbursed		(4,068)
Student loan program disbursements		(133,090)
Student loan program receipts		132,959
Other nonoperating revenues		40,302
Other nonoperating expenses		(32,283)
Net cash provided by noncapital financing activities		197,804
Cash flows from capital and related financing activities:		
Capital contributions and grants		16,333
Purchases of capital assets		(66,670)
Proceeds from sales of capital assets		111
Proceeds from issuance of capital debt		83,655
Principal payments on capital debt		(44,594)
Interest payments on capital debt		(21,822)
Net cash used in capital and related financing activities		(32,987)
Cash flows from investing activities:		
Interest and dividends on investments		14,724
Purchases of investments		(63,396)
Proceeds from sales of investments		48,920
Net cash provided by investing activities		248
Net increase in cash and cash equivalents		109,369
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year		248,601
End of year	$	357,970

(Continued)

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statement of Cash Flows

Year ended September 30, 2023

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(127,574)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		77,140
Changes in assets and liabilities, net:		
Student receivables		13
Net patient receivables		2,256
Grants and contracts receivables		(4,296)
Other receivables		4,311
Prepaid expenses, inventories, and other		(5,236)
Accounts payable and accrued liabilities		(2,377)
Unrecognized revenues		67
Net cash used in operating activities	$	(55,696)
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents classified as current assets	$	254,276
Restricted cash and cash equivalents classified as current assets		89,590
Restricted cash and cash equivalents classified as noncurrent assets		14,104
Total cash and cash equivalents	$	357,970
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of investment gains	$	25,540
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital asset		12,691
Addition of lease and subscription obligations		15,898
Gifts of capital, investments, and other assets		1,048
Increase in accounts payable related to capital assets		5,051
Addition of note payable due for financing purchases		802
Loss on disposals of capital assets		(829)

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 Financial Position

June 30, 2023

(In thousands)

Assets		
Cash and cash equivalents	$	1,718
Investments:		
Equity securities		223,532
Timber and mineral properties		176,002
Real estate		9,064
Other		5,814
Other assets		603
Total assets	$	416,733
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	103
Other liabilities		861
Total liabilities		964
Net assets:		
Without donor restrictions		62,190
With donor restrictions		353,579
Total net assets		415,769
Total liabilities and net assets	$	416,733

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, 2023

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses, and other support:			
Net realized and unrealized gains on investments	$ 4,208	37,345	41,553
Rents, royalties, and timber sales	3,779	198	3,977
Interest and dividends	1,579	1,317	2,896
Gifts	1	68	69
Required match of donor contributions	(4)	4	—
Interfund interest	(712)	712	—
Other income	30	—	30
Net assets released from program restrictions	11,987	(11,987)	—
Total revenues, gains, losses, and other support	20,868	27,657	48,525
Expenditures:			
Program services:			
Faculty support	3,003	—	3,003
Scholarships	1,245	—	1,245
Other academic programs	9,012	—	9,012
Total program service expenditures	13,260	—	13,260
Management and general	2,696	—	2,696
Other investment expense	1,159	—	1,159
Depletion expense	4,195	—	4,195
Depreciation expense	44	—	44
Total expenditures	21,354	—	21,354
Change in net assets	(486)	27,657	27,171
Net assets – beginning of year	62,676	325,922	388,598
Net assets – end of year	$ 62,190	353,579	415,769

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

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

Statement of Net Position

September 30, 2023

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	2,200
Lease receivable, current portion		2,650
Prepaid expenses and other current assets		25
Accrued interest receivable		52
Total current assets		4,927
Noncurrent assets:		
Capital assets, net		18,144
Lease receivable, less current portion		9,440
Total noncurrent assets		27,584
Deferred outflows		607
Total assets and deferred outflows		33,118
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		313
Unrecognized rent revenue		351
Notes payable, current portion		1,022
Total current liabilities		1,686
Noncurrent liabilities:		
Notes payable, less current portion		16,967
Total noncurrent liabilities		16,967
Deferred inflows		11,713
Total liabilities and deferred inflows	$	30,366
Net position:		
Net investment in capital assets	$	918
Unrestricted		1,834
Total net position	$	2,752

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2023

(In thousands)

Operating revenues	$	4,202
Operating expenses:		
Building management and operating expenses		1,140
Depreciation and amortization		1,318
Legal and administrative fees		575
Insurance		65
Total operating expenses		3,098
Operating income		1,104
Nonoperating revenues (expenses):		
Interest expense		(871)
Interest income		73
Other		374
Net nonoperating expenses		(424)
Increase in net position		680
Net position:		
Beginning of year		2,072
End of year	$	2,752

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2023

(In thousands)

Current assets:		
Cash and cash equivalents	$	3,614
Restricted cash and cash equivalents		558
Patient receivables (net of allowance for doubtful accounts of approximately $1,198)		3,392
Inventories		91
Lease receivable, current portion		324
Other current assets		1,582
Total current assets		9,561
Noncurrent assets:		
Capital assets, net		48,907
Investments		458
Lease receivable, less current portion		3,045
Total noncurrent assets		52,410
Total assets		61,971
Current liabilities:		
Accounts payable and accrued liabilities		9,248
Accrued salaries and wages		2,882
Other liabilities, current portion		26
Lease and subscription obligations, current portion		1,934
Long-term debt, current portion		160
Total current liabilities		14,250
Noncurrent liabilities:		
Other liabilities, noncurrent		202
Lease and subscription obligations, less current portion		8,129
Long-term debt, less current portion		21,674
Total noncurrent liabilities		30,005
Deferred inflows		3,286
Total liabilities and deferred inflows		47,541
Net position:		
Net investment in capital assets		17,002
Restricted		558
Unrestricted deficit		(3,130)
Total net position	$	14,430

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2023

(In thousands)

Operating revenues:		
Net patient service revenues	$	46,296
Other operating revenues		14,667
Total operating revenues		60,963
Operating expenses:		
Salaries and benefits		48,759
Building and equipment expenses		6,280
Medical and surgical supplies		4,909
Other expenses		32,306
Depreciation and amortization		4,141
Total operating expenses		96,395
Operating loss		(35,432)
Nonoperating revenues (expenses):		
Investment income		155
Support from University of South Alabama		35,385
Interest expense		(1,484)
Total nonoperating revenues, net		34,056
Decrease in net position		(1,376)
Net position at beginning of period		15,806
Net position at end of period	$	14,430

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 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, 2023, the University reports University of South Alabama Foundation (USA Foundation), USA Research and Technology Corporation (the Corporation), and University of South Alabama Health Care Authority (HCA) as discretely presented component units. Each of these entities issue separate audited financial statements, which can be obtained by contacting Kristen Roberts, Chief Financial Officer, University of South Alabama Administration Building, Suite 353, Mobile, Alabama 36688.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast), the University of South Alabama Foundation for Research and Commercialization (FRAC), Jaguar Athletic Fund (JAF), and the USA Presidential 1963 Fund. These entities are considered component units of the University under the provisions of GASB Statement Nos. 14, 39, 61, and 80. However, these entities are not presented in the accompanying basic 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; Jaguar Realty, LLC; USA Health Physician Billing Services, LLC; USA Health Hospital Billing Services, LLC; USA Health Anesthesia Billing Services, LLC; USA Health Reference Lab Billing Services, LLC; USA Health MCI Business Services, LLC; USA Health Children's and Women's Provider Based Clinics, LLC; and USA Health Community Providers, LLC as blended component units. All significant transactions between 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 PLTF 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 GLTF 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 19 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). HCM was organized for the purpose of managing and operating on behalf of, and as agent for, payroll activities related to the healthcare 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 19 for further discussion of, and disclosure for, this entity).

(d) USA Health Billing Limited Liability Companies

Over the last few years, the University formed the USA Health Physician Billing Services, LLC; USA Health Hospital Billing Services, LLC; USA Health Anesthesia Billing Services, LLC; USA Health Reference Lab Billing Services, LLC; USA Health MCI Business Services, LLC; USA Health Children's and Women's Provider Based Clinics, LLC; and USA Health Community Providers, LLC as 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, a free-standing emergency department, a cancer treatment center, and various health clinics. Based on GASB requirements, the University, as the primary government, includes these limited liability companies as blended component units. All significant transactions between the University and its blended component units have been eliminated.

(e) University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of HCA. HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. HCA presents its financial statements in accordance with GASB.

HCA is the sole member of the following companies: Mobile Heart USA, LLC; USA HCA OBGYN Services, LLC; USA HCA PBC, LLC; USA Health HCA Industrial Medicine Clinic, LLC; USA Health Daphne Family Practice, LLC; USA Health IPA, LLC; USA Health Mobile County ASC, LLC; USA Health HCA Providence Hospital, LLC; and USA Health Providence Retail Pharmacy, LLC. Based on the criteria listed above, GASB requires HCA, as the primary government, to include each of these limited liability companies as blended component units. All significant transactions among HCA and its blended component units have been eliminated.

HCA holds a 51% equity interest in USA BC ASC Holdco, LLC, a limited liability company formed in 2020, and Surgery Center Holdings, Inc. owns the remaining 49%. USA BC ASC Holdco, LLC. owns 51% of USA Baldwin County ASC, LLC and the remaining 49% is owned by an unrelated third party. There has been no financial activity to date for USA BC ASC Holdco, LLC or USA Baldwin County ASC, LLC. HCA's capital account balance is $443,000 and is presented on the statement of net position as an investment.

During fiscal year 2022, HCA obtained an equity interest in a multimember limited liability company, USA Fairhope Physician Investors, LLC (FPI). FPI was initially considered as a component unit under the provisions of GASB Statement Nos. 14 and 61. Amendment 1 to the initial agreement was executed during fiscal year 2023, removing HCA's control of the entity and ability to impose its will on the entity. The change resulted in HCA's relationship with FPI shifting from a component unit to an investment in a joint venture. HCA's capital account balance is presented on the 2023 statement of net position as an investment. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

In 2023, HCA formed USA Health HCA Providence Hospital, LLC and USA Health Providence Retail Pharmacy, LLC as limited liability companies, whereby HCA is the sole member. There was no financial activity for these entities during the year ended September 30, 2023.

Since inception, HCA's operations have been partially funded by the University, with total support amounting to $35,385,000 during the year ended September 30, 2023. This support is reported in nonoperating expenses on the University's statement of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, HCA is considered a component unit of the University. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for HCA as of and for the year ended September 30, 2023 are discretely presented.

(f) University of South Alabama Foundation

USA Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and USA Foundation, USA Foundation is considered a component unit of the University. The Board of Directors of USA Foundation is not appointed or controlled by the University. The University receives distributions from USA Foundation primarily for scholarship, faculty, and other support. Total distributions received or accrued by the University for the year ended September 30, 2023 were $20,900,000 and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statement of revenues, expenses, and changes in net position. In addition, USA Foundation donated a 63-acre parcel of land on Dauphin Island, Alabama, which has an estimated value of approximately $1,000,000. This land donation is included in capital assets, net on the statement of net position and the gift revenue is in nonoperating revenues on the statement of revenues, expenses, and changes in net position for the University. USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). USA Foundation is reported in separate financial statements because of the difference in the financial reporting framework since USA Foundation follows FASB rather than GASB. 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, the University has included USA Foundation's statements for the year ended June 30, 2023 in the University's financial statements as of September 30, 2023. The accompanying consolidated statement of financial position and consolidated statement of activities and changes in net assets for USA Foundation as of and for the year ended June 30, 2023 are discretely presented.

(g) USA Research and Technology Corporation

In June 2002, the University's Board of Trustees approved the formation of the Corporation. The Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for the Corporation as of and for the year ended September 30, 2023 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 (including restricted amounts)

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. Restricted cash and cash equivalents share the same definitions and maturities of unrestricted cash and cash equivalents but are designated by external parties for specified purposes such as collateral requirements, designated gifts, or bond proceeds.

(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, multistrategy 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, 2023, the University had two hedging derivative instruments in the form of 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 statement of net position since the interest rate swaps are deemed effective.

(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, changes in the 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 the OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension and OPEB plans, changes in the fair values of interest rate swaps, gain on the refunding of certain bond amounts, and the value of contractual rights to lease revenue in future reporting periods.

(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.

(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) Lease Receivable

Lease receivable and current portion thereof on the statement of net position represents the University's contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. Lease receivables are recognized at the commencement date based on the present value of lease payments to be received over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is either when the lessee takes possession of the asset or, in the case of real estate leases, when the landlord makes the building or office space available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the lessee will exercise that option. Interest revenue is recognized as a component of the lease payments received and is included in other nonoperating revenues on the statement of revenues, expenses, and changes in net position.

(q) 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.

(r) Capital Assets

Capital assets are recorded at cost, if purchased, or, if donated, at fair 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 statement 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.

Lease and subscriptions are included in capital assets as right-of-use assets on the statement of net position. Right-of-use assets represent the University's right to use an underlying asset for the specified term and are comprised of leased equipment, buildings, office space, and subscription-based information technology arrangements. Lease and subscription right-of-use assets are recognized at the commencement date based on the present value of the payments over the agreement term discounted using the lessor interest rate or an appropriate incremental borrowing rate. The commencement date is either when the University takes possession of the asset or when the asset becomes available for use. Amortization of right-of-use assets is recognized on a straight-line basis over the agreement term or useful life of the asset, whichever is shorter.

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 year ended September 30, 2023, no impairments were identified.

(s) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are billed in advance and initially recorded as a component of unrecognized revenues in the statement of net position and, then recognized in revenue over the applicable portion of each school term.

(t) 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 Annual Comprehensive Financial Report.

(u) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other postemployment 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 Annual Comprehensive Financial Report.

(v) 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.

(Continued)

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.

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.

(w) 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 statement 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.

(x) 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.

(y) 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; sales and services of auxiliary enterprises, net of scholarship allowances; and lease revenue.

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

(z) 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.

(aa) Grants and Contracts

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

(bb) Patient Service Revenues

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.

(cc) Compensated Absences

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

(dd) Recently Adopted Accounting Pronouncements

In 2023, the University adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. 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. There was no significant impact to the financial statements as a result of adoption.

In addition, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITA) to be recorded as both a right-of-use asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITA. This adoption resulted in increased right-of-use assets and related subscription liabilities at the beginning of the fiscal year, in the amount of $25,081,000, which is represented in capital assets, net on the statement of net position. Upon analysis of the facts and circumstances at the time of adoption, the effect on prior period net position was immaterial.

Additionally, the University adopted certain provisions of GASB Statement No. 99, *Omnibus 2022*, related to public-private and public-public partnership arrangements (PPP) and SBITA. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. There was no significant impact to the financial statements as a result of adoption.

(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, 2023, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $17.6 billion. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $357,970,000 at September 30, 2023.

At September 30, 2023, restricted cash and cash equivalents consist of $3,280,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $3,681,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, $6,202,000 related to restricted donations related to certain capital projects, $941,000 related to endowment funds, and $89,590,000 restricted for the Ascension Providence acquisition.

(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 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 and restricted investments of the University, by type, at fair value at September 30, 2023 (in thousands) are as follows:

U.S. treasury securities	$	15,578
U.S. federal agency notes		94,185
Commingled equity funds		98,076
Commingled fixed income funds		48,253
Marketable equity securities		59,872
Marketable debt securities		12,958
Private credit alternative fixed income investments		6,526
Private REIT alternative real estate investments		5,686
Private equity alternative investments		19,193
Real estate		8,479
Managed income alternative investments (low-volatility, multistrategy funds of funds)		37,181
	$	405,987

At September 30, 2023, 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, 2023, $30,146,000 of cumulative increase in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statement of net position.

The University invests in several private equity and private credit funds. At September 30, 2023, the University had outstanding capital commitments to those funds of $26,293,000.

(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 multimanager fund.

The University’s exposure to credit risk and concentration of credit risk at September 30, 2023 is as follows:

	Credit rating	Percentage of total investments
Federal National Mortgage Association	AAA	1.0 %
Federal Home Loan Mortgage Corporation	AAA	6.9
Federal Home Loan Banks	AAA	12.9
Federal Farm Credit Banks Funding Corporation	AAA	2.3
Common Fund Bond Fund	Various	4.0
PIMCO Pooled Bond Fund	Various	7.6
Blackrock Credit Strategies Income Fund	Various	0.3
US Treasury securities	AAA	3.8
Marketable debt securities	Various	3.2

(ii) *Interest Rate Risk*

At September 30, 2023, the maturity dates of the University’s fixed income investments are as follows (in thousands):

			Years to maturity			
		Fair value	Less than 1	1–5	6–10	More than 10
US Treasury securities	$	15,578	2,171	8,059	5,101	247
US federal agency notes		94,185	31,302	57,342	165	5,376
Marketable debt securities		12,958	4,971	5,181	2,806	—
Commingled fixed income funds		48,253	—	27,400	4,623	16,230
	$	170,974	38,444	97,982	12,695	21,853

(Continued)

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 that 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 are as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices
- 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 NAV 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 statement of net position.

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value at September 30, 2023 (in thousands):

	Asset fair value measurements			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. treasury securities	$ 15,578	—	—	15,578
U.S. federal agency notes	—	94,185	—	94,185
Commingled equity funds	95,695	2,381	—	98,076
Commingled fixed income funds	44,341	3,912	—	48,253
Marketable equity securities	59,872	—	—	59,872
Marketable debt securities	12,958	—	—	12,958
Private credit alternative fixed income	6,526	—	—	6,526
Private REIT alternative real estate investments	5,686	—	—	5,686
Private equity alternative investments	—	—	17,053	17,053
Real estate	—	—	8,479	8,479
Total investments at fair value	$ 240,656	100,478	25,532	366,666
Investments measured at NAV:				
Private equity funds				2,140
Managed income alternative investments (low-volatility, multistrategy funds of funds)				37,181
Total investments				$ 405,987

	Liability fair value measurements			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate exchange agreements	$ —	12,606	—	12,606

A roll-forward schedule for Level 3 financial instruments for the year ended September 30, 2023 is as follows (in thousands):

Beginning balance	$	16,378
Purchases		8,930
Net realized/unrealized gains		518
Sales		(294)
Ending balance	$	25,532

(b) Health Care Authority

HCA holds a 2.5% equity interest in USA Fairhope Physician Investors LLC (FPI), a multimember limited liability company that was formed to invest in the entity that developed and is now leasing an ambulatory surgical center. HCA's capital account balance in FPI is considered an investment in a joint venture, pursuant to GASB Statements Nos. 14 and 61. For the year ended September 30, 2023, HCA's capital account balance is $15,000 and is presented on the statement of net position as such. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

HCA holds a 51% equity interest in USA BC ASC Holdco, LLC (USA BC ASC Holdco), a multimember limited liability company formed to invest in USA Baldwin County ASC, LLC (USA BC ASC), a limited liability company formed to develop, own, and operate the Ambulatory Surgery Center on the USA Health Mapp Family Campus. For the year ended September 30, 2023, HCA's capital account balance is $443,000 and is presented on the statement of net position as an investment. HCA has received no distributions or allocations of gains or losses to date and there is no financial activity to report for USA BC ASC Holdco or USA BC ASC.

(c) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling $223,532,000 at June 30, 2023.

Investment gains was composed of the following for the year ended June 30, 2023 (in thousands):

Unrealized gains	$	35,902
Realized gains		5,651
Net realized and unrealized gains on investments		41,553

Timber sales	$	3,064
Rents		785
Royalties		128
Rents, royalties, and timber sales		3,977
Interest and dividends		2,896
Total investment income	$	48,426

Investments consisted of participation in the Foundation's pooled investment funds. Investment related expenses in the amount of $404,000 are included in USA Foundation's management and general expenses in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2023.

Real estate at June 30, 2023 consisted of the following property held (in thousands):

Land and land improvements – held for investment	$	7,991
Building and building improvements – held for investment		1,073
	$	9,064

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, 2023 include an equity interest in a timberland management company. The company's primary assets consist of timberland. USA 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.

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). 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). 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.

USA Foundation's investment assets at June 30, 2023 are summarized, based on the criteria of ASC 820, as follows (in thousands):

Description	Level 1	Level 2	Level 3	Total
Equity securities	$ 133,476	—	—	133,476
Timber and mineral properties	—	—	176,002	176,002
Real estate	—	—	9,064	9,064
Other investments	—	—	5,814	5,814
	$ 133,476	—	190,880	324,356
Investment in Commonfund measured at NAV				90,056
				$ 414,412

A roll-forward schedule for Level 3 financial instruments for the fiscal year ended June 30, 2023 is as follows (in thousands):

Description	Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	$ 176,680	9,034	5,809	191,523
Net unrealized gains	3,291	48	5	3,344
Reforestation	226	—	—	226
Purchase of building improvements	—	14	—	14
Depreciation/depletion	(4,195)	(32)	—	(4,227)
Ending balance	$ 176,002	9,064	5,814	190,880

As of June 30, 2023, USA Foundation has no outstanding commitments to purchase securities or other investments

As part of USA Foundation's liquidity management, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash withdrawals from the Foundation's managed investments coincide with the Foundation's spending obligations but may be adjusted higher or lower based on the timing of when investment income is received and expenditures become due. In addition to financial assets available within one year, the Foundation receives investment income from timber sales, rents and royalties, and interest and dividends that are used to meet the Foundation's general expenditures within one year. The Foundation believes it has sufficient assets to meet its obligations.

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the year ended September 30, 2023 is as follows (in thousands):

	Adjusted beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land and other	$ 32,261	141	—	—	32,402
Construction in progress	68,240	60,788	(35,259)	—	93,769
	100,501	60,929	(35,259)	—	126,171
Capital assets being depreciated or amortized:					
Land improvements	76,801	41	—	—	76,842
Buildings, fixed equipment, and infrastructure	1,013,480	2,223	33,937	(157)	1,049,483
Other equipment	235,963	11,282	1,322	(6,490)	242,077
Library materials	92,340	5,006	—	—	97,346
Right-of-use assets	67,076	16,049	—	(2,979)	80,146
	1,485,660	34,601	35,259	(9,626)	1,545,894
Less accumulated depreciation and amortization for:					
Land improvements	(34,155)	(3,467)	—	—	(37,622)
Buildings, fixed equipment, and infrastructure	(397,002)	(29,277)	266	151	(425,862)
Other equipment	(176,004)	(20,177)	(266)	6,042	(190,405)
Library materials	(71,812)	(3,871)	—	—	(75,683)
Right-of-use assets	(10,120)	(20,304)	—	2,604	(27,820)
	(689,093)	(77,096)	—	8,797	(757,392)
Capital assets being depreciated, net	796,567	(42,495)	35,259	(829)	788,502
Capital assets, net	$ 897,068	18,434	—	(829)	914,673

A summary of the University's net right-of-use assets, which are included in capital assets on the statement of net position, activity categorized by classification for the year ended September 30, 2023 are as follows (in thousands):

		Ending balance
Right-of-use assets:		
Automobile	$	15
Buildings		8,006
Equipment		27,439
Office space		7,685
Software		37,001
		80,146
Less accumulated amortization for right-of-use assets:		
Automobile		(12)
Buildings		(2,629)
Equipment		(12,360)
Office space		(2,869)
Software		(9,950)
		(27,820)
Right-of-use assets, net	$	52,326

Depreciation and amortization of capital assets for the year ended September 30, 2023 was $77,096,000 for the University. In addition, the University amortized bond costs of issuance for total depreciation and amortization of $77,140,000.

At September 30, 2023, the University had commitments of approximately $26,764,000 related to various construction projects.

For the year ended September 30, 2023, the University received $12,691,000 in capital grants from the Alabama Public School and College Authority for the site preparation and construction of the new College of Medicine facility.

(Continued)

(b) USA Research and Technology Corporation

Changes in capital assets for the year ended September 30, 2023 are as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land	$ 223	—	—	—	223
Construction in progress	20	94	—	—	114
	243	94	—	—	337
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,642	146	—	—	28,788
Tenant improvements	2,653	98	—	(34)	2,717
Other equipment	390	25	—	(7)	408
Computer software	41	15	—	—	56
Lease commissions	362	47	—	(3)	406
Right-of-use assets	—	3	—	—	3
	34,073	334	—	(44)	34,363
Less accumulated depreciation or amortization for:					
Land improvements	(1,689)	(94)	—	—	(1,783)
Buildings	(11,732)	(780)	1	—	(12,511)
Tenant improvements	(1,283)	(351)	—	34	(1,600)
Other equipment	(356)	(12)	(1)	7	(362)
Computer software	(11)	(13)	—	—	(24)
Lease commissions	(211)	(67)	—	3	(275)
Right-of-use assets	—	(1)	—	—	(1)
	(15,282)	(1,318)	—	44	(16,556)
Capital assets being depreciated or amortized, net	18,791	(984)	—	—	17,807
Capital assets, net	$ 19,034	(890)	—	—	18,144

Depreciation and amortization expense totaled $1,318,000 for the year ended September 30, 2023.

The Corporation's net right-of-use assets categorized by classification for the year ended September 30, 2023 are as follows (in thousands):

		Ending balance
Right-of-use assets:		
Software subscriptions	$	3
		3
Less accumulated amortization for right-of-use assets:		
Software subscriptions		(1)
		(1)
Right-of-use assets, net	$	2

(c) Health Care Authority

A summary of HCA's capital assets activity for the year ended September 30, 2023 is as follows (in thousands):

	2023				
	Adjusted beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Construction in progress	$ 12,198	554	(12,196)	—	556
Works of art	1	—	—	—	1
	12,199	554	(12,196)	—	557
Capital assets being depreciated:					
Buildings	—	22,241	10,783	—	33,024
Leasehold improvements	2,684	1,306	1,372	—	5,362
Equipment	4,094	163	36	(27)	4,266
Computer software	129	5	5	—	139
Right-of-use assets	13,716	116	—	(91)	13,741
	20,623	23,831	12,196	(118)	56,532
Less accumulated depreciation for:					
Buildings	—	(1,030)	—	—	(1,030)
Leasehold improvements	(196)	(401)	—	—	(597)
Equipment	(1,814)	(531)	—	22	(2,323)

		2023				
		Adjusted beginning balance	Additions	Transfers	Reductions	Ending balance
Computer software	$	(45)	(32)	—	—	(77)
Right-of-use assets		(2,099)	(2,147)	—	91	(4,155)
		(4,154)	(4,141)	—	113	(8,182)
Capital assets being depreciated, net		16,469	19,690	12,196	(5)	48,350
Capital assets, net	$	28,668	20,244	—	(5)	48,907

Construction in progress totaled $556,000 as of September 30, 2023 and relates to renovation projects at the Mobile Diagnostic Center clinic and HCA Physicians Office Building.

Depreciation and amortization totaled $4,141,000 for the year ended September 30, 2023.

At September 30, 2023, HCA had commitments of $7,000 related to various construction projects.

A summary of HCA's net right-of-use assets categorized by classification for the year ended September 30, 2023 is as follows (in thousands):

		Ending balance
Right-of-use assets:		
Buildings	$	13,657
Equipment		55
Software subscriptions		29
		13,741
Less accumulated amortization for right of use:		
Buildings		(4,110)
Equipment		(35)
Software subscriptions		(10)
		(4,155)
Right-of-use assets, net	$	9,586

(6) Noncurrent Liabilities

(a) University of South Alabama

A summary of the University's noncurrent liability activity for the year ended September 30, 2023 is as follows (in thousands):

	Adjusted beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 458,916	83,655	(24,370)	518,201	109,000	409,201
Notes payable from direct borrowings	618	802	(623)	797	189	608
Lease and subscription obligations	57,095	15,898	(21,646)	51,347	20,862	30,485
Total long-term debt	516,629	100,355	(46,639)	570,345	130,051	440,294
Other noncurrent liabilities:						
Net pension liability	237,578	138,316	—	375,894	—	375,894
Net OPEB liability	205,378	—	(151,957)	53,421	—	53,421
Other long-term liabilities	81,662	5,129	(16,394)	70,397	5,974	64,423
Total other noncurrent liabilities	524,618	143,445	(168,351)	499,712	5,974	493,738
Total noncurrent liabilities	$ 1,041,247	243,800	(214,990)	1,070,057	136,025	934,032

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.

In August 2023, the University entered into a three-year direct borrowing finance purchase agreement for the purchase of medical equipment. The purchase agreement for the equipment was for $46,000, with a down payment of $5,000 and thirty-six monthly payments of $1,000. After thirty-six monthly payments of $1,000, the equipment will become property of the University. The amount outstanding at September 30, 2023 is $41,000, and is reported as long-term debt (and current portion thereof) in the statement of net position.

In September 2023, the University entered into a five-year direct borrowing finance purchase agreement for the purchase of software and equipment. The full amount of the purchase agreement is $756,000, with monthly payments in the amount of $14,000 through June 1, 2028. At the end of the scheduled payments, the equipment and software will become property of the University. The full amount is outstanding at September 30, 2023 and is reported as long-term debt (and current portion thereof) in the statement of net position.

Lease and Subscription Obligations

The University determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether the University obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets and lease and subscription obligations. Lease and subscription right-of-use assets and related obligations are recognized at the commencement date based on the present value of the payments over the agreement term discounted using an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the specified term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease or subscription payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right-of-use asset and the reduction in liability balance related to principal payments will result in a difference between the net right-of-use asset and related lease and subscription obligations.

The University leases various automobiles, buildings, equipment, office space, and software subscriptions under leases expiring at various dates through 2038. Aggregate future minimum lease and subscription payments under noncancelable agreements as of September 30, 2023, by year, are as follows (in thousands):

		Principal	Interest	Total
2024	$	20,862	2,028	22,890
2025		13,937	1,290	15,227
2026		5,203	743	5,946
2027		3,393	523	3,916
2028		2,688	372	3,060
2029 – 2033		4,660	525	5,185
2034 – 2038		604	52	656
Lease and subscription obligations	$	51,347	5,533	56,880

These amounts are included in lease and subscription obligations and the current portion thereof in the accompanying statement of net position.

The University has commitments under leases and subscriptions for which the lease term has not commenced in the amount of $4,235,000 as of September 30, 2023.

The University leases space from the Corporation and HCA. See additional details in the following sections.

(b) USA Research and Technology Corporation

Changes in noncurrent liabilities for the year ended September 30, 2023 are as follows (in thousands):

	September 30, 2023						
		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$	19,379	—	(1,390)	17,989	1,022	16,967

(i) Notes Payable

Notes payable from direct borrowings consisted of the following at September 30, 2023 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$	10,738
Hancock Whitney promissory note, 3.08%, payable through 2031		7,251
	$	17,989

The promissory note payable to PNC Bank has a 10-year term and amortization is based on a 10-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 promissory note payable to Hancock Whitney Bank has a 10-year term and is secured by an interest in rental leases and an interest in income received from rental of Building I. 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 the PNC note and the Hancock Whitney note, the University entered into an agreement with both lenders 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. As of September 30, 2023, the Corporation’s debt service coverage ratio was 2.07 to 1.

The Corporation's outstanding notes from direct borrowings with PNC Bank and Hancock Whitney Bank contain a provision that, in the event of default, PNC Bank or Hancock Whitney 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 and Hancock Whitney Bank will give the Corporation 30 days to cure the default.

(ii) Debt Service on Long-Term Obligations

At September 30, 2023, total future debt service by year is as follows (in thousands):

		Debt service on notes payable		
		Principal	**Interest**	**Total**
2024	$	1,022	676	1,698
2025		1,061	637	1,698
2026		1,101	597	1,698
2027		1,144	554	1,698
2028		9,028	424	9,452
2029-2031		4,633	286	4,919
Total	$	17,989	3,174	21,163

(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 statement 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. As of September 30, 2023, the unamortized balance in deferred outflows was $607,000.

(c) Health Care Authority

A summary of HCA's noncurrent liability activity for the year ended September 30, 2023 is as follows (in thousands):

		Adjusted Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$	—	21,869	(35)	21,834	160	21,674
Lease and subscription obligations		11,878	116	(1,931)	10,063	1,934	8,129
Other noncurrent liabilities		241	—	(13)	228	26	202
Total noncurrent liabilities	$	12,119	21,985	(1,979)	32,125	2,120	30,005

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the Mapp Campus. Construction began in 2021 and was completed in October 2022. The agreement commenced upon construction completion for an initial 15-year period plus two options to extend for consecutive 5-year terms. HCA began making monthly payments at a 4.79% interest rate in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at September 30, 2023 is $21,834,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At September 30, 2023, total future debt service by year is as follows (in thousands):

		Debt service on long-term debt		
		Principal	Interest	Total
2024	$	160	1,042	1,202
2025		198	1,034	1,232
2026		240	1,024	1,264
2027		284	1,011	1,295
2028		331	997	1,328
2029-2033		2,474	4,676	7,150
2034-2038		4,199	3,891	8,090
2039-2043		6,528	2,625	9,153
2044-2047		7,420	760	8,180
Total	$	21,834	17,060	38,894

Lease and Subscription Obligations

HCA determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether HCA obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets with a related lease and subscription obligation. Right-of-use assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the lease term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right-of-use asset and the reduction in liability balance related to principal payments will result in a difference between the net right-of-use asset and related lease and subscription liability.

HCA has entered into agreements to lease various buildings and equipment and to utilize various software subscriptions under lease and subscription obligations expiring at various dates through 2033.

Aggregate future minimum lease payments under noncancelable agreements as of September 30, 2023, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2024	$ 1,934	367	2,301
2025	1,882	291	2,173
2026	1,671	219	1,890
2027	1,683	152	1,835
2028	971	97	1,068
2029 – 2033	1,922	100	2,022
	$ 10,063	1,226	11,289

These amounts are included in lease and subscription obligations and current portion thereof in the accompanying statement of net position.

HCA has no lease or subscription commitments for which the term has not commenced as of September 30, 2023.

Other Noncurrent Liabilities

Other noncurrent liabilities consist of liabilities related to long-term vacation accruals. Amounts due within one year are included in current portion of other long-term liabilities.

(7) Deferred Outflows and Inflows

Deferred outflows of resources are consumption of net assets that are applicable to a future reporting period. In 2016, the University issued its Series 2016 Bond. The proceeds from this series were used to partially defease the Series 2008 Bonds resulting in a loss of the difference between the acquisition price of the new debt and the net carrying amount of the old debt. In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, this loss was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. Additionally, in accordance with GASB Statements Nos. 68 and 75, changes in assumptions, changes in the proportion of total net liabilities relative to other plan participants, differences between employer contributions and the proportionate share of contributions, and employer contribution subsequent to the measurement date of the net pension liability but prior to the end of the fiscal year are presented as a deferred outflow of resources.

The components of deferred outflows of resources as of September 30, 2023 are summarized below (in thousands):

Deferred outflows		
Loss on refunding of 2016 bonds	$	5,111
Pension		122,095
OPEB		115,167
	$	242,373

Deferred inflows of resources are net asset acquisitions that are applicable to a future reporting period. In 2016, the University issued its 2016-B, C, and Bonds. In accordance with GASB Statement Nos. 63 and 65, the proceeds from these series refunded the remaining outstanding 2006 bonds and the resulting gain is being amortized over the remaining life of the Series 2016-B, C, and D Bonds as a deferred inflow of resources. Additionally, the University is a party to two derivatives in which the change in fair value is reported as a deferred outflow. Additionally, in accordance with GASB Statement Nos. 68 and 75, the difference between the expected and actual experience and the net difference between projected and actual earnings on investments are presented as a deferred inflow of resources. Finally, in accordance with

GASB Statement No. 87, the deferred inflow of resources attributable to leases is recognized on a straight-line basis over the respective lease terms.

The components of deferred inflows of resources as of September 30, 2023 are summarized below (in thousands):

Deferred inflows		
Gain on refunding of 2016 Series B, C & D bonds	$	2,988
Interest rate swaps		19,406
Pension		29,230
OPEB		260,679
Leases		2,608
	$	314,911

(8) Bonds Payable

Bonds payable consisted of the following at September 30, 2023 (in thousands):

University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	$	18,218
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		4,555
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		3,799
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 0.73%, payable through March 2024		8,455
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		2,625
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037		71,300
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 0.72% payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026		20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 77% payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2028		35,000

University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 79% of one month LIBOR plus .83%, (3.313% at September 30, 2022), payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	$	45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037		30,880
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 2049		47,750
University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 2033		14,615
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030		12,874
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040		34,035
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041		38,045
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032		12,829
University Facilities Revenue Bonds, Series 2023-A variable rate payable at 80% adjusted term SOFR plus 0.45% payable through April 19, 2024		67,020
University Facilities Revenue Bonds, Series 2023-B variable rate payable at 80% adjusted term SOFR plus 0.45% payable through April 19, 2024		16,635
		483,635
Plus unamortized premium		35,865
Less unamortized debt extinguishment costs		(1,299)
	$	518,201

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 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 at any time. The Series 2015 Bonds began maturing in August 2015 and were 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 Bonds will begin maturing in April 2033. The Series 2019-B Bonds began maturing in April 2021. Both Series 2019-A and 2019-B are both redeemable beginning in April 2029. The Series 2019-C Bonds began maturing in April 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds began maturing in April 2021 and are redeemable beginning April 2030. Series 2021 Bonds began maturing in April 2022 and are redeemable beginning April 2041. The Series 2021-B Bonds began maturing in August 2022 and are not subject to redemption. The Series 2023-A and 2023-B will mature in April 2024 and were redeemable beginning April 2023.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016- A, with a face value of $85,605,000. The proceeds from the Series 2016-A 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 assets of the escrow trust account nor the defeased indebtedness is included in the accompanying statement 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-A Bonds. The balance of the related deferred outflow totaled $5,111,000 at September 30, 2023. The principal outstanding on all defeased bonds is $71,300,000 at September 30, 2023.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C, and, 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, and Bonds. The balance of the related net deferred inflow at September 30, 2023 totaled $2,988,000.

In September 2021, the terms for the outstanding bonds of the University designated “Series 2016-B,” “Series 2016-C,” and “Series 2016-D” (together, the Original 2016 Bonds), each of which bore interest at a variable rate based on a one-month LIBOR base index, were revised to address, among other things, the cessation of LIBOR. Specifically, the University issued bonds designated “Amended and Restated Series 2016-B,” “Amended and Restated Series 2016-C,” and “Amended and Restated Series 2016-D” (together, the Amended and Restated 2016 Bonds) in exchange for the Original 2016 Bonds. Each of the Amended and Restated 2016 Bonds provide that, upon the cessation of LIBOR as a base index for purposes of ISDA-based defined rates, the base index for such bond (the Replacement Index) would equal a benchmark replacement and any applicable spread adjustment that would apply for derivatives transactions referencing the ISDA Definitions. In addition, for each Amended and Restated 2016 Bond, the earliest date (the Put Date) on which the holder could elect to cause all scheduled principal thereunder to become due and payable was extended by approximately five years as compared to the first Put Date for the Original 2016 Bond exchanged therefor.

On March 5, 2021, the Financial Conduct Authority (FCA) announced the final publication date for US LIBOR is June 30, 2023. The Alternative Reference Rates Committee (ARRC) has recommended the Secured Overnight Financing Rate (SOFR) as an alternative to replace LIBOR.

Approximately $3,681,000 of proceeds from the issuance of the Series 2021 Bonds remained unspent at September 30, 2023 and are included in restricted cash and cash equivalents on the 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, 2023, no amounts were due or recorded in the financial statements.

In April 2023, the University issued University Facilities Revenue Bond (Draw-Down Loan) 2023-A, which can be drawn up to $80,000,000, and University Facilities Revenue Bond (Draw-Down Loan) 2023-B, which can be drawn upon up to $20,000,000. An initial draw of $485,000 was made on 2023-A at the inception of the bond. On September 27, 2023, an additional draw was made from 2023-A and 2023-B in the amounts of $66,535,000 and $16,635,000, respectively. The monies from both 2023-A and 2023-B can be drawn down at any time through the advance period, which ends in April 19, 2024, at which time the full principal drawn is due. The principal outstanding at September 30, 2023 for 2023-A is $67,020,000 and the balance for 2023-B is $16,635,000. Of the total funds drawn-down, $83,170,000 is unspent and is reported as current restricted cash and cash equivalents, which is related to the pending acquisition of Ascension Providence. These amounts are reported as current portion of long-term debt in the statement of net position. At September 30, 2023, the undrawn portion of 2023-A and 2023-B was $12,980,000 and $3,365,000, respectively.

A summary of the University's short-term borrowing activity for the year ended September 30, 2023 follows (in thousands):

	September 30, 2023			
	Beginning balance	Additions	Reductions	Ending balance
Short-term debt:				
Bonds payable	$ —	83,655	—	83,655

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 year is as follows at September 30, 2023 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2024	$ 106,947	15,486	189	41	122,663
2025	21,289	12,962	158	25	34,434
2026	22,190	12,343	166	18	34,717
2027	23,095	11,701	160	10	34,966
2028	24,115	10,994	124	2	35,235
2029–2033	122,024	43,250	—	—	165,274
2034–2038	116,415	22,302	—	—	138,717
2039–2043	28,485	8,161	—	—	36,646
2044–2048	15,890	3,131	—	—	19,021
2049–2053	3,185	159	—	—	3,344
Subtotal	483,635	$ 140,489	797	96	625,017
Plus (less):					
Unamortized bond premium	35,865		—		
Unamortized debt extinguishment costs	(1,299)		—		
Total	$ 518,201		797		

(9) Lease Receivables

(a) University of South Alabama

The University leases land, buildings, and suites to various lessees expiring at various dates through 2072. For the year ended September 30, 2023, the University recognized a total of $848,000 of inflows of resources from leases, of which $758,000 was recognized as lease revenue as other operating revenue and interest of $90,000 was recognized as a component of investment income in the statement of revenues, expenses, and changes in net position.

The following table provides future minimum lease revenue by year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	707	97	804
2025		658	69	727
2026		190	50	240
2027		180	42	222
2028		177	35	212
2029–2033		727	65	792
2034–2038		1	4	5
2039–2043		2	3	5
2044–2048		2	3	5
2049–2053		2	3	5
2054–2058		3	2	5
2059–2063		3	2	5
2064–2068		4	1	5
2069–2073		1	—	1
Lease receivable	$	2,657	376	3,033

(b) USA Research and Technology Corporation

The Corporation leases land, buildings, and suites to various lessees under financing leases and short-term leases expiring at various dates through 2057. In Building I, space is leased under five lease agreements. The first lease has a 5 year initial term expiring in October 2023 with two 5 year renewal options. The second lease had a 1 year initial term, which was amended to include an additional 2 year term expiring in December 2025 with no renewal options. The third lease has a 5-year initial term expiring in August 2024 with one 5 year renewal option. The fourth and fifth leases both have 5-year terms and no renewal options, with the fourth lease expiring in April 2024 and the fifth lease in July 2024.

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

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). In 2023, the Corporation recognized operating expense reimbursement income of $19,000 as a component of operating revenues in the statement of revenues, expenses, and changes in net position.

Space under lease to the University was 78,123 square feet at September 30, 2023.

The Corporation owns a building located on the premises of the USA Health, 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, which was initially set to expire in March 2020, with three 5-year renewal options. The lease was renewed for an additional 10 years, expiring in March 2030, 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, 2023. One lease is for a 40-year initial term expiring in October 2046 with two renewal options—the first for 20 years and the second for 15 years. 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 two renewal options—the first for 20 years and the second for 15 years.

The terms and conditions of each lease agreement vary by tenant with some including early termination options. Of the existing lease agreements, three have early termination options. One tenant in Building I and two tenants in Building II have options to terminate their lease agreement early if notice is given within the stated timeframe and all, if any, monetary obligations have been met.

In 2023, a tenant in Building I exercised an early termination option that required payment of the unamortized portion of tenant improvement costs incurred by the Corporation. This payment totaled $164,000 and was recognized as a component of rental income and is recorded as operating revenues in the statement of revenues, expenses, and changes in net position.

For the year ended September 30, 2023, the Corporation recognized a total of $3,988,000 of inflows of resources from financing leases, of which $3,617,000 was recognized as lease revenue and $371,000 was recognized as interest income in other nonoperating revenues.

The following table provides future minimum lease revenue by year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	2,650	332	2,982
2025		1,022	277	1,299
2026		925	246	1,171
2027		745	221	966
2028		741	198	939
2029–2033		1,967	737	2,704
2034–2038		1,155	542	1,697
2039–2043		1,464	342	1,806
2044–2048		1,154	106	1,260
2049–2053		136	31	167
2054–2058		131	9	140
Lease receivable	$	12,090	3,041	15,131

(c) Health Care Authority

Leases as a lessor are included in the lease receivable and current portion thereof on the statement of net position.

Lease receivables represent HCA’s contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. HCA subleases buildings and suites to the University of South Alabama under leases expiring at various dates through 2072. For the year ended September 30, 2023, HCA recognized a total of $540,000 of inflows of resources from leases, of which $407,000 was recognized as lease revenue and $133,000 was recognized as interest income. Lease revenue is included within other operating revenues and interest income is included within investment income on the statement of revenues, expenses, and changes in net position.

Future minimum lease revenue under noncancelable agreements as of September 30, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2024	$ 324	132	456
2025	281	119	400
2026	291	108	399
2027	310	96	406
2028	195	86	281
2029–2033	880	316	1,196
2034–2038	609	162	771
2039–2043	34	105	139
2044–2048	42	97	139
2049–2053	53	87	140
2054–2058	66	74	140
2059–2063	82	57	139
2064–2068	102	37	139
2069–2073	100	12	112
	$ 3,369	1,488	4,857

(10) Derivative Transactions – Interest Rate Swaps

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. The income associated with the derivatives is a component of investment income and the corresponding expense is a component of interest expense. The terms of the derivatives require the University to post collateral when certain criteria are met. Such amounts as of September 30, 2023 totaled $14,285,000, which is included in restricted investments on the statement of net position.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bond matures. The notional amount of the 2014 swap will at all times match the outstanding principal amount of the related bond. Under the swap, the University pays the counterparty a fixed semiannual payment based on an annual rate of 4.9753%. Prior to the cessation of LIBOR, the University received, on a monthly basis, a variable payment of 68% of the one-month LIBOR. In connection with the cessation of LIBOR, the University is adhering to the ISDA Fallback protocols, which means that, as of the cessation of LIBOR on June 30, 2023, the University receives payments calculated at 68% of SOFR compounded in arrears + 0.11448%, plus 0.25%.

The 2016 swap will terminate in December 2036, when the Amended and Restated 2016 Bonds reach their final scheduled maturity. The notional amount of the swap will at all times match the outstanding principal amount of the related bonds. Under the swap, the University pays the counterparty a fixed semiannual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of SOFR Compounded in arrears + 0.11448%, plus 0.25%. Conversely, the Amended and Restated 2016 Bonds bear interest at 68% of SOFR compounded in arrears + 0.11448% plus 72 basis points (as respects the Amended and Restated 2016-B Bond), 77 basis points (as respects the Amended and Restated 2016-C Bond), and 83 basis points (as respects the Amended and Restated 2016-D Bond).

Fair value: The 2014 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 swap as other long-term liabilities in the amount of $40,000 in the statement of net position at September 30, 2023. The change in the fair value of the swap of $255,000, during the year ended September 30, 2023, is reported as a change in both deferred inflow and contra liability (other long-term liabilities) in the statement 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 $417,000 at September 30, 2023.

The 2016 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 swap as other long-term liabilities in the amount of $12,566,000 in the statement of net position at September 30, 2023. The change in the fair value of the swap of $5,210,000 during the year ended September 30, 2023, is reported as a change in both deferred inflow and contra liability (other long-term liabilities) in the statement of net position at September 30, 2023, since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2016 swap totaled $18,989,000 at September 30, 2023.

The fair values of the interest rate swaps are 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 SOFR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the SOFR rate will also result in a decrease of the University's interest payments on the related bonds. The University's exposure is limited to 0.48% of the notional amount for the Series 2014-A and 0.47%, 0.52%, and 0.58% of the notional amounts for the Series 2016-B, 2016-C, and 2016-D, respectively. The exposure is the difference in the payment from the counterparty and the interest payment on the related bonds.

Credit risk: As of September 30, 2023, the University was not exposed to credit risk on the interest rate swaps because the swaps 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, 2023.

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, 2023, and calculating interest for subsequent years using forward rates of one-month LIBOR (adjusted to 68% of SOFR Compounded in arrears + 0.11448%, plus .73%), debt service requirements for the 2014 swap payments, by year, are as follows (in thousands):

	Variable rate note		Interest rate	
	Principal	Interest	swap, net	Total
2024	$ 8,455	123	108	8,686
Total	$ 8,455	123	108	8,686

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

	Variable rate note		Interest rate	
	Principal	Interest	swap, net	Total
2024	$ —	2,849	2,691	5,540
2025	5,600	2,440	2,937	10,977
2026	5,885	2,210	2,849	10,944
2027–2031	34,285	8,551	11,363	54,199
2032–2036	44,025	3,863	5,246	53,134
2037–2040	10,205	64	205	10,474
Total	$ 100,000	19,977	25,291	145,268

(11) 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, 2018.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2020.

Revenues from the Medicare program accounted for approximately 14% of USA Health's patient service revenues for the year ended September 30, 2023.

Blue Cross Blue Shield – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon Medicare Severity Diagnosis Related Groups. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on Blue Cross Enhanced Ambulatory Patient Groups.

Revenues from the Blue Cross program accounted for approximately 29% of USA Health's patient service revenues for the year ended September 30, 2023.

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 certainty 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. For the year ended September 30, 2023, the University received supplemental payments from this program in the amount of $87,279,000.

Revenues from the Medicaid program accounted for approximately 25% of USA Health's patient service revenues for the year ended September 30, 2023.

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 includes discounts from established charges and prospectively determined daily and case rates.

The composition of patient service revenues for the year ended September 30, 2023 follows (in thousands):

Gross patient service revenues	$	2,074,922
Less:		
Provision for contractual and other adjustments		(1,178,169)
Provision for bad debts		(105,307)
	$	791,446

(12) 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 60 with 10 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 62 with 10 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

(Continued)

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.

Tier 2 covered members of the TRS contribute 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rates are 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percentage 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 $21,345,000 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of $375,894,000 for its proportionate share of the collective net pension liability. At September 30, 2023, the collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion of contributions to the pension plan was 2.418758%, which was a decrease of 0.103213% from its proportion measured as of September 30, 2021 of 2.521971%.

For the year ended September 30, 2023, the University recognized pension expense of approximately $33,657,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September, 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 8,263	9,122
Changes of assumptions	17,057	—
Net difference between projected and actual earnings on pension plan investments	75,430	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	20,108
Employer contributions subsequent to measurement date	21,345	—
	$ 122,095	29,230

At September 30, 2023, approximately $21,345,000 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:	
2024	$ 16,985
2025	14,957
2026	11,588
2027	27,990
	$ 71,520

(e) Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return*	7.45 %
Projected salary increases	3.25–5.00%

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63–67) and for females (112% ages < 69, 98% > age 74, phasing down 69–74), projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019.

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:

	Target allocation	Long-term expected rate of return*
Fixed income	15.0 %	2.8 %
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	9.0
Real estate	10.0	6.5
Cash equivalents	5.0	2.5
	100.0 %	

* Includes assumed rate of inflation of 2.00%

(f) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2023 was 7.45%. 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.

(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 7.45%, 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 one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	$	486,391	375,894	282,821

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022 as well as prior-year reports. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2022. The auditors' report dated January 17, 2023 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, 2022 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(13) 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). 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 $351,000 in 2023, representing 156 employees 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 $9,402,000 in 2023, representing 2,909 employees, 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 36 months; at which time, they become 100% vested in the plan.

Effective April 1, 2022, HCM adopted a deferred compensation retirement plan. All nonstudent employees are eligible to defer receipt of a portion of their salary until a later date. 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. Under this plan, contributions by eligible employees are not matched by HCM. During the year ended September 30, 2023, 131 employees participated in this plan. All eligible employees are fully vested in their accounts under this plan immediately upon contributing.

(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 statement of net position include accruals for vacation pay and paid time off of approximately $11,194,000 at September 30, 2023. 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.

(14) 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. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the participating employers' share of 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. 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, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network, and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

(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 $6,382,000 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of $53,421,000 for its proportionate share of the net OPEB liability. At September 30, 2023, the net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University’s proportion of contributions to the OPEB plan was 3.065860%, which was a decrease of 0.90909% from its proportion measured as of September 30, 2021 of 3.974950%.

For the year ended September 30, 2023, the University recognized negative OPEB expense of approximately $25,190,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

		Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	2,450	108,013
Changes of assumptions		43,332	77,758
Net difference between projected and actual earnings on OPEB plan investments		6,718	—
Changes in proportion and differences between employer contributions and proportionate share of contributions		56,285	74,908
Employer contributions subsequent to the measurement date		6,382	—
	$	115,167	260,679

At September 30, 2023, approximately $6,382,000 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 ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB income (expense) as follows (in thousands):

Year ending September 30:		
2024	$	(35,828)
2025		(35,176)
2026		(10,386)
2027		(16,525)
2028		(32,491)
Thereafter		(21,488)
	$	(151,894)

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2023 was determined by an actuarial valuation performed as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Projected salary increases*	3.25-5.00 %
Long-term investment rate of return**	7.00 %
Municipal bond index rate at the measurement date	4.40 %
Municipal bond index rate at prior measurement date	2.29 %
Projected year for fiduciary net position to be depleted	N/A
Single equivalent interest rate at the measurement date	7.00 %
Single equivalent interest rate at prior measurement date	3.97 %
Healthcare cost trend rate	
Pre-Medicare eligible	6.50 %
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.50 %
Medicare eligible	4.50 %
Year of ultimate trend rate	
Pre-Medicare eligible	2031
Medicare eligible	2027

* Includes 2.75% wage inflation

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

*** Initial Medicare claims are set based on scheduled increases through plan year 2025.

Mortality rates were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63–67) and for females (112% ages < 69, 98% > age 74, phasing down 69–74), projected generationally using scale MP-2020 adjusted by 66–2/3% beginning with year 2019.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the TRS on September 13, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) of the total OPEB liability were based on the September 30, 2021 valuation.

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:

	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 2.50% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2023 was 7.00%. 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. 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022. It is assumed that the 15.257% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by $800 with inflation at 2.5% starting in 2027. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation by the asset class and by the mean and variance of real returns. 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. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

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

The following table presents the University's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 4.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower 3.50% or one percentage point higher 5.50% than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (3.50)%	Current rate (4.50)%	1% Increase (5.50)%
University's proportionate share of collective net OPEB liability	$	40,509	53,421	69,256

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (6.00)%	Current rate (7.00)%	1% Increase (8.00)%
University's proportionate share of collective net OPEB liability	$	66,047	53,421	42,822

(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, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

(15) 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 year ended September 30, 2023. 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 $3,003,000 in 2023. 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 year ended September 30, 2023 for the PLTF, GLTF, and health plan are summarized as follows (in thousands):

Balance, beginning of year	$	50,015
Liabilities incurred and other additions		83,243
Claims, administrative fees paid, and other reductions		(87,072)
Balance, end of year	$	46,186

These amounts are included in other long-term liabilities and in accounts payable and accrued liabilities in the accompanying statement of net position.

(16) Other Related Parties and Related-Party Transactions

During the year ended September 30, 2023, the University had certain related-party transactions with affiliates as described below.

South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. For the year ended September 30, 2023, SAMSF had total assets of $11,282,000, net assets of $11,232,000, and total revenues of $1,487,000. During fiscal year 2023, SAMSF made contributions in the amount of $267,000 to support clinical trials and research at the University. In addition, SAMSF also donated $26,000 in research equipment. Contributions from SAMSF are presented as private grants and contract revenues on the statement of revenues, expenses, and changes in net position for the University.

Jaguar Athletic Fund (JAF) is a not-for-profit corporation that was organized for the purpose of providing support for the athletic programs and student-athletes at the University. For the year ended September 30, 2023, JAF had total assets of $1,185,000, net assets of $1,179,000, and total revenues of $2,799,000. During fiscal year 2023, JAF made contributions to the University for the support of athletic programs and student-athletes in the amount of $2,400,000. These contributions are presented as other nonoperating revenues on the statement of revenues, expenses, and changes in net position for the University.

Gulf Coast TotalCare (Gulf Coast) is an Alabama not-for-profit corporation created for the purpose of operating a community-led network to coordinate the healthcare of Medicaid patients in Southwest Alabama. For the year ended September 30, 2023, Gulf Coast had total assets of $1,100,000, net assets of $596,000, and total revenues of $9,304,000. During fiscal year 2023, HCM (a blended component unit of the University) charged Gulf Coast a management fee of $1,048,000 to cover management and administrative expenses for Gulf Coast operations. In addition, HCM transferred $650,000 to Gulf Coast due to increased expenses related to COVID-19. The management fee and transfer are presented as other operating revenue and supplies and services, respectively, on the statement of revenues, expenses, and changes in net position for the University.

The University of South Alabama Foundation for Research and Commercialization (FRAC) is an Alabama non-for-profit corporation created for the purpose of promoting and advancing the University's educational, research, and service missions. For the year ended September 30, 2023, FRAC had total assets of $45,000, net assets of $45,000, and total revenues of $8,000. FRAC has royalty sharing agreements in place with the University and inventors in which each party receives a designated percentage of licensing income generated from intellectual property. For fiscal year 2023, FRAC distributed $11,000 to the University and $1,000 to inventors under royalty sharing agreements.

USA Presidential 1963 Fund is an Alabama not-for-profit corporation created for promoting charitable, scientific, literary, or educational initiatives that benefit and support of the University. This not-for-profit corporation had no financial activity for the year ended September 30, 2023.

(17) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2023, the University had been awarded approximately $153,569,000 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, if any, are included in unrecognized revenues and include amounts received from grant and contract sponsors that 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) Litigation

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

(c) 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, 2023, no amounts were payable pursuant to these agreements.

(d) USA Research and Technology Corporation Leases

The University has commitments under lease receivables with the Corporation. Space under lease to the University was 78,123 square feet at September 30, 2023. See note 9 for additional details.

(18) Functional Expense Information

Operating expenses by functional classification for the year ended September 30, 2023 are as follows (in thousands).

Instruction	$	120,779
Research		36,305
Public service		12,823
Academic support		28,956
Student services		44,326
Institutional support		22,895
Operation and maintenance of plant		14,126
Scholarships		17,563
USA Health		797,521
Auxiliary enterprises		15,165
Depreciation and amortization		77,140
	$	1,187,599

(19) 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 year ended September 30, 2023 as follows (in thousands):

Current assets	$ 16,495
Noncurrent assets	55,018
Total assets	71,513
Current liabilities	24,253
Noncurrent liabilities	42,144
Total liabilities	66,397
Net position	$ 5,116
Operating revenues	$ 402,499
Operating expenses	(407,196)
Operating loss	(4,697)
Nonoperating revenues	5,287
Nonoperating expenses	—
Change in net position	$ 590

(20) Recently Issued Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus* 2022. The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. The statement extends the use of LIBOR for accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement Nos. 53 and 63 were effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The statement, effective for periods beginning after June 15, 2023, requires changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The effect of the implementation of GASB Statement Nos. 99, 100, and 101 on the University has not yet been determined.

(21) 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.

The CARES Act was signed into law on March 27, 2020 and was 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. Through September 30, 2023, the University (including USA Health) has been awarded $105,456,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount, $6,202,000 was awarded during the year ended September 30, 2023. Of the total amounts awarded, $12,703,000 has been recognized as nonoperating revenue in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2023.

(22) Subsequent Event

On October 1, 2023, HCA acquired Ascension Providence, which included a hospital and multiple facilities, for $89,590,000. The University funded this acquisition with the cash proceeds from the University Facilities Revenue Bond (Draw-Down Loan), Series 2023-A, the Taxable University Facilities Revenue Bond (Draw-Down Loan), Series 2023-B, and internal contributions. In exchange for the University funding the acquisition, the University acquired ownership of the assets. The University entered into an agreement with HCA to operate and manage the Facilities under USA Health. The acquisition of Providence Hospital expands operations along the Gulf Coast region and is expected to have a significant impact on the financial position and results of operations for both the University and HCA during fiscal year 2024 and beyond.

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 of each year from 2015 to 2023

(In thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	2.418758 %	2.521971 %	2.551330 %	2.664536 %	2.843720 %	3.018313 %	3.108048 %	3.185471 %	3.322348 %
University's proportionate share of the net pension liability	$ 375,894	237,578	315,591	294,615	282,739	296,654	336,477	329,294	297,734
University's covered-employee payroll	181,019	188,126	184,984	181,875	190,559	191,520	200,464	198,378	201,858
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.65 %	126.29 %	170.60 %	161.99 %	148.37 %	154.89 %	167.85 %	165.99 %	147.50 %
Plan fiduciary net position as a percentage of the total pension liability	62.21	76.44	67.72	69.85	72.29	71.50	67.93	67.51	71.01

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

Unaudited – see accompanying 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 of each year from 2015 to 2023

(In thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 21,345	22,005	21,566	21,413	22,481	22,262	23,664	23,405	23,524
Contributions in relation to the contractually required contribution	21,345	22,005	21,566	21,413	22,481	22,262	23,664	23,405	23,524
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—
University's covered-employee payroll	$ 181,019	188,126	184,984	181,875	190,559	191,520	200,464	198,378	201,858
Contributions as a percentage of covered-employee payroll	11.79 %	11.70 %	11.66 %	11.77 %	11.80 %	11.62 %	11.80 %	11.80 %	11.65 %

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

Unaudited – see accompanying 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 of each year from 2017 to 2023

(In thousands)

	2023	2022	2021	2020	2019	2018	2017
University's proportion of the net OPEB liability	3.065860 %	3.974950 %	4.016210 %	2.737717 %	3.156420 %	3.449076 %	2.963813 %
University's proportionate share of the net OPEB liability	$ 53,421	205,378	260,646	103,288	259,418	256,178	238,060
University's covered-employee payroll	181,019	188,126	184,984	181,875	190,559	191,520	200,464
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	29.51 %	109.17 %	140.90 %	56.79 %	136.14 %	133.76 %	118.75 %
Plan fiduciary net position as a percentage of the total OPEB liability	48.39	27.11	19.80	28.14	14.81	15.37	13.38

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

Unaudited – see accompanying 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 of each year from 2017 to 2023

(In thousands)

		2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$	6,382	5,859	6,868	7,947	7,772	7,728	8,373
Contributions in relation to the contractually required contribution		6,382	5,859	6,868	7,947	7,772	7,728	8,373
Contribution deficiency (excess)	$	—	—	—	—	—	—	—
University's covered-employee payroll	$	181,019	188,126	184,984	181,875	190,559	191,520	200,464
Contributions as a percentage of covered-employee payroll		3.53 %	3.11 %	3.71 %	4.37 %	4.08 %	4.04 %	4.18 %

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

Unaudited – see accompanying 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, 2023 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return*	7.45 %
Projected salary increases	3.25–5.00 %

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63–67) and for females (112% ages < 69, 98% > age 74, phasing down 69–74), projected generationally using scale MP-2020 adjusted by 66 2/3% beginning with year 2019.

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 September 30, 2023 was 7.45%. 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)

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

The assumptions and methods used in the valuation are based on the results of the Experience Investigation for the five-year period ended September 30, 2020, dated July 12, 2021, and adopted by the Teachers' Retirement System Board of Control on September 13, 2021. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increase	3.25% to 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

(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 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

(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.

(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, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ended September 30, 2023 is determined based on the actuarial valuation as of September 30, 2019. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	22 years
Asset valuation method	Market value of assets
Inflation	2.75%
Healthcare cost trend rate:	
Pre-Medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate:	
Pre-Medicare eligible	4.75%
Medicare eligible	4.75%
Year of ultimate trend rate	2027 for Pre-Medicare eligible 2024 for Medicare eligible
Investment rate of return	5.00%, including inflation
Optional plans trend rate	2.00%

**Initial Medicare claims are set based on scheduled increase through plan year 2022.

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

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

The Board of Trustees
University of South Alabama:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component units of University of South Alabama (the University), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2023.

Our report includes a reference to other auditors who audited the financial statements of University of South Alabama Foundation, as described in our report on the University's financial statements. The financial statements of 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 compliance and other matters associated with University of South Alabama Foundation or that are reported on separately by those auditors who audited the financial statements of University of South Alabama Foundation.

Report on 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 a 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 a 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 or significant deficiencies may exist that were not identified.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
December 20, 2023

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

December 20, 2023

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

To the Audit Committee of University of South Alabama:

We have audited the basic financial statements of University of South Alabama (the University) as September 30, 2023 and for the year then ended, and have issued our report thereon dated December 20, 2023. Under our professional standards, we provided you with a presentation dated December 7, 2023, that related to our audit of the basic financial statements of the University as of September 30, 2023 and for the year then ended. This communication is an update to that presentation and should be considered only in conjunction with such presentation.

The following matters update our previous communications to you:

Resolution of Outstanding Matters

All outstanding matters communicated to you on December 7, 2023 were satisfactorily resolved.

Written Communications

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

1. Engagement letter;
2. Management representation letter; and
3. Report on control deficiencies issued to management.

Update to Required Communications

No other matters have come to our attention subsequent to December 7, 2023 and through the date of this report that would require us to provide you with additional information related to our audit of the basic financial statements of the University as of September 30, 2023 and for the year then ended.

* * * * * * *

This letter to the audit committee is intended solely for the information and use of the audit committee 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

Summary of Audit Misstatements - Uncorrected

Entity: University of South Alabama
For Period Ended:September 30, 2023

Correcting Entry Necessary at Current Period End					Statement of Revenues, Expenses and Changes in Net Position Effect - Debit(Credit)			Statement of Net Position- Debit (Credit)		
ID	**Description of misstatement**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect of correcting the balance sheet in prior period (carryforward from prior period)**	**Income effect of correcting the current period balance sheet**	**Income effect according to Rollover method**	**Net Position**	**Total Assets and Deferred Outlfows**	**Total Liabilities and Deferred Inflows**
1	*To reflect the discretely presented component units, SAMSF and GCTC and JAF, not included in the University's financial statements.*	Other noncurrent assets and accounts receivable	13,566,651						13,566,651	
		Other noncurrent liabilites		(13,566,651)						(13,566,651)
		Supplies and Other Services	13,931,731			13,931,731	13,931,731	13,931,731		
		Other Operating Revenues		(14,001,964)		(14,001,964)	(14,001,964)	(14,001,964)		
						Aggregate effect of uncorrected audit misstatements:	**(70,233)**	**(70,233)**	**13,566,651**	**(13,566,651)**
						Financial statement amounts (per final financial statements):	(25,867,000)	(432,343,000)	511,326,000	(78,983,000)
						Uncorrected audit misstatements as a percentage of financial statement amounts:	0.27%	0.02%	2.65%	17.18%

KPMG

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

January 20, 2023

Mrs. Polly Stokley
Vice President for Finance and Administration
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Dear Mrs. Stokley:

This letter amends our engagement letter dated July 9, 2020, confirming our understanding to provide professional audit services to the University of South Alabama (The University) and the entities set forth in Appendix I, by substituting the attached Appendix I for the Appendix I originally attached to our engagement letter and amending its terms as noted below.

For your information, certain auditing standards generally accepted in the United States of America have changed for audits of periods ending after December 15, 2021. While we do not believe these amendments substantively change the nature of our engagement, they will affect the form and content of our audit report, our communications with the audit committee, and the representations requested from management.

Annual Report

The auditing standards require us to read the other information in the University's annual report and consider whether a material inconsistency exists between the other information and the financial statements. Management has identified the following documents comprising the annual report: University of South Alabama 2023 Financial Report.

Management will provide final versions of these documents to us in a timely manner, and if possible, before the date of our auditors' report. If some or all of the documents are not available until after that date, management will provide written representation that the final documents will be provided when available and prior to issuance by the University.

Other Matters

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 a service coordination tool known as KPMG Clara for clients. If such access is provided to the University, the provisions set forth in Appendix II shall apply to such access.

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").

Except for the sentence contained in the "Other Matters" section of the engagement letter regarding KPMG Firms utilizing, in their discretion, the services of third party service providers within or outside of the United States to complete the services under the engagement letter, all other references to "KPMG Firms" contained in the engagement letter are replaced by the term "KPMG Parties." The term "KPMG Parties" shall mean the KPMG Firms, together with the entities comprising KPMG International.

For purposes of clarification, the paragraph contained in the "Other Matters" section of the engagement letter which states that KPMG Parties and third party service providers may have access to your confidential information is revised to include the following and is subject to the representations and other protective provisions set forth in such paragraph: "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 Parties or such third party service providers. In addition, KPMG Parties may have access to certain of your information in respect to engagement acceptance and other professional responsibilities such as maintaining independence and performing conflict checks."

The parties further agree that the provision contained in the engagement letter that addresses the use of the University's information for other purposes shall be revised in its entirety to read as follows: "You also understand and agree that the KPMG Parties, with the assistance of third parties as outlined in the engagement letter, 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 Parties or such third parties assisting them as outlined in the engagement letter, 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 the 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.

For the purpose of complying with the AICPA Code of Professional Conduct, the University agrees to provide to KPMG, at least annually, a complete and accurate legal entity listing and a listing of other affiliated entities not included on the legal entity listing (e.g., parent company, entities under common control, joint ventures, equity

KPMG

method investments, and others). The University further agrees to provide a listing of the University's officers, directors, and individuals owning 10% or more of the University's outstanding voting equity securities or other ownership interests. The University also agrees to provide information to KPMG about acquisitions, investments or other transactions that may result in changes to the legal entity listing or the listing of other affiliated entities, not included on the legal entity listing, prior to the effective date of the acquisition, investment or other transaction.The attached Appendix I lists the services to be rendered and related fees to provide each specified service for the identified time period. Except as specified in this letter and in the Appendix I attached to this letter, all provisions of the aforementioned engagement letter remain in effect until either the audit committee or we terminate this agreement or mutually agree to the modification of its terms.

****

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

Very truly yours,

KPMG LLP

Ashley E Willson

Ashley E. Willson
Partner

Enclosures

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

ACCEPTED

University of South Alabama

Polly Stokley

Polly Stokley

Vice President for Finance and Administration
Title

JAN 23, 2023
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:

Audits of the financial statements and related notes to the financial statements of the University and the USA Research and Technology Corporation as of and for the year ended September 30, 2023 and the other reports detailed below (includes KPMG performing the audit of one major program in connection with the Uniform Guidance):	$661,000

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
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 the financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a committee of approximately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations or future acquisitions, 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.

Our standard billing practice is to submit regular progress billings over the course of the engagement. You agree that such billings will be paid within thirty days. The timing of these billings is detailed below.

Progress bill to be mailed on	***Amount to be billed***
May 1, 2023	$230,000
July 15, 2023	150,000
August 1, 2023	250,000
October 1, 2023	31,000

In addition, we also will be issuing our audit report on the University of South Alabama Health Care Authority. Those fees will be billed at 40% of our standard rates applicable at the time the services are provided. An initial fee of $75,000 will be billed on May 1, 2023. Expenses are also billed for reimbursement as incurred.

Professional standards prohibit us from performing services for audit clients where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services.

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, if applicable.

Where KPMG is reimbursed for expenses, KPMG will bill the University for the amount it paid and will not add any markup to the expense. After such expenses are incurred, KPMG may receive rebates or incentive payments based on its aggregate purchases, which may include expenses reimbursed by the University in addition to other clients. Such rebates are not credited back to the University but are used to reduce KPMG's overhead.

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 CLARA FOR CLIENTS
TERMS OF USE

KPMG Clara for clients ("KPMG Clara") is a service coordination tool provided by KPMG to the University of South Alabama (the "University") that allows a group of users to access a virtual repository for the purposes of sharing information, engaging in online discussions and using KPMGI Content (as defined below). These terms of use (the "Terms") are between the University and KPMG and shall govern the University's use of KPMG Clara and the KPMGI Content. If the University is comprised of itself and other legal entities, the University agrees that (a) it has the authority to bind all of the entities, in which case the term "University" shall refer to such entities, and (b) these Terms shall govern the University's and such entities' use of KPMG Clara and the KPMGI Content. In the event of any conflict or inconsistency between these Terms and the contract(s) between KPMG and the University to which these Terms or KPMG Clara relates, these Terms shall govern with respect to the University's use of KPMG Clara only. "KPMGI Content" shall mean any content posted on KPMG Clara and identified as being provided by or for KPMG International Services Limited, KPMG International Limited, or KPMG International Cooperative.

1. The University and its Authorized Users (as defined below) may access and use KPMG Clara solely in furtherance of KPMG's engagement(s) with the University. KPMG Clara is not intended for use as a document retention system and should not be regarded as a system of record. The University should download any information from KPMG Clara it wishes to retain for its files. Access to information within KPMG Clara may be removed or become unavailable within a reasonable time once the corresponding engagement is completed. "Authorized User" means University's employees and other personnel authorized by the University and approved by KPMG to access and use KPMG Clara. The University shall ensure that all Authorized Users who access and use KPMG Clara or the KPMGI Content comply with these Terms. The University shall promptly notify KPMG about any Authorized User who should no longer have access to KPMG Clara or improper access to the password of an Authorized User.

2. The University may not: (a) copy, translate, modify, adapt or create derivative works from KPMG Clara, or KPMGI Content; (b) rent, lease, lend, pledge, or directly or indirectly transfer or distribute KPMG Clara or KPMGI Content to any third party; or (c) use KPMG Clara to upload, store, post, email, transmit or otherwise make available any content that is unlawful and/or infringes any intellectual property rights or data protection, privacy or other rights of any other party. The University is responsible for 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 the U.S. (e.g. export control and data privacy laws and regulations). Except for the license granted herein to the University, the University acquires no right or interest of any kind in or to KPMG Clara or any KPMGI Content.

3. Technical factors such as bandwidth, network configurations, and browser settings can affect KPMG Clara's speed and accessibility. KPMG does not guarantee the continuous, uninterrupted or error-free operability of KPMG Clara, or compatibility with the University's computer browser or any other part of its computing systems. Access to KPMG Clara may be suspended or limited at any time, and content may be unavailable. KPMG is not responsible for the content of any third-party websites, or hyperlinks which may be featured on KPMG Clara.

4. If KPMG's relationship with the University terminates for any reason, all further access to and use of KPMG Clara by the University and its Authorized Users must immediately cease and KPMG may deactivate or delete related user accounts, unless otherwise required by applicable law or professional standards to maintain such accounts. KPMG reserves the right to terminate the University's access to KPMG Clara for any reason.

5. EXCEPT AS EXPRESSLY STATED IN THESE TERMS, KPMG CLARA IS MADE AVAILABLE ON AN "AS-IS", "AS AVAILABLE" BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED.
6. Refer to KPMG's Privacy Statement (https://home.kpmg/us/en/home/misc/privacy.html) for information about how KPMG collects, uses, and protects personal data.

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

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):

ACCEPTED

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.

UNIVERSITY OF SOUTH ALABAMA

December 20, 2023

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

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the related notes to the financial statements of University of South Alabama as of and for the year ended September 30, 2023, 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 conformity with U.S. generally accepted accounting principles (U.S. GAAP).

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 December 20, 2023:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 20, 2023, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

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;

   c. All minutes of the meetings of the Board of Trustees, 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; and

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

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688-0002
TEL: (251) 460-6241 | FAX: (251) 460-6647 | southalabama.edu

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, 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 the financial statements.

5. All material transactions have been 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 have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.

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. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the 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 265.07, *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 University 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, regulators, or others.

16. 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.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.

19. 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. GAAP, 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.

20. 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.

21. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. The University's reporting entity includes all entities that are component units of the University, except as disclosed to you.

23. 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. GAAP. 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.

24. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates.*

25. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

26. 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.

27. We acknowledge our responsibility for the presentation of the required supplementary information which includes, such as management's discussion and analysis, 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 to be presented to supplement the basic financial statements, 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.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

28. The basis for our proportion of the collective pension and postemployment benefits other than pensions (OPEB) is appropriate and consistent with the manner in which future contributions to the pension and OPEB plans are expected to be made.

29. There have been no false statements affecting the University's basic financial statements made to the University's internal auditors or other audits who have audited entities under our control upon who work you may be relying in connection with your audits.

30. 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.

31. 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.

32. There have been no triggering events, as described in 34 CFR 668.171, that have occurred during or subsequent to the period covered by the auditors' report.

33. We have disclosed related party transactions in accordance with US Department of Education 34 CFR 668.23(d)(1).

We confirm having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of December 20, 2023 the following representations made to you during your single audit:

34. We are responsible for the design, implementation, and maintenance of effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

35. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of the University's federal programs.

36. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

37. We are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:

    a. Management, including management involved in the administration of federal programs.

    b. Employees who have significant roles in internal control over the administration of federal programs.

    c. Others where the fraud could have a material effect on compliance with federal statutes, regulations, and the terms and conditions of federal awards related to its federal programs.

38. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance and:

    a. The SEFA, including its form and content, is fairly presented in accordance with the requirements of the Uniform Guidance.

    b. The SEFA includes all expenditures made during the year ended September 30, 2023 for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, cooperative agreements, interest subsidies, insurance, noncash assistance (such as free rent, food commodities, donated property or donated surplus property), direct appropriations, and other assistance.

    c. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period.

    d. The significant assumptions or interpretations underlying the measurement or presentation of the SEFA are reasonable and appropriate in the circumstances.

    e. We will make the audited financial statements readily available to the intended users of the SEFA no later than the date of issuance by the entity of the SEFA and the auditors' report thereon.

Additionally, we confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of December 20, 2023, the following representations made to you during your single audit:

39. The University is responsible for complying, and has complied, with the requirements of the Uniform Guidance.

40. We have identified and disclosed all our government programs and related activities subject to the Uniform Guidance compliance audit.

41. The University has designed, implemented, and maintained effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

42. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of federal statutes, regulations, and the terms and conditions of federal awards. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

43. The University has complied with requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its major federal programs.

44. The University has charged costs to federal awards in accordance with the applicable cost principles.

45. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

46. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

47. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

48. We have issued management decisions on a timely basis (within six months of acceptance of the audit report by the FAC) for audit findings that relate to federal awards made to subrecipients. Additionally, management has followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through

audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient by the University.

49. We have considered the results of subrecipient audits and have made any necessary adjustments to the University's accounting records.

50. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.

51. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.

52. We have made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements, for major federal programs.

53. We have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to major federal programs.

54. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards.

55. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the compliance requirements over federal programs, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

56. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

57. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

58. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.

59. We have advised you of all contracts or other agreements with service organizations.

60. We have disclosed to you all communications from the University's service organizations relating to noncompliance at the service organizations.

61. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control over major federal programs, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

62. We have disclosed to you all known noncompliance relating to major federal programs occurring subsequent to the period covered by the auditors' report.

63. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance over major federal programs during the reporting period.

64. KPMG LLP will assist management in completing the sections of the data collection form which are the responsibility of the auditee. In accordance with *Government Auditing Standards*, we confirm our review and approval of, and accept responsibility for, the information included in the data collection form which is the responsibility of the auditee.

65. We will accurately complete the appropriate sections of the data collection form.

66. The single audit reporting package will not contain protected personally identifiable information.

Very truly yours,

University of South Alabama

Josiah R. Bonner, Jr.

Josiah R. Bonner, Jr.
University President

Kristen Roberts

Kristen Roberts
Chief Financial Officer

Summary of Audit Misstatements - Uncorrected

Entity: University of South Alabama
For Period Ended:September 30, 2023

Correcting Entry Necessary at Current Period End					Statement of Revenues, Expenses and Changes in Net Position Effect - Debit(Credit)			Statement of Net Position- Debit (Credit)		
ID	**Description of misstatement**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect of correcting the balance sheet in prior period (carryforward from prior period)**	**Income effect of correcting the current period balance sheet**	**Income effect according to Rollover method**	**Net Position**	**Total Assets and Deferred Outlfows**	**Total Liabilities and Deferred Inflows**
1	*To reflect the discretely presented component units, SAMSF and GCTC and JAF, not included in the University's financial statements.*	Other noncurrent assets and accounts receivable	13,566,651						13,566,651	
		Other noncurrent liabilites		(13,566,651)						(13,566,651)
		Supplies and Other Services	13,931,731			13,931,731	13,931,731	13,931,731		
		Other Operating Revenues		(14,001,964)		(14,001,964)	(14,001,964)	(14,001,964)		
						Aggregate effect of uncorrected audit misstatements:	**(70,233)**	**(70,233)**	**13,566,651**	**(13,566,651)**
						Financial statement amounts (per final financial statements):	(25,867,000)	(432,343,000)	511,326,000	(78,983,000)
						Uncorrected audit misstatements as a percentage of financial statement amounts:	0.27%	0.02%	2.65%	17.18%

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

December 20, 2023

Management
University of South Alabama
Mobile, Alabama

To the management of University of South Alabama:

In planning and performing our audit of the basic financial statements of University of South Alabama (the University) as of and for the year ended September 30, 2023, 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, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards,* we issued our report dated December 20, 2023 on our consideration of the University's internal control over financial reporting.

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. During our audit, we identified the following deficiency in internal control:

Review of the Allowance for Doubtful Accounts

During our audit testwork related to the allowance for doubtful accounts, we identified that the uncollectible percentages applied to gross accounts receivable by payor class and used to calculate the allowance for doubtful accounts had not been updated in recent years and did not necessarily reflect current collection experience. Over the most recent few years, USA Health has grown, enhancements have been made to business office processes and the economic environment has changed. We recommend that management continue to evaluate the appropriateness of the inputs utilized within the allowance model on an annual basis to ensure that the inputs are reflective of current collection rates and other qualitative components that may impact overall net realizable values.

The purpose of this letter is solely to describe the deficiency in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

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 financial statements of the business type activities and aggregate discretely presented component units of University of South Alabama (the University), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2023. We did not audit the financial statements of University of South Alabama Foundation, which represent 82% of the total assets of the discretely presented component units as of September 30, 2023, and 33% of the total revenues, gains and other support of the discretely presented component units for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 with The Bank of New York Trust Company, N.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 and on September 23, 2021, authorizing the issuance of $100,000,000 University Facilities Revenue Refunding Bonds, Series 2016-B, 2016-C, and 2016-D, as amended 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, as amended on March 10, 2020, authorizing the issuance of $37,005,000 University Facilities Revenue Bonds, Series 2020, as amended on March 10, 2021, authorizing the issuance of $40,555,000 University Facilities Revenue Bonds, Series 2021, as amended on July 8, 2021, authorizing the issuance of $15,387,000 of University Facilities Revenue Bonds, Series 2021-B, and as amended on April 19, 2023, authorizing the issuance of $100,000,000 University Facilities Revenue Bonds, Series 2023-A and 2023-B, 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 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
December 20, 2023

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2023

(With Independent Auditors' Report Thereon)

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Table of Contents

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)
Management's Discussion and Analysis (Unaudited)
September 30, 2023

Introduction

The following discussion presents an overview of the financial position and financial activities of USA Research and Technology Corporation (the Corporation) as of and for the year ended September 30, 2023. 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), and one building located on the premises of USA Health. Housing both University and third-party tenants, the area available for lease totals 229,110 square feet of gross leasable space. At September 30, 2023, total square feet leased and occupied was 206,932. 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.

During 2023, the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, required the Corporation to recognize a right-of-use asset and a related subscription obligation for subscription-based information technology arrangements (SBITAs) that met certain criteria. At October 1, 2022, the Corporation had no SBITAs under Statement No. 96 resulting in no significant impact to the Corporation in the adoption of this pronouncement.

At September 30, 2023, the Corporation had total assets and deferred outflows of $33,118,000 and; total liabilities and deferred inflows of $30,366,000; and net position of $2,752,000.

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, 2023 and 2022, follows (in thousands):

Condensed Schedules of Net Position

		2023	2022
Assets and deferred outflows:			
Current	$	4,927	5,476
Capital assets – noncurrent		18,144	19,034
Other noncurrent assets		9,440	10,356
Deferred outflows		607	761
	$	33,118	35,627

Condensed Schedules of Net Position
(continued)

		2023	2022
Liabilities:			
Current	$	1,686	2,001
Noncurrent		16,967	17,989
Deferred inflows		11,713	13,565
	$	30,366	33,555
Net position:			
Net investment in capital assets	$	918	423
Unrestricted		1,834	1,649
	$	2,752	2,072

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

		2023	2022
Operating revenues	$	4,202	4,150
Operating expenses:			
Depreciation and amortization		1,318	1,281
Other		1,780	1,521
Net operating expenses		3,098	2,802
Operating income		1,104	1,348
Nonoperating (expenses) revenues:			
Interest expense		(871)	(926)
Other		447	462
Net nonoperating expenses		(424)	(464)
Change in net position		680	884
Beginning net position		2,072	1,313
Cumulative effect of change in accounting principle		—	(125)
Ending net position	$	2,752	2,072

(Continued)

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets and deferred outflows, liabilities and deferred inflows, 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 statement 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, lease receivable, prepaid expenses, accrued interest receivable, and other current assets as of September 30, 2023. The decrease in current assets was driven by an early lease termination and expiration of lease agreements. Noncurrent assets as of September 30, 2023 consist of capital assets and noncurrent lease receivable. Similarly to current assets, noncurrent assets decreased as a result of an early lease termination and expiration of lease agreements.

The decrease in deferred outflows resulted from the amortization of the swap termination fee.

Current liabilities primarily consist of unrecognized rent revenue, deposits, other current liabilities, accrued expenses, and the current portion of notes payable as of September 30, 2023. Noncurrent liabilities consist of notes payable at September 30, 2023.

Deferred inflows represent the Corporation's right to operating revenue from leases in future reporting periods in accordance with GASB Statement No.87, *Leases*.

Net position represents the residual interest in the Corporation's assets and deferred outflows after liabilities and deferred inflows 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.

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.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total Corporation net position as reported in the statement of net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the change in net position resulting from revenues earned and expenses incurred by the Corporation.

For the year ended September 30, 2023, the Corporation reported a change in net position of $680,000.

In fiscal 2022, the adoption of the provisions of GASB Statement No. 87 resulted in the restatement of beginning unrestricted net position at October 1, 2021 by decreasing unrestricted net position $125,000.

Statement of Cash Flows

The statement of cash flows presents 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 year ended September 30, 2023 were $428,000 due to tenant improvement costs incurred for new leases, building improvements, equipment, right-of-use assets, software, and leasing commissions. Construction projects that remain in progress at September 30, 2023 include renovations for tenant improvements in Buildings II and III and improvements to heating, ventilation, and air conditioning systems in Buildings I, II, and III. At September 30, 2023, the Corporation had outstanding commitments of approximately $145,000. See note 3 for further information.

In fiscal year 2021, the Corporation entered into an agreement with Hancock Whitney Bank to refinance a promissory note bearing interest at 4.50% with a new promissory note payable over ten 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 as of September 30, 2023 and estimates of future operating expenses, it is expected that fiscal year 2024 financial performance will be comparable to fiscal year 2023 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 2024 beyond the unknown variables.

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 Kristen Roberts; Chief Financial Officer; University of South Alabama Administration Building – Suite 353; Mobile, Alabama 36688.

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the USA Research and Technology Corporation (the Corporation), a component unit of University of South Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 December 20, 2023, 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
December 20, 2023

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2023

(in thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	2,200
Lease receivable, current portion		2,650
Prepaid expenses and other current assets		25
Accrued interest receivable		52
Total current assets		4,927
Noncurrent assets:		
Capital assets, net		18,144
Lease receivable, less current portion		9,440
Total noncurrent assets		27,584
Deferred outflows		607
Total assets and deferred outflows		33,118
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		313
Unrecognized rent revenue		351
Notes payable, current portion		1,022
Total current liabilities		1,686
Noncurrent liabilities:		
Notes payable, less current portion		16,967
Total noncurrent liabilities		16,967
Deferred inflows		11,713
Total liabilities and deferred inflows		30,366
Net position:		
Net investment in capital assets		918
Unrestricted		1,834
Total net position	$	2,752

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2023

(in thousands)

Operating revenues	$	4,202
Operating expenses:		
Building management and operating expenses		1,140
Depreciation and amortization		1,318
Legal and administrative fees		575
Insurance		65
Total operating expenses		3,098
Operating income		1,104
Nonoperating revenues (expenses):		
Interest expense		(871)
Interest income		73
Other		374
Net nonoperating expenses		(424)
Change in net position		680
Net position:		
Beginning of year		2,072
End of year	$	2,752

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Statement of Cash Flows

Year ended September 30, 2023

(in thousands)

Cash flows from operating activities:		
Receipts from lessees for rent and operating expense reimbursement	$	4,484
Payments for building management and operating expenses		(1,115)
Payments to service providers and vendors for legal and administrative fees		(606)
Payments for insurance		(65)
Security deposits collected		11
Vending commissions		9
Net cash provided by operating activities		2,718
Cash flows from capital and related financing activities:		
Interest paid on notes payable		(720)
Principal repaid on notes payable		(1,390)
Purchases of capital assets		(343)
Net cash used in capital and related financing activities		(2,453)
Cash flows from investing activities:		
Interest income		73
Net cash provided by investing activities		73
Net change in cash and cash equivalents		338
Cash and cash equivalents:		
Beginning of year		1,862
End of year	$	2,200
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	1,104
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		1,318
Operating expense payable to the University of South Alabama		(23)
Receivables and prepaid expenses		2,175
Unrecognized rent revenue		(1,893)
Other current liabilities, excluding items that are not components of operating income		37
Net cash provided by operating activities	$	2,718
Noncash investing and capital and related financing transactions:		
Increase in accounts payable related to capital assets	$	85
Interest expense from amortization of deferred cash flows related to debt refinancing		(154)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

In June 2002, the University of South Alabama (the University) Board of Trustees approved the formation of the USA Research and Technology Corporation (the Corporation). The accompanying basic financial statements present the financial position and activities of the Corporation, which is a discretely presented component unit 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 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 statement of net position, the statement of revenues, expenses, and changes in net position, and the statement 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.

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 Corporation funds on deposit with QPD institutions. At September 30, 2023, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $17.6 billion. The Corporation had cash and cash equivalents in the pool of $2,200,000 at September 30, 2023.

(e) Accounts Receivable

Accounts receivable relates to short-term leases and is recorded net of estimated uncollectible amounts. At September 30, 2023, the accounts receivable balance was $0.

(f) Capital Assets

All capital expenditures with a cost of $1,000 or more and having a useful life of five 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.

Right-of-use assets represent the Corporation's right-to-use an underlying asset for a specified term and comprise leased equipment, buildings, office space, and subscription-based information technology arrangements (SBITAs). Lease and subscription right-of-use assets are recognized at the commencement date based on the present value of the lease and subscription payments over the agreement term discounted using the lessor interest rate or an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the lease or subscription term or the useful life of the asset, whichever is shorter.

(g) Lease Receivable and Lease and Subscription Obligations

Lease receivable and the current portion thereof on the statement of net position represents the Corporation's contractual right to receive cash in exchange for the right-to-use an asset for a specific amount of time. Lease and subscription obligations and the current portion thereof on the statement of net position represent the Corporation's liability to make payments arising from a lease or subscription agreement. Lease receivables, lease obligations and subscription obligations are recognized at the commencement date based on the present value of lease payments to be received or made over the lease term discounted using the appropriate incremental borrowing rate. The commencement date is either when the lessee takes possession of the asset or, in the case of real estate leases, when the lessor makes the building or office space available for use. The value of an option to extend or terminate a lease or subscription is reflected to the extent it is reasonably certain the lessee will exercise that option. Interest revenue and interest expense is recognized as a component of the lease payments received or lease and subscription payments made and is included in other nonoperating revenues or expenses on the statement of revenues, expenses, and changes in net position. At September 30, 2023, the Corporation had no outstanding lease and subscription obligations.

(h) 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. See note 3 for further discussion.

(i) 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, 2023, the Corporation did not hold any derivative instruments.

(j) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of the unamortized balance of the swap termination fee. See note 6 for further discussion.

Deferred inflows of resources consist of the value of contractual rights to financing lease revenue in future reporting periods.

(k) 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 and accrued construction costs related to those 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.

(l) 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. 87, *Leases*.

(m) Recently Adopted Accounting Pronouncements

In fiscal year 2023, the Corporation adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. 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. There was no significant impact to the Corporation in the adoption of this pronouncement.

In addition, the Corporation adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITAs) be recorded as both a right-of-use asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITAs. There was no significant impact to the Corporation in the adoption of this pronouncement.

The Corporation also adopted the provisions of GASB Statement No. 99, *Omnibus 2022*, related to public-private and public-public partnership arrangements (PPPs) and SBITAs. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. There was no significant impact to the Corporation in the adoption of this pronouncement.

(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 year ended September 30, 2023 are as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land	$ 223	—	—	—	223
Construction-in-progress	20	94	—	—	114
	243	94	—	—	337
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,642	146	—	—	28,788
Tenant improvements	2,653	98	—	(34)	2,717
Other equipment	390	25	—	(7)	408
Computer software	41	15	—	—	56
Lease commissions	362	47	—	(3)	406
Right-of-use assets	—	3	—	—	3
	34,073	334	—	(44)	34,363

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Less accumulated depreciation or amortization for:					
Land improvements	$ (1,689)	(94)	—	—	(1,783)
Buildings	(11,732)	(780)	1	—	(12,511)
Tenant improvements	(1,283)	(351)	—	34	(1,600)
Other equipment	(356)	(12)	(1)	7	(362)
Computer software	(11)	(13)	—	—	(24)
Lease commissions	(211)	(67)	—	3	(275)
Right-of-use assets	—	(1)	—	—	(1)
	(15,282)	(1,318)	—	44	(16,556)
Capital assets being depreciated or amortized, net	18,791	(984)	—	—	17,807
Capital assets, net	$ 19,034	(890)	—	—	18,144

Depreciation and amortization expense totaled $1,318,000 for the year ended September 30, 2023.

Construction projects that remain in progress at September 30, 2023 include renovations for tenant improvements in Buildings II and III and improvements to heating, ventilation, and air conditioning systems in Buildings I, II, and III. At September 30, 2023, the Corporation had outstanding commitments of approximately $145,000.

The Corporation's net right-of-use assets, categorized by classification for the year ended September 30, 2023, are as follows (in thousands):

	Ending balance
Right of use assets:	
Software	$ 3
	3
Less accumulated amortization for right of use assets:	
Software	(1)
	(1)
Right of use assets, net	$ 2

(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 year ended September 30, 2023 are as follows (in thousands):

	September 30, 2023					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 19,379	—	(1,390)	17,989	1,022	16,967

(6) Notes Payable

(a) Notes Payable

Notes payable from direct borrowings consisted of the following at September 30, 2023 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$ 10,738
Hancock Whitney promissory note, 3.08%, payable through 2031	7,251
	$ 17,989

The promissory note payable to PNC Bank has a 10-year term and amortization is based on a 10-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 promissory note payable to Hancock Whitney Bank has a 10-year term and is secured by an interest in rental leases and an interest in income received from rental of Building I. 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 the PNC note and the Hancock Whitney note, the University entered into an agreement with both lenders 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. As of September 30, 2023, the Corporation's debt service coverage ratio was 2.07 to 1.

The Corporation's outstanding notes from direct borrowings with PNC Bank and Hancock Whitney Bank contain a provision that, in the event of default, PNC Bank or Hancock Whitney 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 and Hancock Whitney Bank will give the Corporation 30 days to cure the default.

(b) Debt Service on Long-Term Obligations

At September 30, 2023, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes payable		
	Principal	**Interest**	**Total**
2024	$ 1,022	676	1,698
2025	1,061	637	1,698
2026	1,101	597	1,698
2027	1,144	554	1,698
2028	9,028	424	9,452
2029–2031	4,633	286	4,919
Total	$ 17,989	3,174	21,163

(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, *Items Previously Reported as Assets and Liabilities*, the fee is reported in deferred outflows on the statement 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. As of September 30, 2023, the unamortized balance in deferred outflows was $607,000.

(7) Leases

The Corporation leases land, buildings, and suites to various lessees under financing leases and short-term leases expiring at various dates through 2057. In Building I, space is leased under five lease agreements. The first lease has a 5 year initial term expiring in October 2023, renewing in November 2023, with two 5 year renewal options. The second lease had a 1 year initial term, which was amended to include an additional 2 year term expiring in December 2025 with no renewal options. The third lease has a 5-year initial term expiring in August 2024 with one 5 year renewal option. The fourth and fifth lease both have 5-year terms and no renewal options with the fourth lease expiring in April 2024 and the fifth lease in July 2024.

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

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). In 2023, the Corporation recognized operating expense reimbursement income of $19,000 as a component of operating revenues in the statement of revenues, expenses, and changes in net position.

Space under lease to the University was 78,123 square feet at September 30, 2023.

The Corporation owns a building located on the premises of USA Health, 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, which was set to expire in March 2020, with three 5 year renewal options. The lease was renewed for an additional 10 years, expiring in March 2030, 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, 2023. One lease is for a 40-year initial term expiring in October 2046 with two renewal options, the first for 20-years and the second for 15-years. 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 two renewal options, the first for 20 years and the second for 15 years.

The terms and conditions of each lease agreement vary by tenant with some including early termination options. Of the existing lease agreements, three have early termination options. One tenant in Building I and two tenants in Building II have options to terminate their lease agreement early if notice is given within the stated timeframe and all, if any, monetary obligations have been met.

In 2023, a tenant in Building I exercised an early termination option that required payment of the unamortized portion of tenant improvement costs incurred by the Corporation. This payment totaled $164,000 and was recognized as a component of rental income and is recorded as such in the statement of revenues, expenses, and changes in net position.

For the year ended September 30, 2023, the Corporation recognized a total of $3,988,000 of inflows of resources from financing leases, of which $3,617,000 was recognized as lease revenue and $371,000 was recognized as interest income in other nonoperating revenues.

The following table provides future minimum lease revenue by fiscal year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	2,650	332	2,982
2025		1,022	277	1,299
2026		925	246	1,171
2027		745	221	966
2028		741	198	939
2029–2033		1,967	737	2,704
2034–2038		1,155	542	1,697
2039–2043		1,464	342	1,806
2044–2048		1,154	106	1,260
2049–2053		136	31	167
2054–2058		131	9	140
Lease receivable	$	12,090	3,041	15,131

(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 year 2023, the Corporation engaged in several transactions with the University. The University was charged $1,406,000 during the year ended September 30, 2023, 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 $509,000 for such services during fiscal year 2023. These charges are reflected in the Corporation's building management and operating expenses as well as legal and administrative fees on the statement of revenues, expenses, and changes in net position.

The Corporation leases four parcels of land approximating 39 acres from the University for $1 per year in connection with the acquisition or construction of buildings held for lease. These four parcels are leased by the Corporation to Campus Crest, Jaguar Village, and Fresenius. Detail regarding the ground lease terms can be found in note 7.

(9) Recently Issued Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. The statement extends the use of LIBOR for accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement Nos. 53 and 63 effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The statement, effective for periods beginning after June 15, 2023, requires changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period and changes in accounting estimates be reported prospectively by recognizing the change in the current period.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The effect of the implementation of GASB Statement Nos. 99, 100, and 101 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, 2023

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(A Component Unit of the University of South Alabama)

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, 2023 and 2022 for the years then ended. This discussion has been prepared by HCA management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

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 appoints HCA's board of directors (the 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: USA Chief Financial Officer, Vice President for Medical Affairs, and Chief Executive Officer of the University of South Alabama Health System (USA Health). The other six members are all appointed by the University's Board of Trustees.

At September 30, 2023 and 2022, HCA had total assets of $61,971,000 and $38,781,000; total liabilities and deferred inflows of $47,541,000 and $22,975,000; and net position of $14,430,000 and $15,806,000, respectively.

The annual change in net position for HCA is primarily the result of the timing of support payments from the University, which are largely made based on cash flow needs. During the year ended September 30, 2023, support payments were made at an accelerated rate as HCA invested in infrastructure and capital assets as well as incurred increased expenses related to the acquisition of Ascension Providence that took place on October 1, 2023.

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 and for the years ended September 30, 2023 and 2022 is as follows (in thousands):

Condensed Schedule of Net Position
(In thousands)

		2023	2022
Assets:			
Current	$	9,561	8,756
Capital assets		48,907	17,052
Other noncurrent assets		3,503	12,973
Total assets	$	61,971	38,781
Liabilities:			
Current	$	14,250	11,193
Noncurrent		30,005	10,197
Total liabilities		44,255	21,390
Deferred inflows		3,286	1,585
Total liabilities and deferred inflows	$	47,541	22,975
Net position:			
Net investment in capital assets	$	17,002	16,392
Restricted		558	—
Unrestricted deficit		(3,130)	(586)
Total net position	$	14,430	15,806

Condensed Schedule of Revenues, Expenses, and Changes in Net Position
(In thousands)

		2023	2022
Operating revenues:			
Net patient service revenues	$	46,296	39,436
Other operating revenues		14,667	8,536
Total operating revenues		60,963	47,972
Operating expenses:			
Salaries and benefits		48,759	42,355
Other operating expenses		47,636	29,652
Total operating expenses		96,395	72,007
Operating loss		(35,432)	(24,035)
Nonoperating revenues:			
Support from University of South Alabama		35,385	33,189
Other nonoperating revenues and expenses, net		(1,329)	(158)
(Decrease) increase in net position		(1,376)	8,996
Net position at beginning of year		15,806	6,810
Net position at end of year	$	14,430	15,806

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets, liabilities and deferred inflows, and net position of HCA at September 30, 2023. 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 statement 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 statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, patient receivables, and other current assets. Of these amounts, unrestricted cash and cash equivalents comprise approximately 38% and 45% of current assets at September 30, 2023 and 2022, respectively. Patient receivables comprise approximately 35% of current assets at both September 30, 2023 and 2022. Current assets consist of cash and cash equivalents of approximately $3,614,000 and $3,970,000, restricted cash of $558,000 and $0, net patient accounts receivable of approximately $3,392,000 and $2,734,000, inventories of approximately $91,000 and $87,000, current portion of lease receivables of approximately $324,000 and $248,000, and other current assets in the amount of approximately $1,582,000 and $1,717,000 at September 30, 2023 and 2022, respectively. Noncurrent assets consist of capital assets of approximately $48,907,000 and $28,663,000, noncurrent portion of lease receivables of approximately $3,045,000 and $1,347,000, and investments of $458,000 and $15,000 at September 30, 2023 and 2022, respectively.

Current liabilities consist of accounts payable of approximately $9,248,000 and $5,788,000, accrued salaries and wages of approximately $2,882,000 and $3,523,000, current portion of lease and subscription obligations of approximately $1,934,000 and $1,882,000, current portion of long-term debt of $160,000 and $0, and current portion of other liabilities of $26,000 and $0 at September 30, 2023 and 2022, respectively. Noncurrent liabilities consist of other noncurrent liabilities of approximately $202,000 and $221,000, noncurrent portion of long-term debt of approximately $21,674,000 and $0, and the noncurrent portion of lease and subscription obligations of approximately $8,129,000 and $9,976,000 at September 30, 2023 and 2022, respectively.

HCA implemented the standards under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023 and GASB Statement No. 87, *Leases*, in fiscal year 2022. The adoption of these standards required the current and noncurrent portions of lease and subscription obligations to be reported. Further discussion of the implementation of GASB Statement No. 96 be found in notes 1(l), 4, and 5.

Statement of Revenues, Expenses, and Changes in Net Position

The change in total HCA net position is based on the activity presented in the statement 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.

HCA reported a decrease in net position of approximately $1,376,000 for the year ended September 30, 2023, and HCA reported an increase in net position of approximately $8,996,000 for the year ended September 30, 2022.

Statement of Cash Flows

The statement of cash flows presents information related to cash flows of HCA. The 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 for HCA were approximately $24,385,000 and $12,776,000 in 2023 and 2022, respectively. Major projects that were completed and placed into service in fiscal year 2023 were the Mobile Diagnostic Clinic (MDC) physician office building and the medical office building on the USA Health Mapp Family Campus in Baldwin County, Alabama (Mapp Campus). At September 30, 2023, HCA had outstanding commitments of approximately $7,000 for various capital projects. Additional information regarding HCA's capital assets is included in note 4.

Total long-term debt additions were approximately $21,869,000 and $0 in 2023 and 2022, respectively. HCA's long-term debt is solely attributable to an agreement entered into by HCA with Family Medical Investments, LLC, which developed and completed construction for a medical office building on the Mapp Campus. HCA began making monthly payments at a 4.79% interest rate in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at September 30, 2023 is $21,834,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

Economic Outlook

The financial outlook for HCA is stable. HCA continues to grow by acquiring local physician practices and expanding existing practices. Since inception, HCA's operations have been partially dependent on funding from the University of South Alabama (the University), with total support amounting to $35,385,000 during the year ended September 30, 2023. The University has committed to continued financial support sufficient for satisfying obligations as they come due until at least December 8, 2024.

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; USA Health; 207 N. Catherine Street, Suite 220, 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:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of South Alabama Health Care Authority (HCA), a component unit of University of South Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise HCA's basic financial statements for the year then ended as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of HCA as of September 30, 2023, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of USA Health IPA, LLC, which represent 4% and 15%, respectively, of the total assets and revenues as of September 30, 2023 and for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for USA Health IPA, LLC, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HCA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 December 20, 2023, 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
December 20, 2023

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2023

(In thousands)

Current assets:		
Cash and cash equivalents	$	3,614
Restricted cash and cash equivalents		558
Patient receivables (net of allowance for doubtful accounts of approximately $1,198)		3,392
Inventories		91
Lease receivable, current portion		324
Other current assets		1,582
Total current assets		9,561
Noncurrent assets:		
Capital assets, net		48,907
Investments		458
Lease receivable, less current portion		3,045
Total noncurrent assets		52,410
Total assets	$	61,971
Current liabilities:		
Accounts payable and accrued liabilities	$	9,248
Accrued salaries and wages		2,882
Other liabilities, current portion		26
Lease and subscription obligations, current portion		1,934
Long-term debt, current portion		160
Total current liabilities		14,250
Noncurrent liabilities:		
Other liabilities, noncurrent		202
Lease and subscription obligations, less current portion		8,129
Long-term debt, less current portion		21,674
Total noncurrent liabilities		30,005
Deferred inflows		3,286
Total liabilities and deferred inflows	$	47,541
Net position:		
Net investment in capital assets	$	17,002
Restricted		558
Unrestricted deficit		(3,130)
Total net position	$	14,430

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2023

(In thousands)

Operating revenues:		
Net patient service revenues	$	46,296
Other operating revenues		14,667
Total operating revenues		60,963
Operating expenses:		
Salaries and benefits		48,759
Building and equipment expenses		6,280
Medical and surgical supplies		4,909
Other expenses		32,306
Depreciation and amortization		4,141
Total operating expenses		96,395
Operating loss		(35,432)
Nonoperating revenues (expenses):		
Investment income		155
Support from University of South Alabama		35,385
Interest expense		(1,484)
Total nonoperating revenues, net		34,056
Decrease in net position		(1,376)
Net position at beginning of period		15,806
Net position at end of period	$	14,430

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(A Component Unit of the University of South Alabama)

Statement of Cash Flows

Year ended September 30, 2023

(In thousands)

Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payors	$	45,638
Payments to suppliers and vendors		(40,073)
Payments to employees and related benefits		(48,837)
Other operating receipts		13,033
Net cash used in operating activities		(30,239)
Cash flows from noncapital financing activities:		
Other nonoperating revenues		37,086
Other nonoperating expenses		(97)
Net cash provided by noncapital financing activities		36,989
Cash flows from capital and related financing activities:		
Purchases of capital assets		(2,804)
Principal payments on capital debt		(1,966)
Interest payments on capital debt		(1,490)
Net cash used in capital and related financing activities		(6,260)
Cash flows from investing activities:		
Investment Income		155
Purchase of equity investment		(443)
Net cash used in capital and related financing activities		(288)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents		202
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of year		3,970
End of year	$	4,172
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(35,432)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		4,141
Changes in assets and liabilities, net:		
Net patient receivables		(658)
Other receivables		(1,634)
Inventories and other current assets		(8)
Accounts payable and accrued liabilities		3,352
Net cash used in operating activities	$	(30,239)
Noncash capital and related financing transactions:		
Addition of lease and subscription obligations	$	116
Addition of finance purchase obligations		21,869
Decrease in accounts payable related to capital projects		(404)
Loss on disposal of capital assets		(5)

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), 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 appoints the HCA's board of directors (the 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 USA Chief Financial Officer, 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.

Since inception, HCA's operations have been partially dependent on funding from the University, with total support amounting to $35,385,000 during the year ended September 30, 2023. The University has committed to continued financial support sufficient for satisfying obligations as they come due until at least December 8, 2024. Due to the significance of the relationship between HCA and the University, HCA is considered a component unit of the University and the support provided reported in nonoperating revenues on the statement of revenues, expenses, and changes in net position.

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 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 HCA, 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.

Over the past several years, HCA has formed HCA Mobile Heart USA, LLC; USA HCA OBGYN Services, LLC; USA HCA PBC, LLC; USA Health Industrial Medicine, LLC; USA Health IPA, LLC; USA Health Daphne Family Practice, LLC; USA Health Mobile County ASC; USA Health HCA Providence Hospital, LLC; and USA Health Providence Retail Pharmacy, LLC as not-for-profit limited liability companies, in which HCA is the sole member. These companies were created to assist with the complex patient and insurance billings within HCA. Based on the criteria listed above, GASB requires HCA, as the primary government, to include each of these limited liability companies as blended component units. All significant transactions among HCA and its blended component units have been eliminated.

In August 2020, HCA formed USA Health IPA, LLC (the IPA), a limited liability company of which HCA is the sole member. The IPA was formed to operate an independent physician association, which began in August 2021. Revenues of approximately $8,138,000 of the IPA, excluding significant transactions between HCA and the IPA, are included within other operating revenues on the statement of revenues, expenses, and changes in net position. Expenses of approximately $8,139,000 of the IPA, excluding significant transactions between HCA and the IPA, are included within other expenses on the statement of revenues, expenses, and changes in net position. All significant transactions among HCA and the IPA have been eliminated. The IPA has a calendar year-end, which differs from HCA's September 30 year-end. In accordance with GASB Statement No. 14 and GASB Statement No. 61, HCA has included the IPA's financial statements for the year ended December 31, 2022 in HCA's financial statements as of September 30, 2023. For the nine months ended September 30, 2023, the IPA has paid approximately $696,000 in claims to HCA.

In 2020, USA formed a majority-owned limited liability company, USA BC ASC Holdco, LLC (USA BC ASC Holdco). USA BC ASC Holdco's primary purpose is to invest in ambulatory surgery centers (ASCs) and promote health and wellness to the area. During fiscal year 2023, HCA obtained 51% equity interest in USA BC ASC Holdco and Surgery Center Holdings, Inc. owns the remaining 49%. USA BC ASC Holdco owns 51% of USA Baldwin County ASC, LLC (USA BC ASC), which is a limited liability company that was formed to develop, own, and operate the ASC on the USA Health Mapp Family Campus. There has been no financial activity to date to report for USA BC ASC Holdco or USA BC ASC.

During fiscal year 2022, HCA obtained equity interest in a multimember limited liability company, USA Fairhope Physician Investors, LLC (FPI). FPI was initially considered as a component unit under the provisions of GASB Statement Nos. 14 and 61. Amendment 1 to the initial agreement was executed during fiscal year 2023, removing HCA's control of the entity and ability to impose its will on the entity. The change resulted in HCA's relationship with FPI shifting from a component unit to an investment in a joint venture. HCA's capital account balance is presented on the 2023 statement of net position as an investment. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

(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) *Statement 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 and expenses.

(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 (including restricted amounts)*

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. Restricted cash and cash equivalents share the same definitions and maturities of unrestricted cash and cash equivalents, but are designated by external parties for specified purposes.

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 HCA funds on deposit with QPD institutions. At September 30, 2023, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $17.6 billion. HCA had cash and cash equivalents in the pool of approximately $4,172,000 at September 30, 2023.

(f) *Patient Receivables*

Patient receivables primarily result from ambulatory patient service revenues. Patient receivables are recorded net of an allowance for estimated uncollectible 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 (expenses) in the statement of revenues, expenses, and changes in net position.

All capital assets other than construction in progress, land, and works of art are depreciated using the following asset lives:

Buildings	10–30 years
Leasehold improvements	10–20 years
Equipment	4–20 years
Computer software	3–5 years

Leases and subscriptions are included in capital assets as right-of-use assets on the statement of net position. Right-of-use assets represent HCA's right to use an underlying asset for the specified term and are comprised of leased equipment, buildings, office space, and subscription-based information technology arrangements. Lease and subscription right-of-use assets are recognized at the commencement date based on the present value of the payments over the agreement term discounted using the lessor interest rate or an appropriate incremental borrowing rate. The commencement date is either when HCA takes possession of the asset or when the asset becomes available for use. Amortization of right-of-use assets is recognized on a straight-line basis over the agreement term or useful life of the asset, whichever is shorter.

HCA evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* For the year ended September 30, 2023, no impairments were identified.

(i) Lease Receivable

Lease receivable and current portion thereof on the statement of net position represents HCA's contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. Lease receivables are recognized at the commencement date based on the present value of lease payments to be received over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is either when the lessee takes possession of the asset or, in the case of real estate leases, when the landlord makes the building or office space available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the lessee will exercise that option. Interest revenue is recognized as a component of the lease payments received and is included in other nonoperating revenues on the statement of revenues, expenses, and changes in net position.

(j) 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.
- *Restricted* net position represents funds that are obligated contractually to be spend in accordance with restrictions imposed by external parties.
- *Unrestricted deficit* represents resources derived from operations and support from the University.

HCA's investment in infrastructure and capital assets as well as increased expenses related to the acquisition of Ascension Providence during fiscal year 2023 have resulted in an unrestricted deficit.

(k) Patient Service Revenues

Patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and include 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 bad debt is recorded that results in 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 bad debt related to patient revenues are recorded as a deduction from patient service revenues in the accompanying statement 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.

(l) Recently Adopted Accounting Pronouncements

In 2023, HCA adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. 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. There was no significant impact on HCA's financial statements as a result of adoption.

In addition, HCA adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITAs) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITAs. Upon analysis of the facts and circumstances at the time of adoption, the effect on prior period net position was an increase of approximately $6,000 in right-of-use assets at the beginning of the fiscal year, which is presented within capital assets on the statement of net position.

HCA also adopted the provisions of GASB Statement No. 99, *Omnibus 2022*, related to public-private and public-public partnership arrangements (PPP) and SBITA. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. There was no significant impact on HCA's financial statements as a result of adoption.

(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 taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

In addition, HCA's discretely presented component units are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Consistent with these designations, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Investments

HCA holds a 2.5% equity interest in USA Fairhope Physician Investors LLC (FPI), a multimember limited liability company that was formed to invest in the entity that developed and is now leasing an ambulatory surgical center. HCA's capital account balance in FPI is considered an investment in a joint venture, pursuant to GASB Statements Nos. 14 and 61. For the year ended September 30, 2023, HCA's capital account balance is $15,000 and it is presented on the statement of net position as such. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

HCA holds a 51% equity interest in USA BC ASC Holdco, LLC (USA BC ASC Holdco), a multimember limited liability company formed to invest in USA Baldwin County ASC, LLC (USA BC ASC), a limited liability company formed to develop, own, and operate the Ambulatory Surgery Center on the Mapp Campus. For the year ended September 30, 2023, HCA's capital account balance is $443,000 and is presented on the statement of net position as an investment. HCA has received no distributions or allocations of gains or losses to date and there is no financial activity to report for USA BC ASC Holdco or USA BC ASC.

(4) Capital Assets

A summary of HCA's capital assets activity for the year ended September 30, 2023 is as follows (in thousands):

	2023				
	Adjusted Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Construction in progress	$ 12,198	554	(12,196)	—	556
Works of art	1	—	—	—	1
	12,199	554	(12,196)	—	557
Capital assets being depreciated:					
Buildings	—	22,241	10,783	—	33,024
Leasehold improvements	2,684	1,306	1,372	—	5,362
Equipment	4,094	163	36	(27)	4,266
Computer software	129	5	5	—	139
Right-of-use assets	13,716	116	—	(91)	13,741
	20,623	23,831	12,196	(118)	56,532
Less accumulated depreciation for:					
Buildings	—	(1,030)	—	—	(1,030)
Leasehold improvements	(196)	(401)	—	—	(597)
Equipment	(1,814)	(531)	—	22	(2,323)
Computer software	(45)	(32)	—	—	(77)
Right-of-use assets	(2,099)	(2,147)	—	91	(4,155)
	(4,154)	(4,141)	—	113	(8,182)
Capital assets being depreciated, net	16,469	19,690	12,196	(5)	48,350
Capital assets, net	$ 28,668	20,244	—	(5)	48,907

Construction in progress totaled $556,000 as of September 30, 2023 and relates to renovation projects at the Mobile Diagnostic Center clinic and HCA Physicians Office Building.

Depreciation and amortization totaled $4,141,000 for the year ended September 30, 2023.

At September 30, 2023, HCA had commitments of approximately $7,000 related to various construction projects.

A summary of HCA's net right-of-use assets, categorized by classification for the year ended September 30, 2023 follows (in thousands):

		Ending Balance
Right-of-use assets:		
Buildings	$	13,657
Equipment		55
Software subscriptions		29
		13,741
Less accumulated amortization for right of use:		
Buildings		(4,110)
Equipment		(35)
Software subscriptions		(10)
		(4,155)
Right-of-use assets, net	$	9,586

(5) Noncurrent Liabilities

A summary of HCA's noncurrent liability activity for the year ended September 30, 2023 follows (in thousands):

		Adjusted Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$	—	21,869	(35)	21,834	160	21,674
Lease and subscription obligations		11,878	116	(1,931)	10,063	1,934	8,129
Other noncurrent liabilities		241	—	(13)	228	26	202
Total noncurrent liabilities	$	12,119	21,985	(1,979)	32,125	2,120	30,005

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the Mapp Campus. Construction began in 2021 and was completed in October 2022. The agreement commenced upon construction completion for an initial 15-year period plus two options to extend for consecutive 5-year terms. HCA began making monthly payments at a 4.79% interest rate in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at September 30, 2023 is $21,834,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At September 30, 2023, future debt service for long-term debt by year is as follows (in thousands):

		Debt service on long-term debt		
		Principal	Interest	Total
2024	$	160	1,042	1,202
2025		198	1,034	1,232
2026		240	1,024	1,264
2027		284	1,011	1,295
2028		331	997	1,328
2029-2033		2,474	4,676	7,150
2034-2038		4,199	3,891	8,090
2039-2043		6,528	2,625	9,153
2044-2047		7,420	760	8,180
Total	$	21,834	17,060	38,894

Lease and Subscription Obligations

HCA determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether HCA obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets with a related lease and subscription obligation. Right-of-use assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the lease term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right-of-use asset and the reduction in liability balance related to principal payments will result in a difference between the net right-of-use asset and related lease and subscription liability.

HCA has entered into agreements to lease various buildings and equipment and to utilize various software under lease and subscription obligations expiring at various dates through 2033.

Aggregate future minimum lease payments under noncancelable agreements as of September 30, 2023, by fiscal year, are as follows (in thousands):

		Principal	Interest	Total
2024	$	1,934	367	2,301
2025		1,882	291	2,173
2026		1,671	219	1,890
2027		1,683	152	1,835
2028		971	97	1,068
2029–2033		1,922	100	2,022
	$	10,063	1,226	11,289

These amounts are included in lease and subscription obligations and current portion thereof in the accompanying statement of net position.

HCA has no lease or subscription commitments for which the term has not commenced as of September 30, 2023.

Other Noncurrent Liabilities

Other noncurrent liabilities consist of liabilities related to long-term vacation accruals. Amounts due within one year are included in current portion of other long-term liabilities.

(6) Deferred Inflows

Deferred inflows of resources represent HCA's right to receive lease revenue in future reporting periods. In accordance with GASB Statement No. 87, *Leases*, the deferred inflow of resources attributable to leases is recognized on a straight-line basis over the respective lease terms. Deferred inflows for the year ended September 30, 2023 totaled $3,286,000.

(7) Lease Receivable

Leases as a lessor are included in the lease receivable and current portion thereof on the statement of net position.

Lease receivables represent HCA's contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. HCA subleases buildings, suites, and land under leases expiring at various dates through 2072. For the year ended September 30, 2023, HCA recognized a total of $540,000 of inflows of resources from leases, of which $407,000 was recognized as lease revenue and $133,000 was recognized as interest income. Lease revenue is included within other operating revenues and interest income is included within investment income on the statement of revenues, expenses, and changes in net position.

Future minimum lease revenue under noncancelable agreements as of September 30, 2023, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2024	$ 324	132	456
2025	281	119	400
2026	291	108	399
2027	310	96	406
2028	195	86	281
2029-2033	880	316	1,196
2034-2038	609	162	771
2039-2043	34	105	139
2044-2048	42	97	139
2049-2053	53	87	140
2054-2058	66	74	140
2059-2063	82	57	139
2064-2068	102	37	139
2069-2073	100	12	112
	$ 3,369	1,488	4,857

(8) Net 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 copayment balances for third-party coverage, HCA records an estimated allowance for doubtful accounts. The allowance for doubtful accounts is approximately $1,198,000 at September 30, 2023.

The composition of net patient service revenues for the year ended September 30, 2023 is as follows (in thousands):

Gross patient service revenues	$ 104,437
Provision for contractual and other adjustments	(58,296)
Provision for bad debts	155
Net patient service revenues	$ 46,296

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. HCA also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. HCA estimates the provision for bad debts for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes to the estimate of the provision for bad debts are generally recorded as adjustments to net patient service revenues in the period of the change. For the year ended September 30, 2023, additional revenue of approximately $496,000 was recognized due to changes in estimates of the provision of bad debts. The additional revenue primarily represents patient account recoveries that were previously written off as uncollectible and recent revenue cycle performance improvements.

The composition of gross patient service revenues before the provision for contractual and other adjustments and the provision for bad debts by major payor source is as follows for the year ended September 30, 2023:

		Gross patient service revenues	Percentage
Medicare managed care	$	38,076	36 %
Blue Cross		36,454	35
Medicare		12,647	12
Medicaid		8,974	9
Other		6,154	6
Self pay		2,132	2
	$	104,437	100 %

(9) Related Party Transactions

During the year ended September 30, 2023, the University provided support of approximately $35,385,000 to HCA. That amount is reflected on the accompanying statement of revenues, expenses, and changes in net position as nonoperating revenues.

During the year ended September 30, 2023, the University was charged a total of $400,000 for rental space as described in note 7. The total lease receivable balance recorded by HCA is primarily related to subleases to the University.

(10) 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, 2023 is as follows:

Medicare managed care	30 %
Blue Cross	19
Self pay	16
Other	14
Medicaid	12
Medicare	9
	100 %

(11) 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 $904,000 for the year ended September 30, 2023, representing 336 employees in this plan. These contributions are included within salaries and benefits expenses on the statement of revenues, expenses, and changes in net position.

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 that are hired by HCA directly from clinics where they were previously employed are grandfathered in with their date of hire. Employees hired before January 1, 2012 are eligible for payout of their PTO. Anyone hired after January 1, 2012 is not eligible for payment of PTO hours upon separation of employment. The accompanying statement of net position includes accruals for PTO of approximately $228,000 at September 30, 2023. In the accompanying basic financial statements, $202,000 of the accrual represents other noncurrent liabilities, while the remaining $26,000 represents other current liabilities.

(12) 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.

(13) Blended Component Unit

As more fully described in Note 1(a), HCA reports USA Health IPA, LLC as a blended component unit. Required combining financial information of the blended component unit as of and for the year ended December 31, 2022 is presented below (in thousands):

Current assets	$	2,731
Total assets		2,731
Current liabilities		2,731
Total liabilities		2,731
Total net position	$	—
Operating revenues	$	9,213
Operating expenses		(9,214)
Operating loss		(1)
Nonoperating revenues		1
Net position	$	—

(14) Recently Issued Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements and accounting and financial reporting for financial guarantees. The statement extends the use of LIBOR for accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement Nos. 53 and 63 effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The statement, effective for periods beginning after June 15, 2023, requires changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The effect of the implementation of GASB Statement Nos. 99, 100, and 101 on HCA has not yet been determined.

(15) Subsequent Event

On October 1, 2023, HCA acquired Ascension Providence, which included a hospital and multiple facilities (the Facilities) for $89,590,000. The University funded this acquisition with the cash proceeds from the University Facilities Revenue Bond (Draw-Down Loan), Series 2023-A, the Taxable University Facilities Revenue Bond (Draw-Down Loan), Series 2023-B, and internal contributions. In exchange for the University funding the acquisition, the University acquired ownership of the assets. The University entered into an agreement with HCA to operate and manage the Facilities under USA Health. The acquisition of Ascension Providence expands operations along the Gulf Coast region and is expected to have a significant impact on the financial position and results of operations for both the University and HCA during fiscal year 2024 and beyond.

KPMG

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Statement of Revenues and Expenses

Year Ended September 30, 2023

(With Independent Accountants' Agreed-Upon Procedures Report Thereon)

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Year ended September 30, 2023

Table of Contents

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

Independent Accountants' Agreed-Upon Procedures Report

We have performed the procedures enumerated in the attached Appendix I on University of South Alabama's (the University) Statement of Revenues and Expenses of the Intercollegiate Athletics Department (the Statement) for the year ended September 30, 2023. The University is responsible for the Statement.

The University has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Statement is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.17. This report may not be suitable for any other purpose. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are included in the attached Appendix I. For purposes of this report, all amounts have been rounded to the nearest dollar. For purposes of performing these procedures, no exceptions were reported for differences less than $10.

We were engaged by the University to perform this agreed-upon procedures engagement. We conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. 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 Statement for the year ended September 30, 2023. 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.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

KPMG LLP

Jackson, Mississippi
January 10, 2024

Statement of Revenues and Expenses – Agreed-Upon Procedures

1. We obtained University of South Alabama's (the University) Statement of Revenues and Expenses (the Statement) of the Intercollegiate Athletic Department (Athletic Department) for the year ended September 30, 2023, as prepared by management. We tested the mathematical accuracy of the Statement and the reconciliation prepared by the University of the amounts on the Statement to corresponding amounts in the University's general ledger after considering the University management's post-closing and reclassification and elimination entries. We found no exceptions as a result of the procedures.

2. We compared actual 2023 Athletic Department revenues and expenses greater than 4% of total revenues and expenses per the University's Statement with budgeted amounts. We noted that no budget for the Athletic Department is prepared by management at the same level of detail presented in the Statement.

3. For individual categories that exceeded 10% of total revenues and expenses per the Statement, we compared actual 2023 Athletic Department revenues and expenses per the University's Statement to actual Athletic Department revenues and expenses for 2022 and inquired of Athletic Department management as to variances greater than 10%.

   No individual revenue or expense line items exceeded the thresholds for explanation, except Athletic Student Aid. We obtained the following explanation from management: Athletic Student Aid increased from the prior year by approximately 16%, or $1,081,000 due to the increased cost of attendance determined for 2023.

Operating Revenues – Agreed-Upon Procedures

The procedures that we performed on the specific revenue reporting categories greater than 4% of total operating revenues on the Statement are as follows:

4. Student Fees – We compared and agreed student fees reported by the University in the Statement to student enrollments obtained from the University's accounting records during the same reporting period and recalculated totals. We obtained documentation of the University's methodology for allocating student fees to intercollegiate athletics programs. As the athletics department reports that an allocation of student fees should be countable as generated revenue, we recalculated the totals of their methodology for supporting that they are able to count each sport. We agreed the calculation of the allocation to supporting documents, including participant counts reported on the Sports Sponsorship and Demographics Form and student fee totals obtained from management. We selected a sample of 3 student fees and compared each selection to supporting calculations. We found no exceptions as a result of the procedures.

5. Direct Institutional Support – We compared the direct institutional support per the Statement to the institutional supporting budget transfers documentation and other corroborative supporting documentation provided by management and recalculated totals. From this detail, we selected a sample of 4 items and compared to transaction reports and approval support. We found no exceptions as a result of the procedures.

6. Indirect Institutional Support – Athletic Facilities Debt Service – We compared the indirect institutional support per the Statement with expense payments, cost allocation detail and other supporting documentation provided by management and recalculated totals. We selected a sample of 6 cost allocations, including the top two highest facility payments and compared to supporting approvals. We found no exceptions as a result of the procedures.

7. Contributions – We compared contributions on the Statement with supporting schedules from the University's accounting records and compared the totals on the supporting schedules to the University's general ledger.

   We noted two individual contributions exceeded 10% of all contributions received for intercollegiate athletics reported on the Statement. In addition, we selected 4 additional contributions from the supporting schedules. For the 6 samples, we obtained and reviewed supporting documentation for the contribution and recalculated totals. We found no exceptions as a result of the procedures.

8. Conference Distributions (Non Media or Bowl) – We obtained and inspected agreements related to the University's Sunbelt Conference distributions and participation in revenues from tournaments during the year ended September 30, 2023 for relevant terms and conditions. We compared and agreed the related revenues per the agreements to the University's general ledger and the Statement and recalculated totals. We found no exceptions as a result of the procedures.

Operating Expenses – Agreed-Upon Procedures

The procedures that we performed on the specific expense reporting categories greater than 4% of total operating expenses on the Statement are as follows:

9. Athletic Student Aid – We obtained a listing of institutional student aid recipients from management. We tested the mathematical accuracy of the detail and agreed the total to the Statement. We selected a sample of 60 student-athletes from the listing of institutional student aid recipients during the year ended September 30, 2023. As the University utilizes averages to determine the amount of aid recorded for each student athlete and to calculate the revenue distribution equivalencies within the NCAA Membership Financial Reporting System (FRS) as allowable by the NCAA Bylaws, we obtained the calculation of the amount of aid recorded for each selected student-athlete and tested the mathematical accuracy of the calculation and compared the total to the total aid within the FRS. We also obtained the calculation of the revenue distribution equivalency for each selected student-athlete and tested the mathematical accuracy of the calculation and compared to the value recorded in the FRS. We recalculated totals for each sport and overall. We found no exceptions as a result of the procedures.

10. Coaching Salaries, Benefits, and Bonuses Paid by the University – We obtained and inspected a listing of coaches employed by the University during the year ended September 30, 2023. We selected a sample of 3 coaches' contracts including football, and men's and women's basketball from the listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement. We obtained and inspected payroll summary registers for the reporting year for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the University and expense recorded by the University in the Statement. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals. We found no exceptions as a result of the procedures.

11. Support Staff Administrative Compensation, Benefits, and Bonuses Paid by the University – We obtained a listing of support staff employed by the University during the year ended September 30, 2023. We selected a sample of 3 support staff and administrative personnel employed by the University during the year ended September 30, 2023. We obtained and inspected reporting period summary payroll registers for each selection. We compared and agreed related summary payroll registers to the related support staff administrative salaries, benefits and bonuses paid by the University and expense recorded by the University in the Statement for the year ended September 30, 2023 and recalculated totals. We found no exceptions as a result of the procedures.

12. Team Travel- We obtained documentation of the University's team travel policies. We inquired of management as to whether there were any known deviations from NCAA policies and management represented there were none. We obtained the general ledger detail of team travel expenses, compared to the total expenses reported in the Statement and recalculated totals. We additionally selected a sample of 6 transactions from the general ledger detail to validate existence of the transaction and accuracy of recording by agreeing to invoice copies and direct pay requests or purchase orders (as applicable) and recalculated totals. We found no exceptions as a result of the procedures.

13. Sports Equipment, Uniforms and Supplies – We obtained the general ledger detail of sports equipment, uniforms and supplies and compared to the total expenses reported in the Statement. We selected a sample of 6 transactions from the general ledger detail to validate existence of the transaction and accuracy of recording by agreeing to invoice copies and direct pay requests or purchase orders (as applicable) and recalculated totals. We found no exceptions as a result of the procedures.

14. Athletic Facility Debt Service, Leases and Rental Fees – We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities for the year ended September 30, 2023. We selected a sample of 6 facility payments, including the top two highest facility payments, and compared to amortization schedules and calculations provided by management. We compared amounts recorded in the Statement to amounts listed in the general ledger detail and recalculated totals. We found no exceptions as a result of the procedures.

15. Other Operating Expenses – We obtained the general ledger detail of other operating expenses and compared to the total expenses reported in the Statement. We selected a sample of 6 transactions from the general ledger detail to validate existence of the transaction and accuracy of recording by agreeing to invoice copies and direct pay requests or purchase orders (as applicable) and recalculated totals. We found no exceptions as a result of the procedures.

Additional Minimum Agreed-Upon Procedures

16. Grants-in-Aid – We compared and agreed the sports sponsored reported in FRS to the equivalency calculations from the University. We found no exceptions as a result of the procedures.

    We compared 2023 Grants-in-Aid revenue distribution equivalencies totals per the NCAA Membership Financial Reporting Revenue Distribution – Grants in Aid schedule to 2022 reported equivalencies per the Membership Financial Report submission. An favorable variance from the 2022 equivalency calculation of 10.45% was noted. Management represented that the increase was due to an increase in tuition, fees, required course-related books, room and board, as well as athletic grant amounts.

17. Sports Sponsorship – We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for 2023. We validated that the countable NCAA sports reported by the University met the minimum requirements set forth in Bylaw 20.10.6.3 related to the number of contests and the number of participants. We compared the 2023 number of Sports Sponsored to the 2022 reported total per the Membership Financial Report submission. We noted the same number of Sports Sponsored in both 2023 and 2022.

18. Pell Grants – We obtained a detail of student athletes receiving Pell Grants from management. We agreed the total number of Division I student-athletes who during the academic year 2022-2023 received a Pell Grant award and the total dollar amount of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report generated out of the University's financial aid records of all student-athletes receiving Pell Grants. We found no exceptions as a result of the

procedures. We compared 2023 Pell Grants total to 2022 reported total per the Membership Financial Report submission. No variances were noted greater than 20 grants.

Minimum Agreed-Upon Procedures for Other Reporting Items

19. Total Athletics Related Debt – We obtained repayment schedules for all outstanding intercollegiate athletics debt as of September 30, 2023 from management. We recalculated annual maturities provided in the schedules obtained. We agreed the total annual maturities and total outstanding athletic related debt to the University's Analysis of Athletics Related Debt and Debt Service Schedule, which is reconciled the University's audited financial statements. We found no exceptions as a result of the procedures.

20. Total University Debt – We agreed total outstanding University debt to supporting documentation provided by management and the University's audited financial statements. We found no exceptions as a result of the procedures.

21. Fair Value of Athletics Dedicated Endowments – We obtained a schedule of all athletics dedicated endowments maintained by athletics, the University, and affiliated organizations from management. We agreed the fair value in the schedule to supporting documentation, the general ledger and the University's audited financial statements. We found no exceptions as a result of the procedures.

22. Fair Value of University Endowments – We agreed the total fair value of University endowments to supporting documentation and the University's audited financial statements. We found no exceptions as a result of the procedures.

23. Total Athletics Related Capital Expenditures – We obtained a schedule of athletics related capital expenditures made by athletics and the University during the year ended September 30, 2023 from management. We obtained a general ledger detail of capital expenditures and compared to the total expenses reported in the Statement. We selected a sample of 11 transactions from the general ledger detail to validate existence of the transactions and accuracy of recording and recalculated totals by agreeing the items to the capital assets rollforward details that were reconciled to the University's audited financial statements. We found no exceptions as a result of the procedures.

Exhibit A

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Statement of Revenues and Expenses

Year Ended September 30, 2023

(Unaudited)

NCAA Description	Not Related To Team	Men's Baseball	Men's Basketball	Men's Golf	Men's Tennis	Men's Track	Men's Football	Women's Basketball	Women's Golf	Women's Soccer	Women's Tennis	Women's Track	Women's Volleyball	Women's Softball	Total
Operating revenues:															
Ticket sales	$ —	86,688	168,791	—	—	2,236	933,339	6,797	—	—	—	—	—	21,882	1,219,733
Student fees	—	289,042	73,677	45,340	45,340	606,422	6,332,041	85,012	34,005	136,020	45,340	442,065	113,350	124,685	8,372,339
Direct Institutional Support	2,821,212	990,848	2,179,502	311,876	360,025	123,496	855,444	1,584,204	302,833	804,966	458,505	101,042	709,231	994,829	12,598,013
Indirect Institutional Support – Athletic Facilities Debt Service	5,684,324	—	—	—	—	—	—	—	—	—	—	—	—	—	5,684,324
Guarantees	—	—	225,000	—	—	—	300,000	17,500	—	12,000	—	—	—	4,500	559,000
Contributions	1,605,509	46,818	51,611	21,315	2,870	10,018	82,922	950	(625)	58,445	2,870	—	15,977	6,330	1,905,010
NCAA Distributions	—	122,490	31,223	19,214	19,214	256,990	285,811	36,027	14,411	57,643	19,214	187,338	48,035	52,839	1,150,449
Conference Distributions (Non Media or Bowl)	—	220,397	56,180	34,572	34,572	462,401	514,259	64,823	25,929	103,716	34,572	337,077	86,430	95,073	2,070,001
Program, Novelty, Parking and Concession sales	—	7,955	11,954	500	—	—	170,790	—	—	—	—	—	3,000	345	194,544
Royalties, Licensing, Advertisement and Sponsorships	163,282	107,690	214,458	—	—	—	307,898	—	500	—	—	—	—	—	793,828
Sports camps revenues	8,095	5,294	825	—	884	741	510,223	—	—	1,782	—	—	11,876	1,164	540,884
Athletics restricted endowment and Investments income	467	—	—	—	—	—	3,967	—	—	—	—	—	—	—	4,434
Other operating revenue	357,666	—	—	48,150	—	32,420	4,297	—	78,355	—	—	—	2,280	—	523,168
Bowl revenues	—	—	—	—	—	—	96,745	—	—	—	—	—	—	—	96,745
Total operating revenues	10,640,555	1,877,222	3,013,221	480,967	462,905	1,494,724	10,397,736	1,795,313	455,408	1,174,572	560,501	1,067,522	990,179	1,301,647	35,712,472
Operating expenses:															
Athletic Student Aid	407,045	396,384	508,888	178,811	207,775	416,170	2,855,935	541,671	169,573	538,566	322,641	660,667	408,269	421,027	8,033,422
Guarantee expenses	—	41,028	88,500	—	—	—	575,000	12,500	—	—	—	—	—	6,000	723,028
Coaching Salaries, Benefits and Bonuses Paid by the University	—	674,260	971,049	115,645	128,902	169,724	3,904,761	651,912	102,589	255,639	121,987	138,865	244,963	397,334	7,877,630
Support Staff Administrative Compensation, Benefits and Bonuses Paid by the University	3,975,314	31,969	10,837	16,004	14,989	9,677	668,778	14,313	10,796	2,134	15,590	7,917	538	9,321	4,788,177
Recruiting	5,149	72,822	80,830	4,878	1,577	12,891	327,393	65,276	11,392	21,099	2,980	10,547	44,941	42,118	703,893
Team travel	13,766	170,237	386,438	35,683	50,868	113,329	1,530,703	214,057	36,896	177,260	60,568	92,723	138,116	199,578	3,220,222
Sports Equipment, Uniforms and Supplies	78,681	184,292	196,158	20,062	38,561	31,485	1,119,184	83,965	16,828	47,987	21,980	25,760	57,627	113,144	2,035,714
Game expenses	367,068	67,981	117,137	700	8,320	5,102	643,871	87,845	—	13,558	7,420	4,174	22,528	37,053	1,382,757
Fundraising, marketing and promotions	180,367	—	—	—	—	—	325	—	—	—	—	—	—	—	180,692
Sports camp expense	—	—	—	—	—	—	384	—	—	—	—	—	—	—	384
Spirit groups	248,746	—	—	—	—	—	—	—	—	—	—	—	—	—	248,746
Athletic Facilities Debt Service, Leases and Rental Fees	727,324	538,272	63,000	—	—	—	1,250,000	40,000	—	—	—	—	—	—	2,618,596
Direct facilities, maintenance and rentals	352,437	45,145	8,330	17,545	1,419	11	722,556	11,074	10,493	23,700	—	9	4,688	1,172	1,198,579
Medical expense and Medical insurance	506,407	6,700	847	—	—	894	342,914	—	—	2,250	—	732	—	8,450	869,194
Membership and dues	179,618	10,892	49,420	9,415	649	1,427	112,705	26,597	8,770	12,060	1,100	1,168	11,709	9,154	434,684
Student-Athlete Meals (Non-Travel)	7,714	33,457	53,884	1,644	4,921	1,372	600,440	28,386	1,914	15,692	1,344	1,123	9,020	13,455	774,366
Other operating expenses	930,837	19,859	37,056	53,919	3,529	10,311	232,490	39,414	82,020	29,464	3,074	8,436	25,400	40,555	1,516,364
Football bowl expenses	—	—	—	—	—	—	598,868	—	—	—	—	—	—	—	598,868
Football bowl coaching bonuses	—	—	—	—	—	—	90,022	—	—	—	—	—	—	—	90,022
Total operating expenses	7,980,473	2,293,298	2,572,374	454,306	461,510	772,393	15,576,329	1,817,010	451,271	1,139,409	558,684	952,121	967,799	1,298,361	37,295,338
Except (deficiency) of revenues over (under) expenses	$ 2,660,082	(416,076)	440,847	26,661	1,395	722,331	(5,178,593)	(21,697)	4,137	35,163	1,817	115,401	22,380	3,286	(1,582,866)

Total Athletics Related Debt	$ 76,043,483
Total University Debt	$ 570,345,000
Fair Value of Athletics Dedicated Endowments	$ 1,747,029
Fair Value of University Endowments	$ 232,254,000
Total Athletics Related Capital Expenses	$ 308,042
Total Athletic Fund Balance	$ 1,061,296

See accompanying Independent accountants' agreed-upon procedures report and notes to statement of revenues and expenses.

(1) Summary of Significant Accounting Policies and Reporting Practices

The accompanying statement of revenues and expenses (the Statement) includes revenue, expense, and transfer accounts of University of South Alabama Intercollegiate Athletics Department (the Department), which oversees University of South Alabama's (the University) intercollegiate athletics program The Statement is not intended to, and does not represent the revenues and expenses of the University. The Statement was prepared in accordance with the accrual basis of accounting.

Included in the Statement are allocations made by the University to the Department, in accordance with the University's practice of allocations.

(2) Financial Aid

The Statement includes athletic financial aid awards for students participating in athletic programs. Financial aid awarded to athletic participants on the basis of other criteria, such as need or academic excellence, is not reflected in the Statement.

(3) Booster Activities

The revenues and expenses of the Jaguar Athletic Fund are recorded in the Statement. The University has no other outside booster clubs.

(4) Capitalization of Assets

Equipment is capitalized if the individual item equals or exceeds $5,000. Building additions are capitalized per the policies of the University. Depreciation is provided over the estimated useful life of each class of depreciable assets using the straight-line method.

(5) Athletics Facility Related Debt

Future principal payments due through maturity dates are as follows as of September 30, 2023:

2024	$ 2,198,528
2025	2,140,542
2026	2,227,060
2027	2,311,891
2028	2,404,454
Thereafter	64,761,008
	$ 76,043,483

(6) Contributions

The Department received two individual contributions of approximately $228,000 and $222,700 which exceeded 10% of the total contributions for the year ended September 30, 2023.

(Continued)

(7) Pledges Dedicated to Athletics

The University has pledges supporting athletics valued at $7,561,291 as of September 30, 2023.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT
AND INVESTMENTS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Development, Endowment and Investments Committee

December 7, 2023
1:46 p.m.

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Mr. Jim Yance, Chair, on Thursday, December 7, 2023, at 1:46 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Chandra Brown Stewart, Scott Charlton, Luis Gonzalez, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance were present.
Other Trustees:	Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell and Lenus Perkins.
Administration & Guests:	Terry Albano, Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Susan Durrell (Commonfund), Joel Erdmann, Ilana Escandon (Commonfund), Monica Ezell, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Norman Pitman, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman, Drew Underwood and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 6**, Mr. Yance called for consideration of the minutes for a meeting held on September 7, 2023, **Item 7**. On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the committee voted unanimously to adopt the minutes.

Mr. Yance called for a report on endowment and investment performance, **Item 8**. Mr. Albano, along with Mr. Norman Pitman, the University's investment consultant, provided an overview on endowment and investment results and manager performance for the fiscal year ended September 30, 2023, advising of an 11.11 percent return that produced investment earnings of approximately $19.4 million. Also discussed was the dismissal of a manager, the addition of artificial intelligence and supply chain funds to the portfolio and performance results since the inception of the endowment.

Mr. Albano introduced Ms. Susan Durrell and Ms. Ilana Escandon representing Commonfund. Ms. Durrell and Ms. Escandon shared background on Commonfund, and discussed the University's portfolio, as well as factors influencing market conditions.

Ms. Roberts presented a chart demonstrating the outstanding performance of the University's endowment compared to the endowment performance of 430 colleges and universities, including ivy league schools, for the period July 1, 2022, to June 30, 2023, as reported by the Wilshire Trust.

She noted that USA's endowment performed in the 26th percentile and she commended Mr. Albano and Mr. Drew Underwood, Director of Treasury Management, for their efforts on behalf of the University.

Mr. Yance asked Mr. Albano to address **Item 9**, a resolution acknowledging the Committee's annual evaluation of the University's endowment and non-endowment investment policies. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) Mr. Albano noted that this action fulfilled a requirement of the Southern Association of Colleges and Schools Commission on Colleges and affirmed the recommendation that revision of the policies was not needed at the present time. On motion by Dr. Charlton, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called on Ms. Sullivan for a report on the activities of the Division of Development and Alumni Relations, **Item 11**. Ms. Sullivan advised of a record fundraising year for fiscal year 2023, with new gifts and commitments totaling approximately $41.5 million. She added that gifts pledged for the first two months of fiscal year 2024 totaled just over $18 million and included commitments of $10 million from the Mobile City Council and $5 million from the Mobile County Commission for the Whiddon College of Medicine. She provided details on a number of events held over the fall semester and planned into the spring semester, as well as on initiatives in progress, which she noted included a partnership with the national consulting firm CCS Fundraising to conduct a capital campaign feasibility study.

Mr. Yance called on Dr. Erdmann, who presented **Item 10**, a resolution authorizing the appointment of directors for the Jaguar Athletic Fund, Inc., as set forth. On motion by Judge Windom, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

There being no further business, the meeting was adjourned at 2:09 p.m.

Respectfully submitted:

James A. Yance, Chair

University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2024

USA Endowment Fund Performance Fiscal Year to Date

October 1, 2023 to December 31, 2023

- USA Endowment Fund is up 7.09% versus its blended benchmark return of 8.75%. The USA Endowment Fund underperforms its blended benchmark by 1.66% fiscal year to date.

USA Endowment Manager Performance Fiscal Year to Date

October 1, 2023 to December 31, 2023

Individual Manager versus Benchmark performance:

- Commonfund is up 9.44% versus its benchmark return of 9.25%.
- Charles Schwab is up 7.91% versus its benchmark return of 10.16%.
- Douglas Lane is up 13.57% versus its benchmark return of 11.69%.
- Gerber Taylor is up 3.35% versus its benchmark return of 3.80%.
- Gerber Taylor International is up 6.85% versus its benchmark return of 10.42%.
- Hancock Whitney is up 8.62% versus its benchmark return of 9.74%.
- JP Morgan is up 10.01% versus its benchmark return of 8.01%.
- USAFund (Student Investment Fund) is up 9.87% versus its benchmark return of 11.69%.

USA Endowment Annualized Fund Performance Since Inception

As of December 31, 2023

- USA Endowment Fund has an annualized return of approximately 5.63% since inception versus its blended benchmark return of approximately 4.68%. The USA Endowment Fund outperforms by 0.95% since inception.

USA Endowment Investment Earnings and Appreciation Since Inception

March 31, 2000 to December 31, 2023

- USA Endowment Fund Market Value at Inception (March 31, 2000): $5.7 million.
- USA Endowment Fund Net Invested Capital as of December 31, 2023: $57.7 million.
- USA Endowment Fund Market Value as of December 31, 2023: $200.4 million.
- USA Endowment Fund Income and Appreciation since Inception: $142.7 million.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

HEALTH AFFAIRS
COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Health Affairs Committee

December 7, 2023
2:09 p.m.

A meeting of the Health Affairs Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair, on Thursday, December 7, 2023, at 2:09 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Steve Furr, Jimmy Shumock, Steve Stokes and Jim Yance were present.
Other Trustees:	Alexis Atkins, Luis Gonzalez, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell, Lenus Perkins and Mike Windom.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Debbie Browning, Lynne Chronister, Kristin Dukes, Joel Erdmann, Monica Ezell, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 12**, Mr. Shumock called for adoption of the revised agenda, **Item 12.A**. On motion by Mr. Yance, seconded by Dr. Charlton, the Committee voted unanimously to adopt the revised agenda. Mr. Shumock called for consideration of the minutes for a meeting held on September 7, 2023, **Item 13**. On motion by Dr. Charlton, seconded by Mr. Yance, the Committee voted unanimously to adopt the minutes.

Mr. Shumock called on Mr. Bailey, who presented **Item 14**, a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for August, September and October 2023. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) On motion by Dr. Stokes, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Bailey explained **Item 15**, a resolution authorizing revisions to the USA Health Hospitals Medical Staff Bylaws and to associated documents. On motion by Mr. Yance, seconded by Dr. Stokes, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Bailey discussed **Item 16**, a resolution authorizing USA Health Hospitals Medical Executive Committee officers for the 2024 and 2025 calendar years. On motion by Dr. Stokes, seconded by Dr. Charlton, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Bailey presented details pertaining to **Item 17** and **Item 17.A**, resolutions authorizing waiver of eligibility requests in order to proceed with recruitment of physicians as recommended for clinical positions with the Department of Neurology and Department of Urology at USA Health. On motion by Mr. Yance, seconded by Mr. Corcoran, the Committee voted unanimously to recommend approval of the resolutions by the Board of Trustees.

Provost Kent provided background on **Item 18**, a resolution authorizing the revised Bylaws of the University of South Alabama Health Care Authority. On motion by Dr. Stokes, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Shumock called on Dr. Marymont to deliver a report on the activities of USA Health and the Whiddon College of Medicine, **Item 19**. Dr. Marymont welcomed Mr. Gonzalez to the Board of Trustees, and recounted that they became acquainted many years earlier when he treated Mr. Gonzalez for an injury.

Mr. Bailey introduced and provided professional background on Ms. Debbie Browning, Chief Executive Officer at USA Health Children's & Women's Hospital (CWH). Ms. Browning presented an overview on the comprehensive efforts and programs launched by the CWH women's services team to eliminate inequities, reduce maternal mortality and morbidity, and raise awareness.

There being no further business, the meeting was adjourned at 2:32 p.m.

Respectfully submitted:

James H. Shumock, Chair

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

DATE: February 9, 2024

TO: Jo Bonner
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 November and December 2023 and January 2024

- USA Health Hospitals Medical Staff Appointments and Reappointments Board of Trustees Report

Resolution – USA Health Hospitals Medical Staff Bylaws/Associated Documents

- Summary of Proposed Revisions

OB/kh

Attachments

March 15, 2024

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR NOVEMBER AND DECEMBER 2023 AND JANUARY 2024

WHEREAS, the Medical Staff appointments and reappointments for November and December 2023 and January 2024 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 Board of Trustees of the University of South Alabama hereby authorizes the appointments and reappointments as submitted.

USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN NOVEMBER 2023, DECEMBER 2023, AND JANUARY 2024

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 Committees of the respective hospitals.

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
New Appointments:	**Type/Status**	**Category**	**Department/Service Line**	**Type/Status**	**Category**	**Department/Service Line**	**Type/Status**	**Category**	**Department/Service Line**
Anbalagan, Saminathan, MD	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics
Bennett, Donna C., MD	New Appointment	Active	OBGYN	New Appointment	Active	OBGYN	N/A	N/A	N/A
Bradham, Kari A., DO	Initial Appointment	Active USA	Pediatrics	N/A	N/A	N/A	Initial Appointment	Active USA	Pediatrics
Bruno, Jonathan J., MD	Initial Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	Initial Appointment	Contract/Locums	OBGYN
Bush, Cheyne, Scrub Tech	New Appointment	APP USA	Orthopaedics	New Appointment	APP USA	Orthopaedics	New Appointment	APP USA	Orthopaedics
Cabrera, Pedro R., MD	Initial Appointment	Active USA	Pediatrics	N/A	N/A	N/A	Initial Appointment	Active USA	Pediatrics
Carmichael, Bishop L., DO	Initial Appointment	Active USA	Orthopaedics	Initial Appointment	Active USA	Orthopaedics	Initial Appointment	Active USA	Orthopaedics
Carnes, Matthew L., MD	N/A	N/A	N/A	Initial Appointment	Active USA	Internal Medicine	Initial Appointment	Active USA	Internal Medcine
Cutchen, William A., MD	Initial Appointment	Active USA	Orthopaedics	Initial Appointment	Active USA	Orthopaedics	Initial Appointment	Active USA	Orthopaedics
DeRoche, Michael E., MD	Initial Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	Initial Appointment	Contract/Locums	OBGYN
Eldridge, Lena M., CRNP	N/A	N/A	N/A	New Appointment	APP USA	Surgery	New Appointment	APP USA	Surgery
Gajendran, Induja, MD	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics
Glosemeyer, Katherine E., MD	New Appointment	Active USA	Internal Medicine	New Appointment	Active USA	Internal Medicine	New Appointment	Active USA	Internal Medicine
Gurunathan, Sakteesh V., MD	Initial Appointment	Active USA	Internal Medicine	Initial Appointment	Active USA	Internal Medicine	Initial Appointment	Active USA	Internal Medcine
Hale, Kathryn A., MD	Initial Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	Initial Appointment	Contract/Locums	OBGYN
Hayes, Jennifer E., RN	New Appointment	APP	OBGYN	New Appointment	APP	OBGYN	N/A	N/A	N/A
Hetzel, Aimee C., CRNP	Initial Appointment	APP USA	Pediatrics	N/A	N/A	N/A	Initial Appointment	APP USA	Pediatrics
Johnson, Taylor M., CRNP	New Appointment	APP USA	OBGYN	New Appointment	APP USA	OBGYN	New Appointment	APP USA	OBGYN
Jones, Brittany M., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Jones, Joe S., MD	New Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Kebbel, Frederick A., MD	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology
Kumar, Jatinder, MD	New Appointment	Active USA	Urology	New Appointment	Active USA	Urology	New Appointment	Active USA	Urology
Lakkis, Nasser, MD	New Appointment	Active USA	Internal Medicine	New Appointment	Active USA	Internal Medicine	New Appointment	Active USA	Internal Medicine
Loe, William A., MD	New Appointment	Contract/Locums	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Lyon, Krista S., CRNP	N/A	N/A	N/A	New Appointment	APP USA	Surgery	New Appointment	APP USA	Surgery
Mancuso, Melissa S., MD	Initial Appointment	Contract/Locums	OBGYN	Initial Appointment	Contract/Locums	OBGYN	Initial Appointment	Contract/Locums	OBGYN
Marshall, Derek E., MD	Initial Appointment	Active USA	Anesthesiology	Initial Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
Maurer, Brian M. CRNA	Initial Appointment	APP USA	Anesthesiology	Initial Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Miner, Roy W., MD	N/A	N/A	N/A	New Appointment	Active USA	Emergency Medicine	N/A	N/A	N/A
Pritchard, Charles T., MD	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology
Revuri, Vamshi R., MD	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics
Sbravati, Nathanael, MD	New Appointment	Active	Orthopaedics	New Appointment	Active	Orthopaedics	N/A	N/A	N/A
Simmons, David N., MD	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology	Initial Appointment	Active	Radiology
Slate, Garrick J., MD	Initial Appointment	Contract/Locums	OBGYN	N/A	N/A	N/A	Initial Appointment	Contract/Locums	OBGYN
Smith, Ashleigh G., CRNP	New Appointment	APP USA	OBGYN	N/A	N/A	N/A	New Appointment	APP USA	OBGYN
Somers, David W., MD	N/A	N/A	N/A	Initial Appointment	Active USA	Emergency Medicine	N/A	N/A	N/A
Strickland, Michael C., MD	New Appointment	Active USA	Pediatrics	N/A	N/A	N/A	New Appointment	Active USA	Pediatrics
Sucar-Marquez, Jorge, MD	Initial Appointment	Active USA	Pediatrics	N/A	N/A	N/A	Initial Appointment	Active USA	Pediatrics
Tenorio Velasquez, Daniela, MD	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics	Initial Appointment	Active USA	Pediatrics
Tomlinson, Michael P., CRNA	New Appointment	APP USA	Anesthesiology	New Appointment	APP USA	Anesthesiology	N/A	N/A	N/A
Upton, Jr., Charles C., MD	Initial Appointment	Active USA	Anesthesiology	Initial Appointment	Active USA	Anesthesiology	N/A	N/A	N/A
VanDerHeyden, Thomas C., MD	N/A	N/A	N/A	Initial Appointment	Active USA	Emergency Medicine	N/A	N/A	N/A
Wong, Kevin, DO	New Appointment	Active USA	Radiology	New Appointment	Active USA	Radiology	New Appointment	Active USA	Radiology
NAME	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Reappointments:	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Allison, Scott A., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Anderson, Nikita L., CRNP	N/A	N/A	N/A	Reappointment	APP HCA/JAG	Internal Medicine	Reappointment	APP HCA/JAG	Internal Medicine
Anguiano, Jr., Ariel, MD	Reappointment	Consulting USA	Internal Medicine	Reappointment	Consulting USA	Internal Medicine	Reappointment	Consulting USA	Internal Medicine
Ashbee, Susan A.,MD	Reappointment	Consulting	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Bassam, Bassam A., MD	Reappointment	Courtesy USA	Neurology	Reappointment	Active USA	Neurology	Reappointment	Court. USA/Act. USA	Neurology
Baugh, Tiffany P., MD	Reappointment	Active HCA	Surgery	Reappointment	Active HCA	Surgery	Reappointment	Active HCA	Surgery
Beard, Deana M., CRNP	Reappointment	APP Non-Privileged	Internal Medicine	Reappointment	APP Non-Privileged	Internal Medicine	N/A	N/A	N/A
Bhadkamkar, Sanjyot S., CRNP	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine
Bokhari, Amber M., MD	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine
Boudreaux, Michael C., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Boudreaux, Randall C., MD	Reappointment	Active USA	Anesthesiology	Reappointment	Active USA	Anesthesiology	N/A	N/A	N/A
Bright, Andrew C., DO	Reappointment	Consulting USA	Surgery	Reappointment	Active USA	Surgery	Reappointment	Cons. USA/Act. USA	Surgery
Burton, Kent L., MD	Reappointment	Active	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Byrd, Charlotte S., CRNP	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine
Chason, Danielle N., CRNP	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery

USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN NOVEMBER 2023, DECEMBER 2023, AND JANUARY 2024

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Reappointments: (Continued)	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Chen, Tao, MD	Reappointment	Community Staff	Anesthesiology	Reappointment	Community Staff	Anesthesiology	N/A	N/A	N/A
Clark, Shawn B., MD	Reappointment	Consulting	Neurosurgery	Reappointment	Consulting	Neurosurgery	N/A	N/A	N/A
Clinard, Naomi S., CRNP	Reappointment	APP USA	OBGYN	N/A	N/A	N/A	Reappointment	APP USA	OBGYN
Cottone, Jr., Joseph L., MD	Reappointment	Consulting USA	Urology	Reappointment	CourtesyUSA	Urology	Reappointment	Cons. USA/Court. USA	Urology
Crowder, Jason B., MD	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology
DeFelippo, Sr., Franklin A., CRNA	Reappointment	APP Contract/Locums	Anesthesiology	Reappointment	APP Contract/Locums	Anesthesiology	N/A	N/A	N/A
DeLaO, Alexandra N., PA	Reappointment	APP USA	Ped. Emergency Medicine	Reappointment	APP USA	Emergency Medicine	N/A	N/A	N/A
Delgado, Gregg, DO	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology
Fagan, Karen A., MD	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine
Faliszek, James E., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Finch, Tracie M., RN	Reappointment	APP Non-Privileged	Internal Medicine	Reappointment	APP Non-Privileged	Internal Medicine	N/A	N/A	N/A
Flotte, Edward R., MD	N/A	N/A	N/A	Reappointment	Consulting	Neurosurgery	N/A	N/A	N/A
Foppe, Mark A., DO	N/A	N/A	N/A	Reappointment	Contract/Locums	Emergency Medicine	N/A	N/A	N/A
Fouty, Brian W., MD	Reappointment	Courtesy USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Court. USA/Act. USA	Internal Medicine
Frego, Jennifer H., CRNP	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Fryfogle, Joel D., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Gacek, Mark R., MD	Reappointment	Courtesy	Surgery	Reappointment	Courtesy	Surgery	N/A	N/A	N/A
Gauriloff-Rothenberg, Jane B., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Geatrakas, Christina S., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Glaser, Jodi E., CRNP	N/A	N/A	N/A	Reappointment	APP HCA/JAG	Internal Medicine	Reappointment	APP HCA/JAG	Internal Medicine
Glynn, Shelby L., PA	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Gore, Lisa D., CRNP	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Gremse, David A., MD	Reappointment	Active USA	Pediatrics	Reappointment	Active USA	Pediatrics	Reappointment	Active USA	Pediatrics
Hayes, Andrea P., PA	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery	Reappointment	APP USA	Neurosurgery
Heusser, Margaret G., MD	Reappointment	Courtesy	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Huff, Melissa D., CRNP	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Huffmaster, Candace, CRNP	N/A	N/A	N/A	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery
Hughes, Jason D., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Huls, Halie R., MD	Reappointment	Active USA	Anesthesiology	Reappointment	Consulting USA	Anesthesiology	N/A	N/A	N/A
Irvin, Jr., Ralph L., MD	Reappointment	Courtesy	Anesthesiology	Reappointment	Active	Anesthesiology	Reappointment	Courtesy Active	Anesthesiology
Jimenez, Karen L., MD	Reappointment	Consulting HCA	Internal Medicine	Reappointment	Consulting HCA	Internal Medicine	Reappointment	Consulting HCA	Internal Medicine
Kenyherz, Gregory E., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Khan, Neelam A., MD	N/A	N/A	N/A	Reappointment	Courtesy HCA/JAG	Family Medicine	Reappointment	Courtesy HCA/JAG	Family Medicine
Kilgo, William A., MD	Reappointment	Active USA	Neurology	Reappointment	Active USA	Neurology	Reappointment	Active USA	Neurology
Lairmore, Lisa A., OSA	Reappointment	APP	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Lee, Ji Young, MD	N/A	N/A	N/A	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine
Mack-Williams, Myria A., MD	Reappointment	Active USA	Pediatrics	Reappointment	Coverage USA	Pediatrics	Reappointment	Act. USA/Cover USA	Pediatrics
Mansour, Timothy W., MD	Reappointment	Community Staff	Surgery	Reappointment	Community Staff	Surgery	N/A	N/A	N/A
Markle, Charles S., MD	Reappointment	Community Staff	Neurology	Reappointment	Community Staff	Neurology	N/A	N/A	N/A
Marmande, Christopher J., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology
McCollum, Jeffery S., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
McConnell, Sara A., DO	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine
McConnell, Sara A., DO	Reappointment	Active USA	Pediatrics	Reappointment	Active USA	Pediatrics	Reappointment	Active USA	Pediatrics
McConnell, Zachary A., PA	Reappointment	APP USA	Ped. Emerg. Medicine	Reappointment	APP USA	Emergency Medicine	N/A	N/A	N/A
McGowin, Emily F., CRNP	N/A	N/A	N/A	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery
McKean, Jr., George H., MD	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology
McKinney, Shane M., MD	Reappointment	Active USA	Ped. Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A
McLean, Hope M., MD	Reappointment	Active	OBGYN	Reappointment	Consulting	OBGYN	Reappointment	Active/Consulting	OBGYN
Milwee, Catherine V., PA	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Moon, David M., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Morais, Joshua D., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Morgan, Lauren D., CRNP	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Munsey, Thomas F., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Nadarajan, Jr., Annamalai, MD	Reappointment	Active USA	Ped. Emerg. Medicine	Reappointment	Active USA	Emergency Medicine	N/A	N/A	N/A
Norberg, Shani K., MD	Reappointment	Consulting	Neurology	Reappointment	Consulting	Neurology	N/A	N/A	N/A
Oliver, Craig C., DO	Reappointment	Active HCA/JAG	Internal Medicine	Reappointment	Active HCA/JAG	Internal Medicine	Reappointment	Active HCA/JAG	Internal Medicine
Omar, Bassam A., MD	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Active USA	Internal Medicine
Oser, Allen B., MD	Reappointment	Consulting	Radiology	Reappointment	Active	Radiology	N/A	N/A	N/A
Park, Elizabeth A., MD	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology	Reappointment	Active USA	Radiology
Pearson, Matthew M., MD	Reappointment	Active USA	Neurosurgery	Reappointment	Active USA	Neurosurgery	Reappointment	Active USA	Neurosurgery
Phung, Thuy L., MD, PhD	Reappointment	Active USA	Pathology	Reappointment	Active USA	Pathology	Reappointment	Active USA	Pathology
Pollman, Daniel J., MD	Reappointment	Community Staff	Internal Medicine	Reappointment	Community Staff	Internal Medicine	N/A	N/A	N/A
Pruett, Wesley C., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Rice, Taylor R., PA	Reappointment	APP USA	Ped. Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A

USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN NOVEMBER 2023, DECEMBER 2023, AND JANUARY 2024

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Reappointments: (Continued)	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Roberts, Mackenzie K., CRNP	N/A	N/A	N/A	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery
Rulnick, Adam D., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Salvitti Ferman, Mariarita, MD	Reappointment	Active USA	Urology	Reappointment	Active USA	Urology	Reappointment	Active USA	Urology
Sansaricq, Jean A., MD	Reappointment	Active HCA	OBGYN	Reappointment	Courtesy HCA	OBGYN	Reappointment	Active HCA/Court. HCA	OBGYN
Sanusi, Abayomi R., MD	Reappointment	Consulting USA	Internal Medicine	Reappointment	Active USA	Internal Medicine	Reappointment	Cons. USA/Active USA	Internal Medicine
Seaman, Deanna M., CRNP	Reappointment	APP USA	Pediatrics	N/A	N/A	N/A	Reappointment	APP USA	Pediatrics
Siegel, Jonathan D., MD	Reappointment	Consulting	Internal Medicine	Reappointment	Courtesy	Internal Medicine	N/A	N/A	N/A
Silver, Frederick M., MD	Reappointment	Active USA	Surgery	Reappointment	Active USA	Surgery	Reappointment	Active USA	Surgery
Smith, Dusty F., MD	Reappointment	Community Staff	Surgery	Reappointment	Community Staff	Surgery	N/A	N/A	N/A
Sokol, Joshua R., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Sonken, Ronald S., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Strong, Benjamin W., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Thompson, Taryn R., PA	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine	Reappointment	APP USA	Internal Medicine
Todd, Ashton W., MD	Reappointment	Active	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Trimm, III, Riley F., MD	Reappointment	Consulting USA	Pediatrics	N/A	N/A	N/A	Reappointment	Consulting USA	Pediatrics
Trujillo, Deborah J., MD	N/A	N/A	N/A	Reappointment	Contract/Locums	Emergency Medicine	N/A	N/A	N/A
Vamesu, Bianca M., MD	Reappointment	Active USA	Pediatrics	Reappointment	Consulting USA	Pediatrics	Reappointment	Active USA/Cons.USA	Pediatrics
Varner, Stephen T., MD	Reappointment	Active USA	OBGYN	Reappointment	Courtesy USA	OBGYN	Reappointment	Active USA/Court. USA	OBGYN
Ward, Aisha N., CRNP	N/A	N/A	N/A	Reappointment	APP USA	Emergency Medicine	N/A	N/A	N/A
White, Clinton A., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
White, Stanley D., PA	N/A	N/A	N/A	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery
Williams, Austin L., CRNA	Reappointment	APP USA	Anesthesiology	Reappointment	APP USA	Anesthesiology	N/A	N/A	N/A
Williams, Peyton E., CCCA	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery	Reappointment	APP USA	Surgery
Zayek, Michael M., MD	Reappointment	Active USA	Pediatrics	Reappointment	Consulting USA	Pediatrics	Reappointment	Active USA/Cons. USA	Pediatrics
Zloty, Peter, MD	Reappointment	Community Staff	Surgery	Reappointment	Community Staff	Surgery	N/A	N/A	N/A

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Change Requests:	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Ahmed, Ibrahim M., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Altun, Osman, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Batra, Mansi, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Batton, Haley A., Hespen, CRNP	N/A	N/A	N/A	Coll. Phy/Dept. Chg.	APP USA	Radiology	Coll. Phy/Dept. Chg.	APP USA	Radiology
Byrd, Charlotte S., CRNP	Added Privileges	APP USA	Internal Medicine	Added Privileges	APP USA	Internal Medicine	Added Privileges	APP USA	Internal Medicine
Chang, Michael C., MD	Changed Status	Coverage USA	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Chason, Danielle N., CRNP	Added Privilege	APP USA	Neurosurgery	Added Privilege	APP USA	Neurosurgery	Added Privilege	APP USA	Neurosurgery
Clark, Savannah E., PA	Deleted Privileges	APP USA	Ped. Emerg. Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Clinard, Naomi S., CRNP	Changed Collab. Phy.	APP USA	OBGYN	N/A	N/A	N/A	Changed Collab. Phy.	APP USA	OBGYN
Conaty, Kelly R., MD	N/A	N/A	N/A	Deleted Privileges	Active USA	Anesthesiology	N/A	N/A	N/A
DeLaO, Alexandra, PA	N/A	N/A	N/A	Added Privileges	APP USA	Emergency Medicine	N/A	N/A	N/A
Dolma, Kalsang, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Duhon, Catera, RN	Added Privileges	APP USA	OBGYN	Added Privileges	APP USA	OBGYN	N/A	N/A	N/A
Hayes, Andrea P., PA	Added. Privileges	APP USA	Neurosurgery	Added Privileges	APP USA	Neurosurgery	Added Privileges	APP USA	Neurosurgery
Henning, Paul R., MD	Changed Status	Coverage USA	Ped. Emerg. Med.	N/A	N/A	N/A	N/A	N/A	N/A
Lim, Whei Ying, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Mack-Williams, Myria A., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Merritt, Brandy E., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Mohammad, Dunya H., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Myc, Lukasz A., MD	N/A	N/A	N/A	Changed Status	Coverage	Internal Medicine	N/A	N/A	N/A
Porr, William H., MD	N/A	N/A	N/A	Changed Status	Coverage	Internal Medicine	N/A	N/A	N/A
Sehgal, Mukul, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Sharma, Kamal, MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Sindel, Campbell B., MD	N/A	N/A	N/A	Changed Status	Coverage	Internal Medicine	N/A	N/A	N/A
Thompson, Taryn R., PA	Added Privileges	APP USA	Internal Medicine	N/A	N/A	N/A	Added Privileges	APP USA	Internal Medicine
Vamesu, Bianca M., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Windham, Perrin F., MD	N/A	N/A	N/A	Changed Status	Coverage USA	Pediatrics	N/A	N/A	N/A
Salvitte Fermin, Mariarita, MD	Deleted Privileges	Active USA	Urology	Deleted Privileges	Active USA	Urology	Deleted Privileges	Active USA	Urology

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Resigned/Retired:	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**
Adkison, Lilly D., CRNP	Resigned	10/25/2023	OBGYN	N/A	N/A	N/A	Resigned	10/25/2023	OBGYN
Altermatt, Christen M., MD	Resigned	10/17/2023	OBGYN	N/A	N/A	N/A	Resigned	10/17/2023	OBGYN
Amato, Alaina, MD	Resigned	10/30/2023	Internal Medicine	Resigned	10/30/2023	Internal Medicine	N/A	N/A	N/A
Asher, William M., MD	Resigned	01/02/2024	Radiology	Resigned	1/2/2024	Radiology	N/A	N/A	N/A
Bacon, William R., MD	Resigned	10/28/2023	Radiology	Resigned	10/28/2023	Radiology	N/A	N/A	N/A

USA BOARD OF TRUSTEES REPORT
USA HEALTH HOSPITALS MEDICAL STAFF
APPOINTMENTS APPROVED IN NOVEMBER 2023, DECEMBER 2023, AND JANUARY 2024

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Resigned/Retired: (Continued)	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**
Baranano, Eduardo C., MD	N/A	N/A	N/A	Resigned	1/2/2024	Surgery	N/A	N/A	N/A
Berry, Michael A., MD	N/A	N/A	N/A	Retired	12/27/2023	Internal Medicine	N/A	N/A	N/A
Boutte, James N., MD	Resigned	11/02/2023	Anesthesiology	Resigned	11/02/2023	Anesthesiology	N/A	N/A	N/A
Bowden, Stephe E., MD	N/A	N/A	N/A	Resigned	12/31/2023	Emergency Medicine	N/A	N/A	N/A
Bradham, Kari A., MD	Resigned	10/25/2023	Pediatrics	N/A	N/A	N/A	Resigned	10/25/2023	Pediatrics
Brown, Roderick S., DO	N/A	N/A	N/A	Resigned	12/5/2023	Internal Medicine	Resigned	12/05/2023	Internal Medicine
Carlisle, Natalie B., MD	Resigned	12/05/2023	Pediatrics	N/A	N/A	N/A	Resigned	12/05/2023	Pediatrics
Cutler, jeffrey B., MD	Resigned	12/31/2023	Radiology	Resigned	12/31/2023	Radiology	N/A	N/A	N/A
Fiore, Marissa A., MD	Resigned	12/29/2023	Radiology	Resigned	12/29/2023	Radiology	N/A	N/A	N/A
Foster, Kendal I., MD	Resigned	12/02/2023	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Gerstler, Steven T., MD	Resigned	12/27/2023	Radiology	Resigned	12/27/2023	Radiology	N/A	N/A	N/A
Gulati, Rashmi, MD	Resigned	10/31/2023	Pediatrics	Resigned	10/31/2023	Pediatrics	Resigned	10/31/2023	Pediatrics
Hayes, Jr., John., CRNP	Resigned	10/23/2023	Psychiatry	Resigned	10/23/2023	Psychiatry	N/A	N/A	N/A
Heslin, Martin J., MD	Resigned	12/01/2023	Surgery	Resigned	12/01/2023	Surgery	Resigned	12/01/2023	Surgery
Higley, Meghan J., MD	Resigned	12/29/2023	Radiology	Resigned	12/29/2023	Radiology	N/A	N/A	N/A
Houston, Jessica L., DO	Resigned	11/21/2023	Internal Medicine	Resigned	11/21/2023	Internal Medicine	Resigned	11/21/2023	Internal Medicine
Huckabee, Rife, MD	Resigned	10/30/2023	Radiology	Resigned	10/30/2023	Radiology	Resigned	10/30/2023	Radiology
Hughes, Jr., Douglas E., MD	Resigned	12/29/2023	Radiology	Resigned	12/29/2023	Radiology	N/A	N/A	N/A
Iliff, Greire H., CRNP	Resigned	12/27/2023	Surgery	Resigned	12/27/2023	Surgery	Resigned	12/27/2023	Surgery
Jackson, Gregory D., MD	Retired	11/01/2023	Radiology	Retired	11/01/2023	Radiology	N/A	N/A	N/A
Johnson, Kyle W., DO	N/A	N/A	N/A	Resigned	12/28/2023	Emergency Medicine	N/A	N/A	N/A
King, Cassandra D., CRNA	Resigned	12/01/2023	Anesthesiology	Resigned	12/01/2023	Anesthesiology	N/A	N/A	N/A
Laughlin, Brittney B., DO	Resigned	12/29/2023	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Lupari, Michael D., CRNA	Resigned	11/10/2023	Anesthesiology	Resigned	11/10/2023	Anesthesiology	N/A	N/A	N/A
Martin, Colin A., MD	Resigned	12/28/2023	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Mitchell, Jason W., MD	Resigned	11/01/2023	Radiology	Resigned	11/01/2023	Radiology	N/A	N/A	N/A
Park, Jinha M., MD	Resigned	10/03/2023	Radiology	Resigned	10/02/2023	Radiology	N/A	N/A	N/A
Peck, Dallas D., MD	Resigned	12/29/2023	Radiology	Resigned	12/29/2023	Radiology	N/A	N/A	N/A
Peevy, Keith J., MD	Resigned	11/30/2023	Pediatrics	Resigned	11/30/2023	Pediatrics	Resigned	11/30/2023	Pediatrics
Rocconi, Rodney P., MD	Resigned	12/31/2023	GYN	Resigned	12/31/2023	GYN	N/A	N/A	N/A
Spencer, Chad M., MD	Resigned	01/02/2024	Internal Medicine	Resigned	1/2/2024	Internal Medicine	Resigned	1/2/2024	Internal Medicine
Spruill, Courtney C., DA	Resigned	01/02/2024	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Sutter, Claire S., MD	Resigned	12/27/2023	Anesthesiology	Resigned	12/27/2023	Anesthesiology	N/A	N/A	N/A
Sweet, Nicholas N., MD	Resigned	12/29/2023	Radiology	Resigned	12/29/2023	Radiology	N/A	N/A	N/A
Warner, Frederick T., MD	N/A	N/A	N/A	Resigned	1/2/2024	Emergency Medicine	N/A	N/A	N/A
Webb, Matthew L., MD	Resigned	12/14/2023	Orthopaedics	Resigned	12/14/2023	Orthopaedics	Resigned	12/14/2023	Orthopaedics
Weiser, Peter, MD	Resigned	10/10/2023	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Yuliati, Asri, MD	Resigned	12/01/2023	Neurology	Resigned	12/01/2023	Neurology	Resigned	12/01/2023	Neurology

March 15, 2024

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS

WHEREAS, revisions to the USA Health Hospitals Medical Staff Bylaws and to associated documents, as attached hereto, are recommended for approval by the Medical Executive Committees and the Executive Committee of the USA Health Hospitals,

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

Proposed Changes to USA Health Hospitals Medical Staff Bylaws/Associated Documents
Approved by the USA Health Hospitals Medical Executive Committees on January 23, 2024
Approved via email vote by the USA Health Hospitals Active Medical Staff on February 1, 2024

Bold and Underlined -New Wording ~~Strikethrough~~ –Deletion

Summary of Proposed Bylaws/Associated Documents Revisions:

MEDICAL STAFF BYLAWS

I. **Amendments to the Bylaws/Associated Documents.**
Revised to allow an urgent amendment to the rules and regulations when necessary to comply with law or regulation.
NOTE: The Joint Commission standards state there is a process by which the medical executive committee, if delegated to do so by the voting members of the organized medical staff, may provisionally adopt and the governing body may provisionally approve an urgent amendment without prior notification of the medical staff.

II. **Medical Executive Committee voting members.**
5B-Appointment of committee chairs and members
A. Establishing APPs as non-voting members of Medical Staff Committees.
B. Professionals change to practitioners

III. **New category of staff- Affiliate Staff.**
Category of staff for USA Health providers who are USA employees who do not have a hospital Practice but need to be fully credentialed for delegated payor contract requirements.

IV. **APPENDIX A - Medical Staff Categories Summary.**
Two revisions to Summary Grid:
A. For the Courtesy staff place Y in the Admit line under “Rights”.
B. Add FPPE/OPPE to the responsibilities list.

MEDICAL STAFF RULES AND REGULATIONS

V. **Preoperative documentation requirements.**
Revised documentation requirements when an emergency condition exists.

VI. **Consents.**
Revised obtaining consent process to include advance practice practitioners.

ORGANIZATIONAL MANUAL

VII. **CW Women’s Quality and Children’s Quality Committees.**
Deleted both dissolved committees.

VIII. **Children’s & Women’s Hospital Peer & Quality Review Committee duties.**
Deleted the duty of ensuring accuracy of coding for cases reviewed in the peer review committee.

MEDICAL STAFF BYLAWS

<u>TJC Standards</u>
<u>MS 01.01.01 Medical staff bylaws address self-governance and accountability to the governing body.</u>
<u>Element of Performance 11</u> - In cases of a documented need for an urgent amendment to rules and regulations necessary to comply with law or regulation, there is a process by which the medical executive committee, if delegated to do so by the voting members of the organized medical staff, may provisionally adopt and the governing body may provisionally approve an urgent amendment without prior notification of the medical staff. In such cases, the medical staff will be immediately notified by the medical executive committee. The medical staff has the opportunity for retrospective review of and comment on the provisional amendment. If there is no conflict between the organized medical staff and the medical executive committee, the provisional amendment stands. If there is conflict over the provisional amendment, the process for resolving conflict between the organized medical staff and the medical executive committee is implemented. If necessary, a revised amendment is then submitted to the governing body for action.

I. AMENDMENTS

9.A. MEDICAL STAFF BYLAWS

(1) Amendments to these Bylaws may be proposed by a petition signed by at least ten voting members of the Medical Staffs, by the Bylaws Committee, or by the MECs.

(2) All proposed amendments to these Bylaws must be reviewed and approved by the Bylaws 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 5 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. Any voting staff member comments of recommended change would be reviewed by both MECs prior to forwarding the amendment to the next approval step. The amendment would then be presented to the Executive Committee for approval.

(3) The MECs shall have the power to adopt such clarifications to these Bylaws which are needed because of renumbering, punctuation, spelling or errors of grammar, change of name(s) or title(s), or as mandated by law **<u>or regulation</u>** as determined by Hospital legal counsel.

(4) All amendments shall be effective only after approval by the Board.

(5) If the Board has determined not to accept a recommendation submitted to it by the MECs or the Medical Staffs, the MECs may request a conference between the officers of the Board and the officers of the Medical Staff(s). Such conference shall be for the purpose of further communicating the Board's rationale for its contemplated action and permitting the officers of the Medical Staff(s) to discuss the rationale for the recommendation. Such a conference will be scheduled by the Hospital Administrator within two weeks after receipt of a request for same submitted by the President of the Medical Staff, to the extent possible.

(6) Neither the Medical Staffs nor the Board shall unilaterally (without seeking the advice of the other party) amend these Bylaws.

(7) The Appendices to the Bylaws may be modified or supplemented by action of the Board, after receiving the recommendation of the MECs, without the necessity of formal amendment of these Bylaws.

9.B. OTHER MEDICAL STAFF DOCUMENTS

(1) In addition to the Medical Staff Bylaws, there shall be policies, procedures and Rules and Regulations that shall be applicable to all members of the Medical Staff and other individuals who have been granted clinical privileges or a scope of practice. All Medical Staff policies, procedures, and Rules and Regulations shall be considered an integral part of the Medical Staff Bylaws but will be amended in accordance with this section. These additional documents are the Medical Staff Credentials Policy, the Advance Practice Professionals Policy, the Medical Staff Organization Manual, and the Medical Staff Rules and Regulations.

(2) An amendment to the Credentials Policy, Medical Staff Organization Manual, Advance Practice Professionals Policy, or the Medical Staff Rules and Regulations may be referred to the Bylaws Committee or made by a majority vote of the members of each MEC present and voting at any meeting of that Committee where a quorum exists. 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. 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 5 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. Any voting staff member comments of recommended change would be reviewed by both MECs prior to forwarding the amendment to the next approval step. The amendment would then be presented to the Executive Committee for approval.

(3) The present Medical Staff Rules and Regulations are hereby readopted and placed into effect insofar as they are consistent with these Bylaws, until such time as they are amended in accordance with the terms of these Bylaws. To the extent any present Rules and Regulations are inconsistent with these Bylaws, they are of no force or effect.

(4) All other policies of the Medical Staff may be adopted and amended by a majority vote of the MEC. No prior notice is required. The amendment would then be presented to the Executive Committee for approval.

(5) Amendments to the Medical Staff policies and to the Rules and Regulations may also be proposed by a petition signed by at least 20% of the voting members of the Medical Staff. Any such proposed amendments will be reviewed by the MEC, which shall report on the proposed amendments either favorably or unfavorably before they are forwarded to the Board for its final action.

(6) Adoption of and changes to the Credentials Policy, Medical Staff Organization Manual, Advance Practice Professionals Policy, Medical Staff Rules and Regulations, and other Medical Staff policies will become effective only when approved by the Board.

(7) **Urgent Action. However, when urgent action is required to comply with law or regulation, the Medical Executive Committee is authorized to adopt a Rule or Regulation subject to promptly informing the Medical Staff of the Rule and Regulation and providing an opportunity for subsequent review and action. Subsequent review and consideration of the urgently adopted Rule or Regulation is triggered by a written petition signed by at least fifty (50) voting members of the Medical Staff. The initially adopted Rule and Regulation shall remain effective until such time as a superseding rule or regulation is adopted.**

II. MEDICAL STAFF COMMITTEES AND PERFORMANCE IMPROVEMENT FUNCTIONS

5.B. APPOINTMENT OF COMMITTEE CHAIRS AND MEMBERS

Unless otherwise indicated, all committee chairs and members shall be appointed by the Chair of the MEC. Advanced Practice ~~Professionals~~ **Practitioners** may be appointed to serve as ~~voting~~ **non-voting** members of Medical Staff committees. Committee chairs shall be selected based on the criteria set forth in Section 3.B of these Bylaws, and all committee members must signify their willingness to meet basic expectations of committee membership as set forth in Section 3.B of the Organization Manual.

5.C. MEDICAL EXECUTIVE COMMITTEE

(c) The Hospital Administrator, CMO, CNO, College of Medicine Dean/Vice President of Medical Affairs, resident physicians, advanced practice practitioner, and Quality Management representatives shall serve as *ex officio*, non-voting members.

III. NEW CATEGORY OF MEDICAL STAFF

2.D. AFFILIATE STAFF

2.D.1. Qualifications:

The Affiliate Staff consist of those Physician and oral and Maxillofacial surgeons who:

- **(a) Desire to be associated with, but who do not maintain a hospital practice. These physicians and oral and maxillofacial surgeons do not hold Clinical Privileges and do not have admitting privileges.**
- **(b) Meet the eligibility criteria set forth in the Medical Staff Credentials Policy with the exception of those related to the exercise of clinical privileges (i.e., response time requirements, clinical activity within the past year, coverage arrangements, provision of on-call services); and**
- **(c) Have indicated or demonstrated a willingness to assume responsibilities of membership on the Affiliate Staff as outlined in section 2.D.2.**

2.D.2. Prerogatives and Responsibilities

Affiliate Staff members:

- **(a) May refer patients requiring hospitalization to a Medical Staff member with appropriate Clinical Privileges.**
- **(b) May follow patients during their hospital stay by reviewing the medical record of referred patients and conversing with the attending physician, consultants and Hospital Staff concerning referred patients.**
- **(c) May not write orders for inpatients and observation patients.**
- **(d) May write orders for outpatient tests.**
- **(e) Must provide a valid license and current liability insurance from the state where their primary practice is located.**
- **(f) Shall not be eligible to vote at general Medical Staff meetings, committee meetings nor eligible to hold office.**
- **(g) Shall have an acceptable clinical record as reflected by the National Practitioner Data Bank**
- **(h) May attend the general Medical Staff meetings, except those portions devoted to peer review of Medical Staff members.**
- **(i) May attend educational activities sponsored by the medical staff and the Hospital.**
- **(j) May perform history and physical examinations in the office and have those reports entered into the Hospital's medical record.**
- **(k) Are excused from providing specialty coverage for the Emergency Department and providing for unassigned patients.**
- **(l) Shall not participate in professional practice evaluation and performance improvement processes.**

IV. APPENDIX A - MEDICAL STAFF CATEGORIES SUMMARY

- For the Courtesy staff place Y in the Admit line under "Rights" and Add FPPE/OPPE to the responsibilities list.

CURRENT GRID:

	Active	Courtesy	Consulting	Community	Coverage	Honorary
Basic Requirements						
Number of hospital contacts/2-year	≥ 15	≥ 4 & < 15	NA	N	NA	N
Rights						
Admit	Y	≥ 4 & < 15	N	N	P	N
Exercise clinical privileges	Y	Y	Y	N	P	N
May attend meetings	Y	Y	Y	Y	Y	Y
Voting privileges	Y	P	P	N	P	P
Hold office	Y	N, unless waiver	N, unless waiver	N, unless waiver	N, unless waiver	N, unless waiver
Responsibilities						
Serve on committees	Y	Y	Y	Y	Y	Y
Meeting requirements	Y	N	N	N	N	N
Dues	Y	Y	Y	Y	Y	N
Comply w/ guidelines	Y	Y	Y	N	Y	N

Y = Yes
N = No
NA = Not Applicable
P = Partial (with respect to voting, only when appointed to a committee)

Example of revised grid table.

	Active	Courtesy	Consulting	Affiliate	Community	Coverage	Honorary
Basic Requirements							
Number of hospital contacts (2-years)	≥ 15	≥ 4 & < 15	NA	N/A	N	NA	N
Rights							
Admit	Y	Y	N	N/A	N	P	N
Exercise clinical privileges	Y	Y	Y	N/A	N	P	N
May attend meetings	Y	Y	Y	Y	Y	Y	Y
Voting privileges	Y	P	P	N	N	P	P
Hold office	Y	N, unless waiver	N, unless waiver	N	N, unless waiver	N, unless waiver	N, unless waiver
Responsibilities							
Serve on committees	Y	Y	Y	Y	Y	Y	Y
Meeting requirements	Y	N	N	N	N	N	N
FPPE/OPPE	Y	Y	Y	N	N	N	N
Dues	Y	Y	Y	Y	Y	Y	N
Comply w/ guidelines	Y	Y	Y	Y	N	Y	N

MEDICAL STAFF RULES AND REGULATIONS

V. 2.4 Surgical Care:

2.4.1 Preoperative documentation requirements

Except in emergencies, a history and physical examination, the pre-operative diagnosis, consent, laboratory reports and radiology reports must be completed in the patient's medical record prior to any surgical procedure. Preparation for surgery including pre-medication shall not be performed until proper entries are completed in the patient's medical record. The operating room circulating nurse will notify the operating staff surgeon if these criteria are not met. If this causes a delay in surgery, which results in a change in the surgery schedule, the operation shall be rescheduled to the next available time. In the case of an emergency, where any or all of the above entries have not been made in the medical record, the ~~operating attending~~ surgeon **or designee** shall make an entry in the medical record ~~regarding the~~ **stating that for this** patient's condition ~~prior to induction of anesthesia and that~~ a delay **to do the procedure** would be detrimental to the patient.

VI. 5.0 Consents

5.2 Responsibility for obtaining consent

Physicians are responsible for obtaining a patient's informed consent. Before obtaining informed consent, the risks, benefits, and potential complications/alternatives associated with procedures must be discussed with the patient or surrogate. The physician **or designee** must document in the medical record that the patient understood the risks and benefits and agreed to the proposed treatment. (See consent policy.)

ORGANIZATION MANUAL

VII. Delete Two Medical Staff Committees

~~3.I. USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL CHILDREN'S QUALITY SERVICES COMMITTEE~~

~~3.I.1. Composition:~~

~~The USA Health Children's & Women's Hospital Children's Quality Services Committee shall consist of members who represent the clinical services provided to pediatric patients. Members consist of the selected chair, vice-chair and immediate past chair; the Academic chair of Pediatrics and representatives from the following areas: Pediatrics; Family Medicine; Hematology/Oncology; Pediatric Critical Care; Pediatric Hospitalists; Pediatric Residency Program; Infectious Disease; Neonatology; Radiology; Pediatric Emergency Department; Pediatric residents and Anesthesia, Radiology, and Pathology support representatives. *Ex officio* members consist of hospital, nursing, quality management, infection prevention and ancillary services from the members' pediatric areas of responsibility.~~

~~3.I.2. Duties:~~

~~The USA Health Children's & Women's Hospital Children's Quality Services Committee shall:~~

(a) ~~consider and make recommendations to the MEC regarding the needs of pediatric services;~~

(b) ~~approve evidence-based protocols, orders, and operational policies;~~

(c) ~~oversee performance improvement projects relevant to the population served and develop strategies to address ongoing improvement;~~

(d) ~~receive reports of medication safety initiatives and related data, and quality assurance event reporting pertaining to the population served;~~

(e) ~~oversee customer service data for the population served; and~~

(f) ~~discuss, assess, and make recommendations regarding intradepartmental and interprofessional collaboration to enhance coordination of care.~~

~~3.J. USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL WOMEN'S QUALITY SERVICES COMMITTEE~~

~~3.J.1. Composition:~~

~~The USA Health Children's & Women's Hospital Women's Quality Services Committee shall consist of members who represent the clinical services provided to women's health patients. Members consist of the selected chair, vice-chair and immediate past chair; the Academic chair of Obstetrics and Gynecology and representatives from the following areas: Maternal Fetal Medicine, Obstetrics and Gynecology surgeons, Community Physicians, Family Medicine; Obstetrics/Gynecology Residency Program; Neonatology; Radiology; residents and Anesthesia, Radiology, and Pathology support representatives. *Ex officio* members consist of hospital, nursing, quality management, infection prevention, informatics and ancillary services from the members' women's health areas of responsibility, including labor and delivery, mother-baby, high-risk obstetrics and OB/Gyn Evaluation Center.~~

~~3.J.2. Duties:~~

~~The USA Health Children's & Women's Hospital Women's Quality Services Committee shall:~~

(a) ~~consider and make recommendations to the MEC regarding the needs of women's health services;~~

(b) ~~approve evidence-based protocols, orders, and operational policies;~~

(c) ~~oversee performance improvement projects relevant to the population served and develop strategies to address ongoing improvement;~~

(d) ~~receive reports of medication safety initiatives and related data, and quality assurance event reporting pertaining to the population served;~~

(e) ~~oversee customer service data for the population served; and~~

(f) ~~discuss, assess, and make recommendations regarding intradepartmental and interprofessional collaboration to enhance coordination of care.~~

VIII. 3.K. USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL PEER & QUALITY REVIEW COMMITTEE

3.K.2. Duties:

The USA Health Children's & Women's Hospital Peer & Quality Review Committee shall:

(a) review patient safety indicators and evaluate appropriateness of clinical care which includes complication prevention and mitigation actions when applicable, oversight and coordination of care, **and** documentation, ~~and coding~~;

(b) oversee the implementation of the peer review process;

(c) review cases referred for review per screening indicators and benchmark data;

(d) evaluate appropriateness of care and make recommendations for case ratings based upon the outcome of the Committee's analysis and deliberation (the case rating may be assigned to an individual, service line/departments/units or to the system. The proposed case rating recommendations are referred to the MEC for consideration);

(e) 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

(f) 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.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC EXCELLENCE
AND STUDENT SUCCESS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Academic and Student Affairs Committee

December 7, 2023
2:32 p.m.

A meeting of the Academic and Student Affairs Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Judge Mike Windom, Chair, on Thursday, December 7, 2023, at 2:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Scott Charlton, Steve Furr, Luis Gonzalez, Ron Graham, Ron Jenkins, Bill Lewis, Lenus Perkins and Mike Windom were present.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Arlene Mitchell, Jimmy Shumock, Steve Stokes and Jim Yance.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Lisa Collins, Kristin Dukes, Joel Erdmann, Monica Ezell, Phil Fishel, Buck Kelley, Andi Kent, John Marymont, Mike Mitchell, Broderick Morrissette, Charlotte Pence, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman, Christina Wassenaar (Faculty Senate) and Mike Wilkinson.

Following the attendance roll call, **Item 20**, Judge Windom welcomed Mr. Gonzalez to the Committee and then called for consideration of the minutes for a meeting held on September 7, 2023, **Item 21**. On motion by Mr. Graham, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Judge Windom called on Provost Kent, who presented **Item 22**, a resolution authorizing sabbatical awards for fall 2024 through spring 2025. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) On motion by Judge Lewis, seconded by Dr. Charlton, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Provost Kent and Dr. Marymont discussed **Item 23**, a resolution granting emeritus status to retired faculty who served the Division of Academic Affairs and the Whiddon College of Medicine, and conveying the Board's appreciation for their service to the University. On motion by Judge Lewis, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Judge Windom called on Dr. Marymont, who expressed his support for **Item 24**, a resolution awarding tenure to a Whiddon College of Medicine faculty member. On motion by Mr. Graham, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Judge Windom reminded the group that the Board would later vote to effect a change in the name of the Committee.

Judge Windom asked Provost Kent for a report on the activities of the Division of Academic Affairs, **Item 25**. Provost Kent shared a brief history on USA's Stokes Center for Creative Writing ("the Center"); recognized Dr. and Mrs. Stokes for their philanthropic support of the Center; and further recognized Dr. Stokes for his writing talent. She introduced Dr. Charlotte Pence, Professor of English and the Center's Director. Dr. Pence provided an overview on the Center and answered questions.

Judge Windom called on Dr. Mitchell for a report on the activities of the Division of Student Affairs, **Item 26**. Dr. Mitchell introduced and gave background on Dr. Mike Wilkinson, USA's new Assistant Vice President for Student Affairs and noted the areas for which he had oversight. Dr. Wilkinson conveyed words of enthusiasm for his new role.

Dr. Mitchell reported that student mental well-being was a chief topic being addressed on campus and announced that psychiatric services offered at the Student Health Center (SHC) had been expanded to Monday through Friday. He introduced and gave background on Ms. Lisa Collins, psychiatric nurse practitioner, who recently joined the SHC. Ms. Collins, along with Mr. Phil Fishel, Interim Chief of Police, answered questions concerning crisis protocols.

Judge Windom called on Dr. Billingsley for a report on the activities of the Division of Diversity and Community Engagement, **Item 27**. Dr. Billingsley introduced Mr. Broderick Morrissette, Assistant Director of Strategic Initiatives for the Division of Diversity and Community Engagement and leader of USA's *Campus to Career* program. Mr. Morrissette shared information on the National First-Generation College Celebration observed on campus in November.

Judge Windom called on Ms. Chronister to present **Item 28**, a report on the activities of the Division of Research and Economic Development. Ms. Chronister gave an overview on extramural funding awarded for the 2023 fiscal year, advising of more than $139 million received by the University, inclusive of $59.4 million awarded for the construction of the Whiddon College of Medicine building.

There being no further business, the meeting was adjourned at 3:04 p.m.

Respectfully submitted:

Michael P. Windom, Chair

Committee Charge: Academic Excellence and Student Success Committee

Overall Roles and Responsibilities:

The Academic Excellence and Student Success Committee shall be responsible for receiving and reviewing information relevant to issues involving academic affairs and student affairs at the University.

Responsibilities:

Specific responsibilities of the Committee include:

- Consider approval of faculty who are recommended for tenure and promotion
- Consider approval of faculty who are recommended for the status of Distinguished Professor
- Consider approval of retired faculty and administrators who are recommended for emeritus status
- Consider approval of faculty who are recommended for sabbaticals
- Consider approval of recommended rates of tuition and fees
- Consider approval of recommended housing and meal plan rates
- Consider approval of honorary doctorate degrees as recommended
- Consider approval of recommended individuals for special recognition or commendation for distinguished service or contributions to the university
- Consider approval of a recommended Quality Enhancement Plan, as required by the Southern Association of Colleges and Schools, Commission on Colleges, as part of the Institution's decennial reaffirmation of accreditation

Meetings:

The Committee shall meet upon the call of the President, the Chair *pro tempore*, or the Chair of the Committee. Meetings typically occur on the day prior to the regularly-scheduled quarterly meetings of the Board of Trustees, but may be called to take place at any time.

Membership:

Committee members and the Chair and the Vice Chair of the Committee shall be appointed by the Chair *pro tempore* for terms concurrent with the term of the Chair *pro tempore*. The Chair *pro tempore* shall consider appointing members with backgrounds in, and knowledge of, education, general business and executive leadership.

Reports:

The following reports are commonly submitted by the University Administration for consideration by the Committee:

- Memos from University President, Provost and Dean of College of Medicine, containing recommendations for tenure and promotion (submitted annually prior to June meeting)
- Memo from University President containing recommendations for Distinguished Professor (submitted as needed)
- Memo from University President containing recommendations for emeritus professor (submitted annually)
- Memo from University President containing recommendations for sabbaticals (submitted annually)

- Memo from University President, with attached schedules, recommending tuition and fee recommendations for adjustments to tuition and fees, and housing and meal plan charges (submitted annually)
- Memos from University President and Provost, recommending the awarding of honoring doctorates (submitted as warranted)
- Memo from University President containing recommendations for special recognition or commendation (submitted as warranted)
- Proposal recommending the selection of a Quality Enhancement Plan, prepared by University Committee at the direction the Provost (submitted every ten years)

RESOLUTION

TENURE

WHEREAS, in accordance with University policy, an application for tenure from Michael R. Elliott, Ph.D., a Whiddon College of Medicine faculty member, has been reviewed by faculty peers, the Dean of the Whiddon College of Medicine/Vice President for Medical Affairs, and the University President, and is hereby recommended for approval effective on March 15, 2024,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby grants tenure to Michael R. Elliott, Ph.D., as recommended.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

VP Medical Affairs/Dean's Office/Frederick P. Whiddon College of Medicine

DATE: February 1, 2024

TO: Jo Bonner
President, University of South Alabama

FROM: Dr. John V. Marymont John V. Marymont
Vice-President for Medical Affairs and Dean, Whiddon College of Medicine

SUBJECT: Whiddon College of Medicine Tenure Recommendation, March 2024

I recommend the awarding of tenure to Whiddon College of Medicine faculty as specified below. Information for this faculty member has been forwarded for your review. With your approval, I request presentation of the recommendation to the Board of Trustees at the March meeting.

- Michael R. Elliott, Ph.D., Department of Microbiology and Immunology

JVM/afn

Jo Bonner

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Budget and Finance Committee

December 7, 2023
3:04 p.m.

A meeting of the Budget and Finance Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Thursday, December 7, 2023, at 3:04 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Ron Graham, Lenus Perkins, Jimmy Shumock and Steve Stokes were present.
Other Trustees:	Scott Charlton, Steve Furr, Luis Gonzalez, Ron Jenkins, Bill Lewis, Arlene Mitchell, Mike Windom and Jim Yance.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Monica Ezell, Phil Fishel, Buck Kelley, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 29**, Mr. Corcoran called for adoption of the revised agenda, **Item 29.A**. On motion by Mr. Perkins, seconded by Mr. Shumock, the Committee voted unanimously to adopt the revised agenda. Mr. Corcoran called for consideration of the minutes for a meeting held on September 7, 2023, **Item 30**. On motion by Ms. Atkins, seconded by Mr. Graham, the Committee voted unanimously to adopt the minutes.

Mr. Corcoran called on Ms. Roberts to discuss the financial statements for the year ended September 2023, **Item 31**. Ms. Roberts reported that the University's net position to end the year was approximately $493 million, an increase of more than $132 million as compared to the net position reported for the 2022 fiscal year.

Mr. Corcoran called on Ms. Roberts to present **Item 32**, a resolution authorizing the amendment, modification and possible refunding of USA's 2023 Series-A and Series-B university facilities revenue bonds. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) Ms. Roberts discussed the specifics of the resolution, noting that, as vetted by the University's external bond counsel, the parameters set forth provided the University flexibility with regard to interest rates for the financing of the long-term debt for the Providence Hospital acquisition. On motion by Mr. Graham, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

As to **Item 33**, a report on public safety, Mr. Corcoran called on Mr. Susman, who reminded the group that the University was subject to Clery Act crime reporting requirements. He introduced

Mr. Phil Fishel, Interim Chief of Police, to present the report. Mr. Fishel provided additional context on Clery Act reporting and detailed charts illustrating the main-campus offenses reported over the 2022 calendar year, along with the data for 2020 and 2021. He also discussed crimes reported for all campuses, including USA Health locations, for the 2023 calendar year through November 15, and responded to questions.

Mr. Corcoran called on Mr. Kelley for a report on university facilities, **Item 34**. Mr. Kelley briefed the Committee on the progress thus far in constructing a state-of-the-art instructional facility for the Whiddon College of Medicine; the completion of the Physicians Office Building at the USA Health complex on Hillcrest Road; and the renovation of an existing building for the Army and Air Force ROTC programs.

There being no further business, the meeting was adjourned at 3:18 p.m.

Respectfully submitted:

E. Thomas Corcoran, Chair

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Basic Financial Statements

Three Months Ended December 31, 2023 and 2022

(Unaudited)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Basic Financial Statements
Three Months Ended December 31, 2023 and 2022

Table of Contents

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
December 31, 2023 and 2022

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 December 31, 2023 and 2022, and for the three months 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, USA HealthCare Management, LLC, Jaguar Realty, LLC, and various billing entities 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 are discretely presented.

Financial Highlights

At December 31, 2023 and 2022, the University had total assets and deferred outflows of $2,088,776,000 and $1,894,125,000, respectively; total liabilities and deferred inflows of $1,564,925,000 and $1,486,636,000, respectively; and net position of $523,851,000 and $407,489,000, respectively.

The University has experienced a significant growth in its healthcare operations over the past several years incurring increases in net patient service revenues of $19,890,000, or 10%, between 2022 and 2023 and $25,019,000, or 15%, between 2021 and 2022.

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

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University at December 31, 2023 and 2022. 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 statement of net position, along with all of the University's basic financial statements, is prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

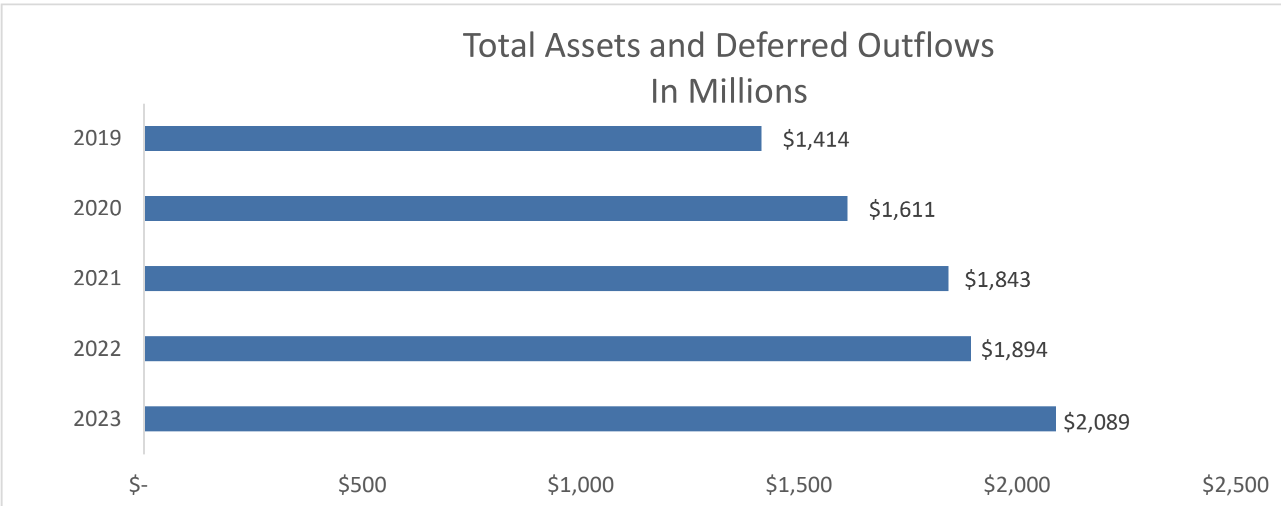
The condensed schedules of net position at December 31, 2023, 2022, and 2021 follow (in thousands):

Condensed Schedules of Net Position

		2023	2022	2021
Assets:				
Current	$	435,790	363,871	392,423
Capital assets, net		1,002,506	866,730	841,233
Other noncurrent		408,204	438,327	420,958
Total assets		1,846,500	1,668,928	1,654,614
Deferred outflows		242,276	225,197	188,166
Total assets and deferred outflows		2,088,776	1,894,125	1,842,780
Liabilities:				
Current	$	316,161	211,633	226,061
Noncurrent		937,355	973,194	1,086,023
Total liabilities		1,253,516	1,184,827	1,312,084
Deferred inflows		311,409	301,809	134,488
Total liabilities and deferred inflows	$	1,564,925	1,486,636	1,446,572
Net position:				
Net investment in capital assets	$	436,163	370,336	432,992
Restricted, nonexpendable		80,508	75,015	70,183
Restricted, expendable		102,647	92,566	99,660
Unrestricted deficit		(95,467)	(130,428)	(213,691)
Total net position	$	523,851	407,489	389,144

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and accounts receivable, other. Of these amounts, cash and cash equivalents, investments, and accounts receivables, other comprise approximately 43%, 17%, and 23%, respectively, of current assets at December 31, 2023. Noncurrent assets consist primarily of restricted investments, investments, and capital assets. The increase in total assets and deferred outflows is primarily attributed to capital assets purchased from Ascension Providence and an increase in investment value.

Total assets and deferred outflows of the University as of December 31 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:

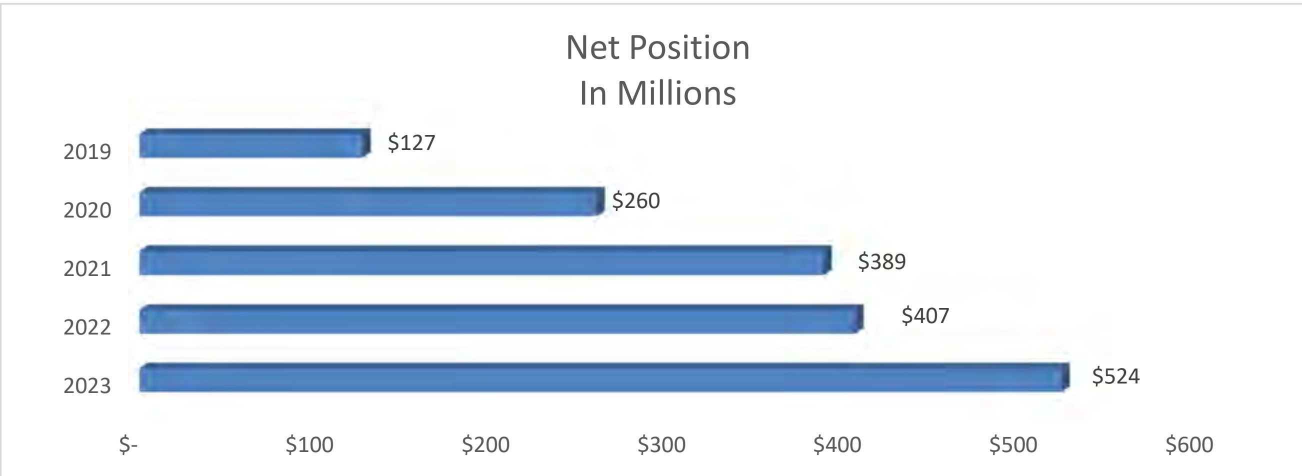
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University and donor agreements, 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 deficit of net position represents amounts not invested in capital assets or 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 December 31, 2023 and 2022 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 December 31 is as follows:



All categories of restricted net position collectively increased by approximately $15,574,000 between December 31, 2023 and 2022, primarily due to market increases on investments. Unrestricted deficit increased from $(130,428,000) to $(95,467,000) between December 31, 2023 and 2022. A summary of unrestricted net position (deficit) at December 31, 2023, 2022, and 2021 is summarized as follows (in thousands):

		2023	2022	2021
Unrestricted deficit related to net pension liability	$	(375,894)	(237,578)	(287,984)
Unrestricted deficit related to net OPEB liability		(53,421)	(205,378)	(235,073)
Unrestricted net position related to other activity		333,848	312,528	309,366
Unrestricted net position (deficit)	$	(95,467)	(130,428)	(213,691)

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the 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 three months ended December 31, 2023, 2022, and 2021 follow (in thousands):

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

		2023	2022	2021
Operating revenues:				
Tuition and fees, net	$	52,903	49,420	51,117
Patient service revenues, net		212,464	192,574	167,555
Federal, state, and private grants and contracts		13,207	11,379	9,030
Other		23,482	18,119	20,113
		302,056	271,492	247,815
Operating expenses:				
Salaries and benefits		184,994	167,112	143,113
Supplies and other services		112,378	105,822	90,382
Other		29,210	22,111	18,083
		326,582	295,045	251,578
Operating loss		(24,526)	(23,553)	(3,763)
Nonoperating revenues and expenses:				
State appropriations		37,594	35,178	32,274
Net investment income		21,594	22,337	5,633
Other, net		(13,137)	(3,760)	5,874
Net nonoperating revenues		46,051	53,755	43,781
Income before capital appropriations, capital contributions and grants, and additions to endowment		21,525	30,202	40,018

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

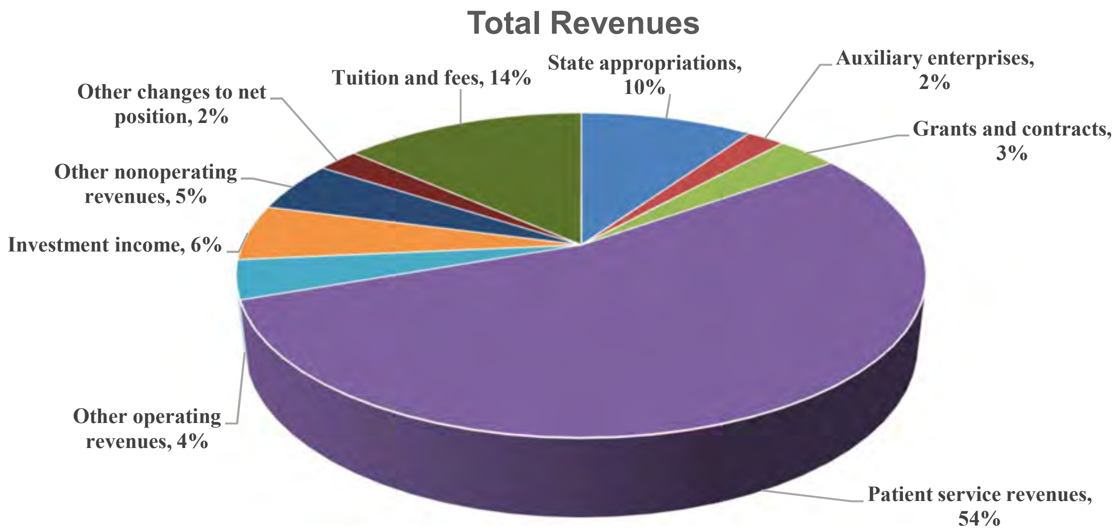
		2023	2022	2021
Capital appropriations, contributions and grants, and additions to endowment	$	9,087	16,099	17,231
Increase in net position		30,612	46,301	57,249
Beginning net position		493,239	361,188	338,959
Cumulative effect of change in account principle		—	—	(7,064)
Beginning balance, as adjusted		493,239	361,188	331,895
Ending net position	$	523,851	407,489	389,144

In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting, whereby certain leases that were previously classified as operating leases are now reported on the statement of net position. GASB Statement No. 87 required the University to record right-of-use assets and the corresponding current and noncurrent portions of lease liabilities for noncancelable, long-term contracts related to use of tangible property under which the University is the lessee. In addition, GASB Statement No. 87 required the University to record the current and noncurrent portions of lease receivables and the corresponding deferred inflow of resources for noncancelable, long-term contracts related to use of tangible property under which the University is the lessor. The adoption of the provisions of GASB Statement No. 87 resulted in a restatement of beginning unrestricted net position at October 1, 2021 by decreasing unrestricted net position $7,064,000.

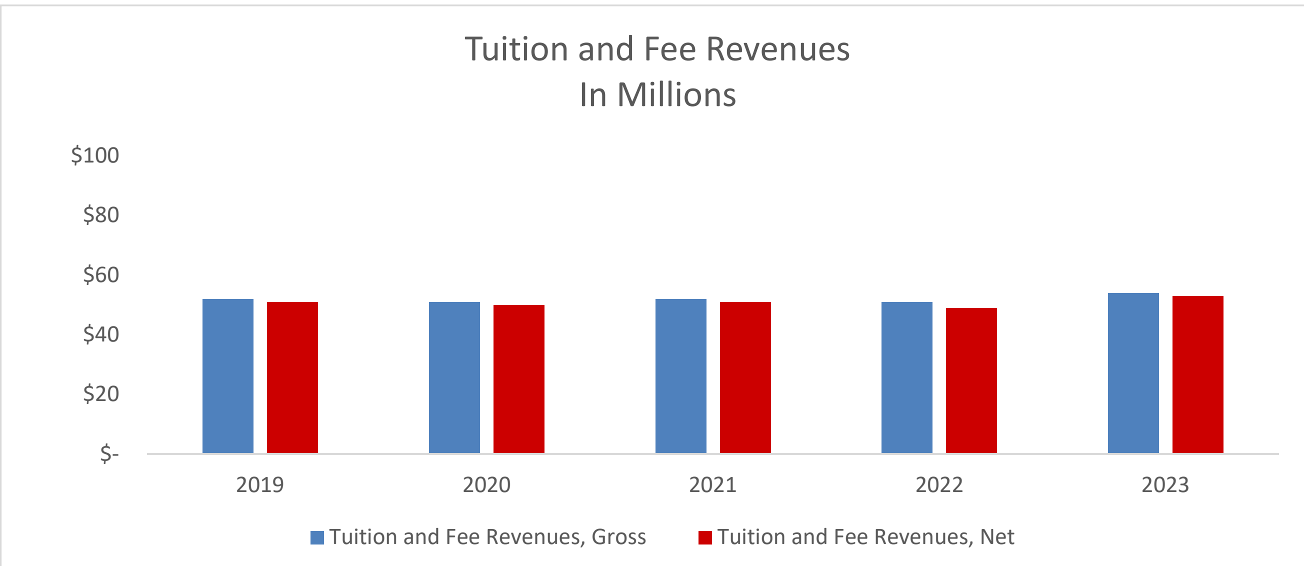
In 2023, the University adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITA) be recorded as both an intangible asset and a corresponding subscription liability, provides capitalization criteria for outlays related to nonsubscription payments, and requires note disclosures for SBITA. This adoption resulted in increased right-of-use assets and the related lease and subscription obligations at the beginning of the fiscal year, in the amount of $25,081,000, which is represented in capital assets, net on the statement of net position. Upon analysis of the facts and circumstances at the time of adoption, the impact on beginning net position was deemed immaterial by management, and therefore, no prior-period adjustment was necessary.

For both the three months ended December 31, 2023 and 2022, approximately 54% of total revenues of the University were related to net patient service revenues. Excluding patient service revenues, tuition and fees charged to students and state appropriations represent the largest component of total University revenues, approximately 14% and 10%, respectively, in both 2023 and 2022. Also, in both 2023 and 2022, grants and contracts (federal, state, and private) represented approximately 3% of total revenues.

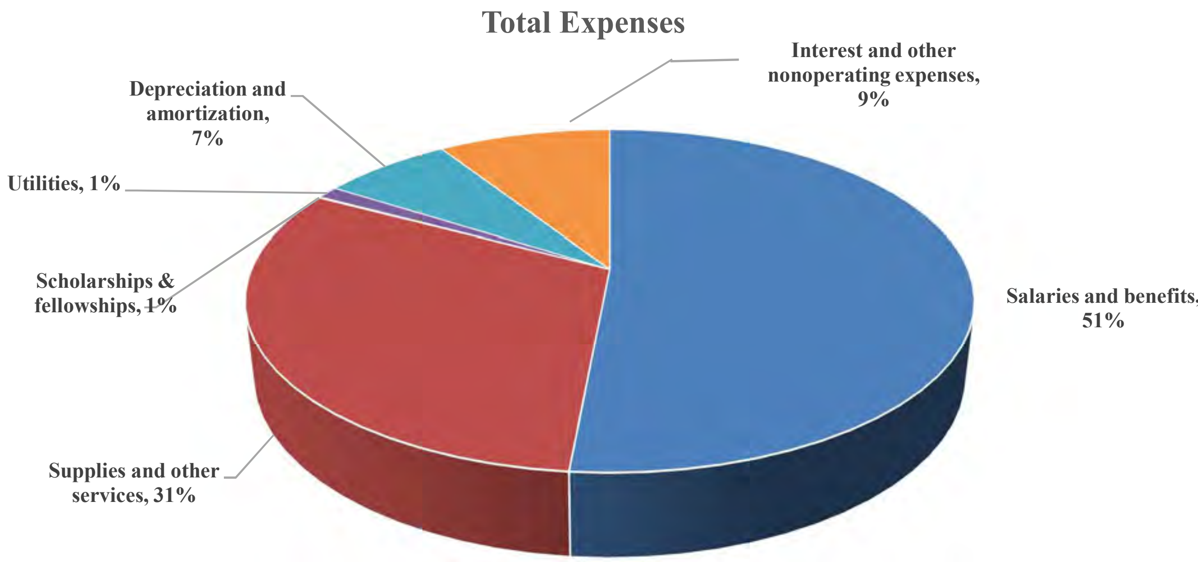
A summary of University revenues for the three months ended December 31, 2023 is presented as follows:



Tuition revenues have generally remained steady in recent years. A decline in enrollment coupled with increases in tuition rates have caused tuition revenues to remain relatively flat. The University experienced a decline in enrollment of approximately 4% between Fall 2021 and Fall 2022 and an increase of 2% between Fall 2022 and Fall 2023. The University did have a rise in enrollment for Fall 2023, due mainly to increased freshman enrollment. Tuition and fees, gross and net of scholarship allowances, for the three months ended December 31 are presented as follows:

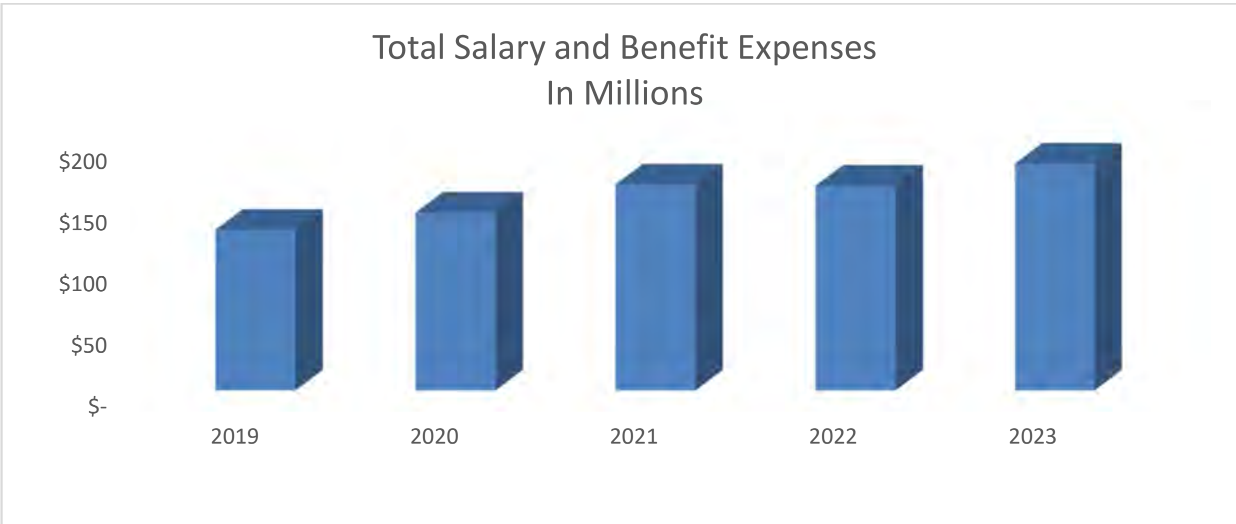


University expenses are presented using their natural expense classifications. A summary of University expenses for the three months ended December 31, 2023 is presented as follows:



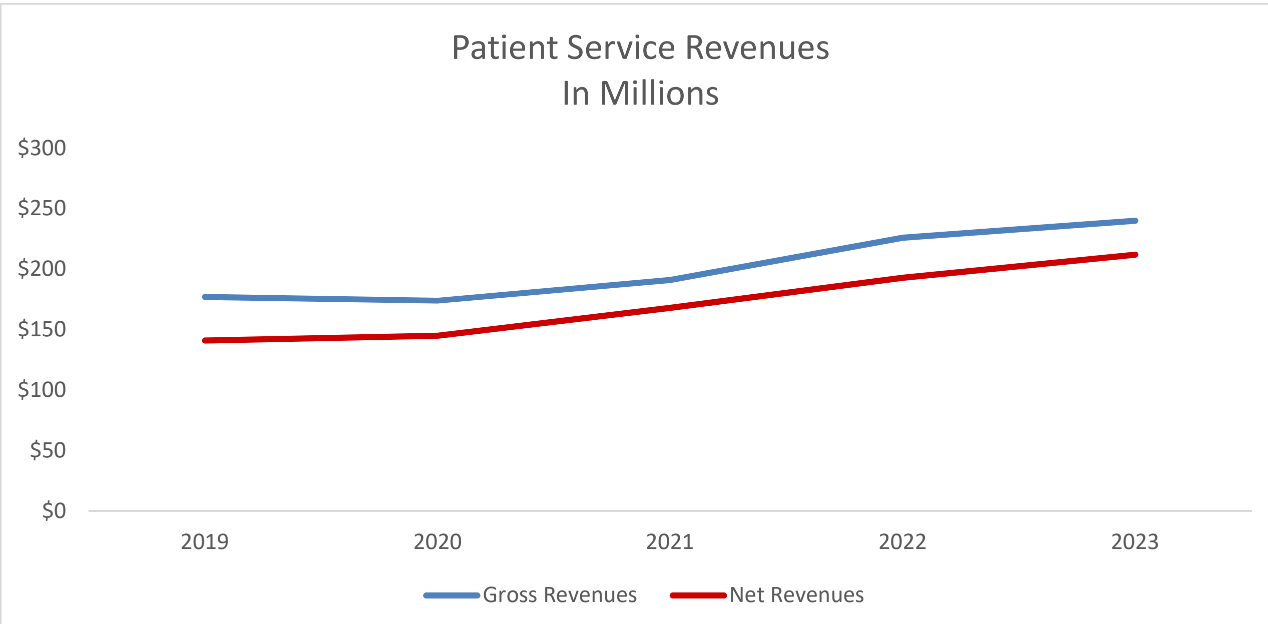
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships. Expenses related to auxiliary enterprise activities, USA Health, and depreciation and amortization are presented separately. Functional expense information is presented in note 18 to the basic financial statements.

For the three months ended December 31, 2023 and 2022, respectively, approximately 51% and 54% of the University's total expenses were salaries and benefits.



For the three months ended December 31, 2023 and 2022, the University reported an operating loss of approximately $24,526,000 and $23,553,000. The operating loss is offset by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After considering all nonoperating revenues and expenses, including capital appropriations, capital contributions and grants, and additions to the endowment, the total increase in net position was approximately $30,612,000 and $46,301,000 for the three months ended December 31, 2023 and 2022, respectively.

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



Statement of Cash Flows

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

Capital Assets and Debt Administration

Total capital asset additions for the University were approximately $113,289,000 for the three months ended December 31, 2023. Significant construction projects that remain in progress as of December 31, 2023 include the campus storm shelter, a 3D printer lab, Science Laboratory Building renovation, new Central Energy Plant, the demolition of Alpha Hall South and East, and utilities improvement in preparation for the new College of Medicine Building. Major projects completed and placed into service in fiscal year 2023 include Gamma 0-4 HVAC upgrade, Greek housing renovations, outdoor pool repairs, quantum cell service, Football Fieldhouse roof repairs, and the North Drive utilities project. At December 31, 2023, the University had outstanding commitments of approximately $20,443,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

On March 5, 2021, the Financial Conduct Authority announced that the final publication date for US LIBOR was June 30, 2023. Loans maturing after the end of LIBOR were reviewed to determine if appropriate language, referred to as fallback language, was used to provide for the replacement of LIBOR with an alternative index. The Alternative Reference Rates Committee (ARRC) has recommended the Secured Overnight Financing Rate

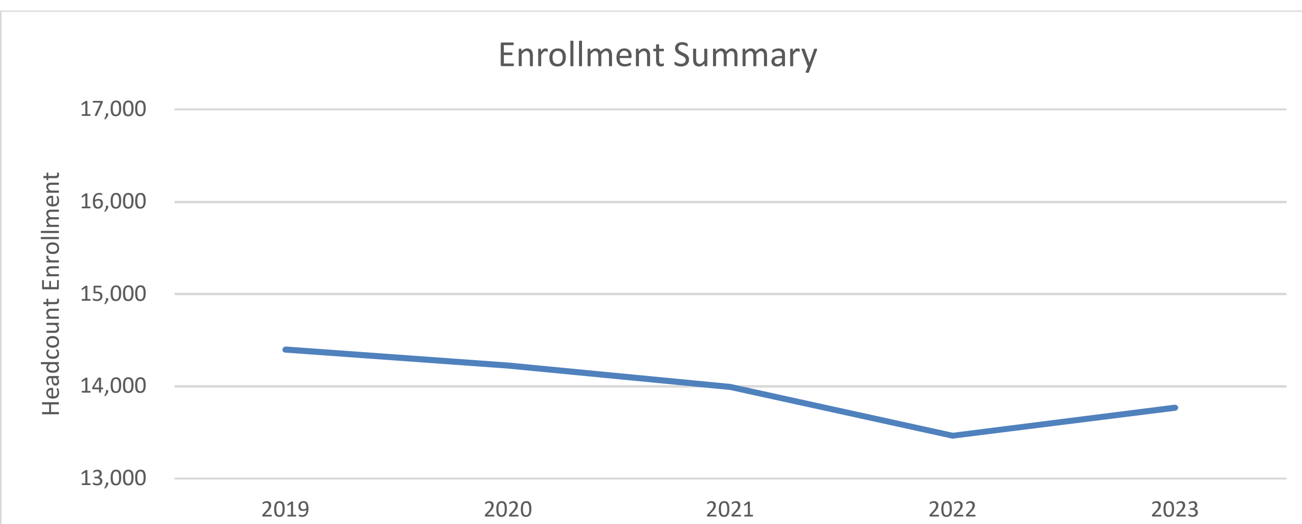
(SOFR) as an alternative to replace LIBOR. As recommended by the ARRC, all rate and fee settings for affected facilities maturing after the end of LIBOR have been replaced with a SOFR-based index.

In April 2023, the University of South Alabama Health Care Authority (a component of the University) entered into an agreement with Gulf Coast Health System to acquire an acute care hospital, its ancillary-related healthcare delivery businesses, and related facilities effective October 1, 2023. This acquisition is referred to as Ascension Providence. In April 2023, the University delivered up to $80,000,000 University Facilities Revenue Bond (Draw-Down Loan), Series 2023-A, and up to $20,000,000 Taxable University Facilities Revenue Bond (Draw-Down Loan), Series 2023-B. The proceeds, along with internal contributions from the University, are financed this acquisition. The draw down facility allows the University, from time to time through April 15, 2024, to request funds from the 2023-A totaling up to $80,000,000 (2023-A Advances) and from the 2023-B totaling up to $20,000,000 (2023-B Advances). The principal balance, which will be paid with proceeds from a long-term bond issuance, will be due on April 19, 2024. At December 31, 2023, the outstanding principal for 2023-A is $67,020,000 and 2023-B is $16,635,000.

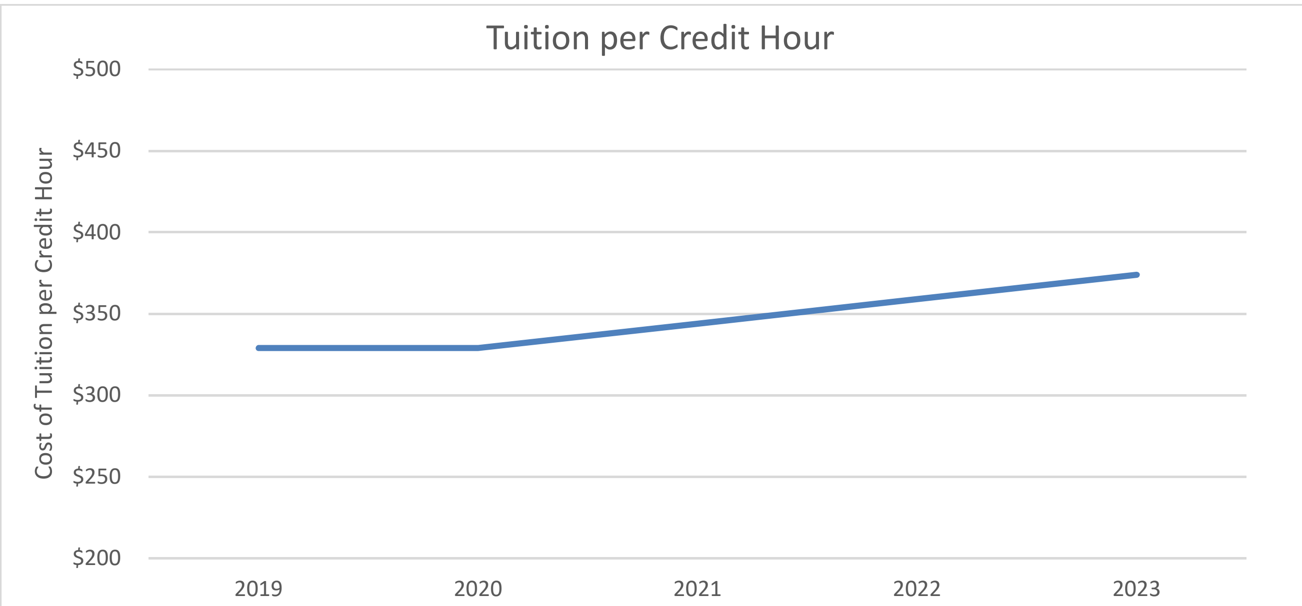
The University's credit rating is A1 (Negative) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Moody's Investors Services revised the University's outlook to negative from stable and affirmed its A1 issuer and revenue bond ratings in July 2023. Standard and Poor's Global Ratings affirmed the University's current rating in February 2023. Additional information regarding the University's debt is included in note 8.

Economic Outlook

While tuition and fee rates per credit hour have increased over the past five years, there have been declines in enrollment from 2019 through 2022. The University experienced a decline in enrollment of approximately 4% between Fall 2021 and Fall 2022 and an increase of 2% between Fall 2022 and Fall 2023. The University did have a rise in enrollment for Fall 2023, due mainly to increased freshman enrollment. The enrollment trend for the University between 2019 and 2023 is as follows:

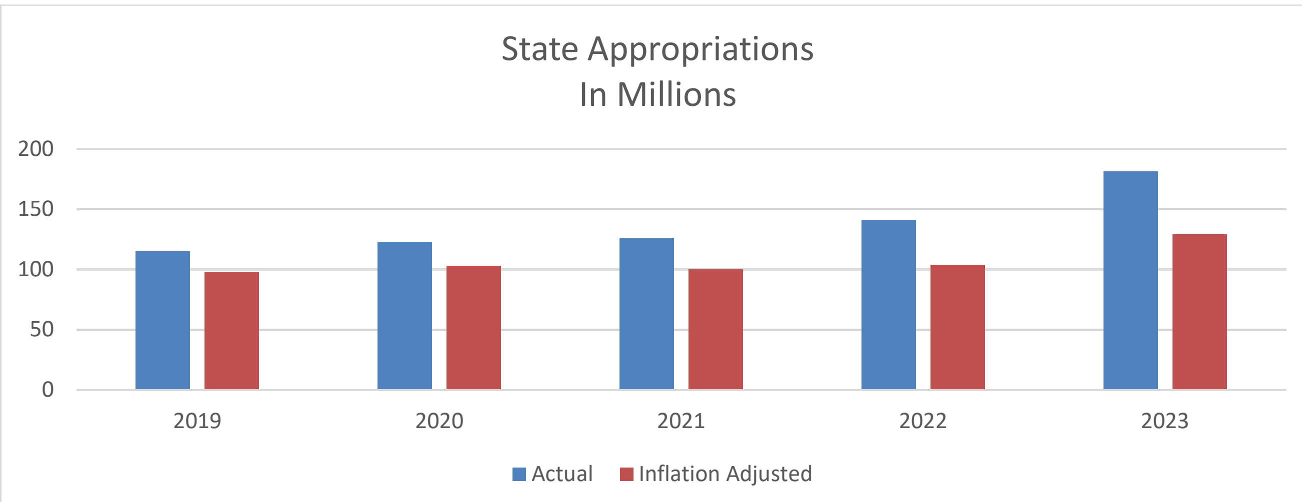


During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 9%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2019 and 2023 is as follows:



A state appropriation in the amount of approximately $150,375,000 and $140,714,000 was authorized for the years ended September 31, 2024 and 2023, respectively. Additional appropriations of approximately $40,463,000 were received in fiscal year 2023 for capital project improvements and equipment. While no announcement has been made, the University is aware that reductions in fiscal year 2024 appropriations are possible.

The five-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 healthcare 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 COVID-19 (the Crisis). The University returned to normal operations for the Fall 2021 semester, and USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

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 December 31, 2023, the University (including USA Health) has been awarded $105,484,000 in CARES Act and other funding from federal and state sources for COVID-19 relief. Of this amount, $28,000 and $0 was awarded in the three months ended December 31, 2023 and 2022. Of the $105,484,000 total funds awarded, $49,000 and $4,203,000 has been received and recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the three months ended December 31, 2023 and 2022, respectively.

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 Kristen Roberts; Chief Financial Officer; University of South Alabama Administration Building Suite 353, Mobile, Alabama 36688. These basic financial statements can be obtained from our website at http:www.southalabama.edu/departments/financialaffairs/businessoffice/statements.html.

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

Statement of Net Position

December 31, 2023 and 2022

(In thousands)

		2023	2022
Current assets:			
Cash and cash equivalents	$	185,882	183,040
Investments		73,268	37,423
Patient receivables (net of allowance for doubtful accounts of $90,452 in 2023 and $129,357 in 2022)		57,437	49,355
Accounts receivable, other		99,401	74,400
Notes receivable, net		1,587	1,618
Prepaid expenses, inventories, and other		17,546	17,308
Lease receivable, current portion		669	727
Total current assets		435,790	363,871
Noncurrent assets:			
Restricted cash and cash equivalents		11,750	32,317
Restricted investments		275,364	270,739
Investments		79,069	83,699
Other noncurrent assets and accounts receivable		40,225	50,076
Lease receivable, less current portion		1,796	1,496
Capital assets, net		1,002,506	866,730
Total noncurrent assets		1,410,710	1,305,057
Total assets		1,846,500	1,668,928
Deferred outflows		242,276	225,197
Total assets and deferred outflows		2,088,776	1,894,125
Current liabilities:			
Accounts payable and accrued liabilities		85,222	71,651
Unrecognized revenues		92,991	97,125
Deposits		3,187	3,728
Current portion of other long-term liabilities		4,520	4,937
Current portion lease and subscription obligations		20,807	8,969
Current portion of long-term debt		109,434	25,223
Total current liabilities		316,161	211,633
Noncurrent liabilities:			
Long-term debt, less current portion		404,220	429,022
Lease and subscription obligations, less current portion		30,009	23,119
Other long-term liabilities, less current portion		73,811	78,097
Net pension liability		375,894	237,578
Net other postemployment benefits liability		53,421	205,378
Total noncurrent liabilities		937,355	973,194
Total liabilities		1,253,516	1,184,827
Deferred inflows		311,409	301,809
Total liabilities and deferred inflows		1,564,925	1,486,636
Net position:			
Net investment in capital assets		436,163	370,336
Restricted, nonexpendable:			
Scholarships		46,785	41,754
Other		33,723	33,261
Restricted, expendable:			
Scholarships		34,238	30,859
Other		68,409	61,707
Unrestricted deficit		(95,467)	(130,428)
Total net position	$	523,851	407,489

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Three months ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating revenues:			
Tuition and fees (net of scholarship allowances of $965 in 2023 and $1,988 in 2022)	$	52,903	49,420
Patient service revenues (net of provision for bad debts of $28,058 in 2023 and and $31,574 in 2022)		212,464	192,574
Federal grants and contracts		7,077	5,542
State grants and contracts		2,373	2,346
Private grants and contracts		3,757	3,491
Auxiliary enterprises (net of scholarship allowances of $30 in 2023 and and $60 in 2022)		8,332	7,144
Other operating revenues		15,150	10,975
Total operating revenues		302,056	271,492
Operating expenses:			
Salaries and benefits		184,994	167,112
Supplies and other services		112,378	105,822
Scholarships and fellowships		434	758
Utilities		4,137	4,018
Depreciation and amortization		24,639	17,335
Total operating expenses		326,582	295,045
Operating loss		(24,526)	(23,553)
Nonoperating revenues (expenses):			
State appropriations		37,594	35,178
Net investment income		21,594	22,337
Interest expense		(4,942)	(4,932)
Other nonoperating revenues		19,662	9,355
Other nonoperating expenses		(27,857)	(8,183)
Net nonoperating revenues		46,051	53,755
Income before capital appropriations, capital contributions and grants, and additions to endowment		21,525	30,202
Other changes in net position			
Capital appropriations		4,812	—
Capital contributions and grants		3,759	11,260
Additions to endowment		516	4,839
Total other changes in net position		9,087	16,099
Increase in net position		30,612	46,301
Net position:			
Beginning of year		493,239	361,188
End of year	$	523,851	407,489

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Three months ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Receipts related to tuition and fees	$	10,421	9,903
Receipts from and on behalf of patients and third-party payers		204,344	190,729
Receipts from grants and contracts		18,053	11,828
Receipts related to auxiliary enterprises		2,378	2,228
Payments to suppliers and vendors		(124,410)	(114,973)
Payments to employees and related benefits		(192,412)	(183,550)
Payments for scholarships and fellowships		(434)	(758)
Other operating receipts		11,729	21,989
Net cash used in operating activities		(70,331)	(62,604)
Cash flows from noncapital financing activities:			
State appropriations		37,613	35,198
Endowment gifts		516	4,839
Agency funds received		595	812
Agency funds disbursed		(472)	(673)
Student loan program disbursements		(261)	(34)
Student loan program receipts		330	67
Other nonoperating revenues		15,179	13,809
Other nonoperating expenses		(24,163)	(3,310)
Net cash provided by noncapital financing activities		29,337	50,708
Cash flows from capital and related financing activities:			
Capital contributions and grants		3,759	11,260
Purchases of capital assets		(102,516)	(14,770)
Proceeds from sales of capital assets		29	28
Principal payments on capital debt		(10,658)	(6,625)
Interest payments on capital debt		(9,838)	(8,996)
Net cash used in capital and related financing activities		(119,224)	(19,103)
Cash flows from investing activities:			
Interest and dividends on investments		3,690	2,596
Purchases of investments		(10,475)	(10,995)
Proceeds from sales of investments		6,665	6,154
Net cash used in investing activities		(120)	(2,245)
Net decrease in cash and cash equivalents		(160,338)	(33,244)
Cash and cash equivalents (unrestricted and restricted):			
Beginning of year		357,970	248,601
End of year	$	197,632	215,357

(Continued)

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

Statement of Cash Flows

Three months ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(24,526)	(23,553)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization		24,639	17,335
Changes in assets and liabilities, net:			
Student receivables		(54,365)	(51,606)
Net patient receivables		(9,086)	1,252
Grants and contracts receivables		5,360	298
Other receivables		(13,797)	2,684
Prepaid expenses, inventories, and other		(1,116)	(264)
Accounts payable and accrued liabilities		(12,892)	(24,447)
Unrecognized revenues		15,452	15,697
Net cash used in operating activities	$	(70,331)	(62,604)
Reconciliation of cash and cash equivalents to the statement of net position:			
Cash and cash equivalents classified as current assets	$	185,882	183,040
Restricted cash and cash equivalents classified as noncurrent assets		11,750	32,317
Total cash and cash equivalents	$	197,632	215,357
Noncash investing, noncapital financing, and capital and related financing transactions:			
Net increase in fair value of investments recognized as a component of investment gains	$	17,132	17,815
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital assets		4,812	—
Addition of lease and subscription obligations		6,411	2,193
Gifts of capital, investments, and other assets		—	7,500
Increase in accounts payable related to capital assets		3,727	2,119
Loss on disposals of capital assets		(66)	—
Decrease in lease receivable related to interest income		(2)	—

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 Financial Position

September 30, 2023 and 2022

(In thousands)

		2023	2022
Assets			
Cash and cash equivalents	$	1,881	2,285
Investments:			
Equity securities		213,911	183,991
Timber and mineral properties		176,003	174,780
Real estate		7,160	9,026
Other		5,814	5,809
Other assets		550	523
Total assets	$	405,319	376,414
Liabilities and Net Assets			
Liabilities:			
Other liabilities	$	397	649
Total liabilities		397	649
Net assets:			
Without donor restrictions		59,648	60,875
With donor restrictions		345,274	314,890
Total net assets		404,922	375,765
Total liabilities and net assets	$	405,319	376,414

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

Three months ended September 30, 2023

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses, and other support:			
Net realized and unrealized gains on investments	$ 10	(8,916)	(8,906)
Rents, royalties, and timber sales	1,386	19	1,405
Interest and dividends	337	395	732
Gifts	—	1	1
Interfund interest	(218)	218	—
Net assets released from program restrictions	22	(22)	—
Total revenues, gains, losses, and other support	1,537	(8,305)	(6,768)
Expenditures:			
Program services:			
Other academic programs	2,018	—	2,018
Total program service expenditures	2,018	—	2,018
Management and general	723	—	723
Other investment expense	213	—	213
Depletion and depreciation expense	1,125	—	1,125
Total expenditures	4,079	—	4,079
Change in net assets	(2,542)	(8,305)	(10,847)
Net assets – beginning of year	62,190	353,579	415,769
Net assets – end of year	$ 59,648	345,274	404,922

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

Three months ended September 30, 2022

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses, and other support:			
Net realized and unrealized gains on investments	$ (955)	(11,457)	(12,412)
Rents, royalties, and timber sales	1,758	38	1,796
Interest and dividends	279	421	700
Gifts	—	2	2
Required match of donor contributions	(1)	1	—
Interfund interest	(133)	133	—
Other income	2	—	2
Net assets released from program restrictions	170	(170)	—
Total revenues, gains, losses, and other support	1,120	(11,032)	(9,912)
Expenditures:			
Program services:			
Scholarships	140	—	140
Other academic programs	109	—	109
Total program service expenditures	249	—	249
Management and general	713	—	713
Other investment expense	251	—	251
Depletion and depreciation expense	1,708	—	1,708
Total expenditures	2,921	—	2,921
Change in net assets	(1,801)	(11,032)	(12,833)
Net assets – beginning of year	62,676	325,922	388,598
Net assets – end of year	$ 60,875	314,890	375,765

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

December 31, 2023 and 2022

(In thousands)

		2023	2022
Assets:			
Current assets:			
Cash and cash equivalents	$	2,113	2,081
Lease receivable, current portion		2,132	2,974
Prepaid expenses and other current assets		64	56
Accrued interest receivable		50	52
Total current assets		4,359	5,163
Noncurrent assets:			
Capital assets, net		17,942	18,760
Lease receivable, less current portion		9,234	9,122
Total noncurrent assets		27,176	27,882
Deferred outflows		570	722
Total assets and deferred outflows		32,105	33,767
Liabilities:			
Current liabilities:			
Deposits, other current liabilities, and accrued expenses		246	253
Unrecognized rent revenue		325	354
Notes payable, current portion		1,031	1,299
Total current liabilities		1,602	1,906
Noncurrent liabilities:			
Notes payable, less current portion		16,706	17,737
Total noncurrent liabilities		16,706	17,737
Deferred inflows		10,970	11,760
Total liabilities and deferred inflows	$	29,278	31,403
Net position:			
Net investment in capital assets	$	918	423
Unrestricted		1,909	1,941
Total net position	$	2,827	2,364

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Three months ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating revenues	$	931	1,126
Operating expenses:			
Building management and operating expenses		314	265
Depreciation and amortization		329	320
Legal and administrative fees		100	121
Insurance		16	21
Total operating expenses		759	727
Operating income		172	399
Nonoperating revenues (expenses):			
Interest expense		(209)	(222)
Interest income		23	13
Other		89	102
Net nonoperating expenses		(97)	(107)
Increase in net position		75	292
Net position:			
Beginning of year		2,752	2,072
End of year	$	2,827	2,364

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

December 31, 2023 and 2022

(In thousands)

		2023	2022
Current assets:			
Cash and cash equivalents	$	4,700	4,371
Restricted cash and cash equivalents		558	—
Patient receivables (net of allowance for doubtful accounts of approximately $11,445 in 2023 and 2,067 in 2022)		42,486	2,844
Accounts receivable, other		8,541	544
Notes Receivable, net		769	728
Inventories		822	87
Lease receivable, current portion		320	316
Other current assets		406	413
Total current assets		58,602	9,303
Noncurrent assets:			
Capital assets, net		47,271	44,394
Investments		458	15
Lease receivable, less current portion		2,970	2,994
Total noncurrent assets		50,699	47,403
Total assets		109,301	56,706
Current liabilities:			
Accounts payable and accrued liabilities		30,993	8,157
Accrued salaries and wages		9,118	1,726
Deferred revenue		30	—
Lease and subscription obligations, current portion		1,919	1,726
Long-term debt, current portion		169	571
Total current liabilities		42,229	12,180
Noncurrent liabilities:			
Lease and subscription obligations, less current portion		7,663	9,746
Long-term debt, less current portion		21,626	14,732
Total noncurrent liabilities		29,289	24,478
Deferred inflows		3,183	3,281
Total liabilities and deferred inflows		74,701	39,939
Net position:			
Net investment in capital assets		15,886	2,077
Restricted		558	—
Unrestricted		18,156	14,690
Total net position	$	34,600	16,767

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Three months ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating revenues:			
Net patient service revenues	$	74,018	11,845
Other operating revenues		12,867	4,894
Total operating revenues		86,885	16,739
Operating expenses:			
Salaries and benefits		39,597	12,696
Building and equipment expenses		4,328	1,427
Medical and surgical supplies		21,561	1,196
Other expenses		27,465	7,059
Depreciation and amortization		1,109	1,115
Total operating expenses		94,060	23,493
Operating loss		(7,175)	(6,754)
Nonoperating revenues (expenses):			
Investment income		38	34
Support from University of South Alabama		27,665	7,950
Interest expense		(359)	(270)
Total nonoperating revenues, net		27,344	7,714
Increase in net position		20,169	960
Net position at beginning of period		14,431	15,807
Net position at end of period	$	34,600	16,767

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 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 December 31, 2023, the University reports University of South Alabama Foundation (USA Foundation), USA Research and Technology Corporation (the Corporation), and University of South Alabama Health Care Authority (HCA) as discretely presented component units. Each of these entities issue separate audited financial statements, which can be obtained by contacting Kristen Roberts, Chief Financial Officer, University of South Alabama Administration Building, Suite 353, Mobile, Alabama 36688.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast), the University of South Alabama Foundation for Research and Commercialization (FRAC), Jaguar Athletic Fund (JAF), and the USA Presidential 1963 Fund. These entities are considered component units of the University under the provisions of GASB Statement Nos. 14, 39, 61, and 80. However, these entities are not presented in the accompanying basic 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; Jaguar Realty, LLC; USA Health Physician Billing Services, LLC; USA Health Hospital Billing Services, LLC; USA Health Anesthesia Billing Services, LLC; USA Health Reference Lab Billing Services, LLC; USA Health MCI Business Services, LLC; USA Health Children's and Women's Provider Based Clinics, LLC; and USA Health Community Providers, LLC as blended component units. All significant transactions between the University and its blended component units have been eliminated.

In October 2023, through the acquisition of Ascension Providence, the University attained joint ownership of South Coast Real Estate Venture, LLC, HighProv, LLC, Providence Home Medical Services, LLC, Providence Compass Urgent Care, LLLP, and Providence Medical Network IPA, LLC. The University is still evaluating these joint ventures for proper financial presentation.

(b) Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in its separate PLTF 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 GLTF 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 19 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). HCM was organized for the purpose of managing and operating on behalf of, and as agent for, payroll activities related to the healthcare 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 19 for further discussion of, and disclosure for, this entity).

(d) USA Health Billing Limited Liability Companies

Over the last few years, the University formed the USA Health Physician Billing Services, LLC; USA Health Hospital Billing Services, LLC; USA Health Anesthesia Billing Services, LLC; USA Health Reference Lab Billing Services, LLC; USA Health MCI Business Services, LLC; USA Health Children's and Women's Provider Based Clinics, LLC; and USA Health Community Providers, LLC as 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, a free-standing emergency department, a cancer treatment center, and various health clinics. Based on GASB requirements, the University, as the primary government, includes these limited liability companies as blended component units. All significant transactions between the University and its blended component units have been eliminated.

(e) University of South Alabama Health Care Authority,

In May 2017, the University's Board of Trustees approved the formation of HCA. HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. HCA presents its financial statements in accordance with GASB.

HCA is the sole member of the following companies: Mobile Heart USA, LLC; USA Health HCA Industrial Medicine Clinic, LLC; USA Health Daphne Family Practice, LLC; USA Health IPA, LLC; USA Mobile County ASC, LLC; USA Health HCA Providence Hospital, LLC; and USA Health Providence Retail Pharmacy, LLC. Based on the criteria listed above, GASB requires HCA, as the primary government, to include each of these limited liability companies as blended component units. All significant transactions among HCA and its blended component units have been eliminated.

HCA holds a 51% equity interest in USA BC ASC Holdco, LLC, a limited liability company formed in 2020, and Surgery Center Holdings, Inc. owns the remaining 49%. USA BC ASC Holdco, LLC. owns 51% of USA Baldwin County ASC, LLC and the remaining 49% is owned by an unrelated third party. There has been no financial activity to date for USA BC ASC Holdco, LLC or USA Baldwin County ASC, LLC. HCA's capital account balance is presented on the statement of net position as an investment.

During fiscal year 2022, HCA obtained an equity interest in a multimember limited liability company, USA Fairhope Physician Investors, LLC (FPI). FPI was initially considered as a component unit under the provisions of GASB Statement Nos. 14 and 61. Amendment 1 to the initial agreement was executed during fiscal year 2023, removing HCA's control of the entity and ability to impose its will on the entity. The change resulted in HCA's relationship with FPI shifting from a component unit to an investment in a joint venture. HCA's capital account balance is presented on the statement of net position as an investment. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

Since inception, HCA's operations have been partially funded by the University, with total support amounting to $27,665,000 during the three months ended December 31, 2023 and $7,950,000 during the three months ended December 31, 2022. This support is reported in nonoperating expenses on the University's statement of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, HCA is considered a component unit of the University. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for HCA as of and for the three months ended December 31, 2023 and 2022 are discretely presented.

(f) University of South Alabama Foundation

USA Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and USA Foundation, USA Foundation is considered a component unit of the University. The Board of Directors of USA Foundation is not appointed or controlled by the University. The University receives distributions from USA Foundation primarily for scholarship, faculty, and other support. Total distributions received or accrued by the University for the three months ended December 31, 2023 and 2022 were $7,102,000 and $6,501,000, respectively, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statement of revenues, expenses, and changes in net position. Additionally, in fiscal year 2023, USA Foundation donated a 63-acre parcel of land on Dauphin Island, Alabama, which has an estimated value of approximately $1,000,000. This land donation is included in capital assets, net on the statement of net position and the gift revenue is in nonoperating revenues on the statement of revenues, expenses, and changes in net position for the University. USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). USA Foundation is reported in separate financial statements because of the difference in the financial reporting framework since USA Foundation follows FASB rather than GASB. 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, the University has included USA Foundation's statements for the three months ended September 30, 2023 and 2022 in the University's financial statements as of December 31, 2023 and 2022. The accompanying consolidated statement of financial position and consolidated statement of activities and changes in net assets for USA Foundation as of and for the three months ended September 30, 2023 and 2022 are discretely presented.

(g) USA Research and Technology Corporation

In June 2002, the University's Board of Trustees approved the formation of the Corporation. The Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for the Corporation as of and for the three months ended December 31, 2023 and 2022 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 (including restricted amounts)

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. Restricted cash and cash equivalents share the same definitions and maturities of unrestricted cash and cash equivalents but are designated by external parties for specified purposes such as collateral requirements, designated gifts, or bond proceeds.

(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, multistrategy 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 December 31, 2023, the University had two hedging derivative instruments in the form of 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 statement of net position since the interest rate swaps are deemed effective.

(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, changes in the 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 the OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension and OPEB plans, changes in the fair values of interest rate swaps, gain on the refunding of certain bond amounts, and the value of contractual rights to lease revenue in future reporting periods.

(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.

(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) Lease Receivable

Lease receivable and current portion thereof on the statement of net position represents the University's contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. Lease receivables are recognized at the commencement date based on the present value of lease payments to be received over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is either when the lessee takes possession of the asset or, in the case of real estate leases, when the landlord makes the building or office space available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the lessee will exercise that option. Interest revenue is recognized as a component of the lease payments received and is included in other nonoperating revenues on the statement of revenues, expenses, and changes in net position.

(Continued)

(q) 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.

(r) Capital Assets

Capital assets are recorded at cost, if purchased, or, if donated, at fair 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 statement 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.

Lease and subscriptions are included in capital assets as right-of-use assets on the statement of net position. Right-of-use assets represent the University's right to use an underlying asset for the specified term and are comprised of leased equipment, buildings, office space, and subscription-based information technology arrangements. Lease and subscription right-of-use assets are recognized at the commencement date based on the present value of the payments over the agreement term discounted using the lessor interest rate or an appropriate incremental borrowing rate. The commencement date is either when the University takes possession of the asset or when the asset becomes available for use. Amortization of right-of-use assets is recognized on a straight-line basis over the agreement term or useful life of the asset, whichever is shorter.

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 three months ended December 31, 2023 and 2022, no impairments were identified.

(s) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are billed in advance and initially recorded as a component of unrecognized revenues in the statement of net position and, then recognized in revenue over the applicable portion of each school term.

(t) 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 Annual Comprehensive Financial Report.

(u) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other postemployment 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 Annual Comprehensive Financial Report.

(v) 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.

(Continued)

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.

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.

(w) 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 statement 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.

(x) 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.

(y) 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; sales and services of auxiliary enterprises, net of scholarship allowances; and lease revenue.

(Continued)

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

(z) 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.

(aa) Grants and Contracts

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

(bb) Patient Service Revenues

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.

(cc) Compensated Absences

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

(dd) Recently Adopted Accounting Pronouncements

In 2023, the University adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. 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. There was no significant impact to the financial statements as a result of adoption.

In addition, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITA) be recorded as both a right-of-use asset and a corresponding subscription liability, provides capitalization criteria for outlays related to non-subscription payments, and requires note disclosures for SBITA. This adoption resulted in increased right-of-use assets and related subscription liabilities at the beginning of the fiscal year, in the amount of $25,081,000, which is represented in capital assets, net on the statement of net position. Upon analysis of the facts and circumstances at the time of adoption, the effect on prior period net position was immaterial.

In fiscal year 2024, the University adopted the provisions of GASB Statement No. 99, *Omnibus 2022*, related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53. The objective of this statement is to establish accounting and reporting requirements for exchange and exchange-like financial guarantees, other derivative instruments that do not meet the definition of investment derivative instruments nor hedging derivative instruments, and termination of hedge accounting. There was no significant impact to the University in the adoption of this pronouncement.

In addition, the University adopted GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, which requires changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity to be reported by adjusting beginning balances of the current period and changes in accounting estimates be reported prospectively by recognizing the change in the current period. This statement also provides guidance on the presentation of required supplementary information and supplementary information affected by a change in accounting principle or error correction. There was no significant impact to the University in the adoption of this pronouncement.

(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, 2023 and 2022, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $17.6 billion and $16.8 billion. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $197,632,000 and $215,357,000 at December 31, 2023 and 2022, respectively.

At December 31, 2023, restricted cash and cash equivalents consist of $2,541,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $6,233,000 related to restricted donations related to certain capital projects, $1,503,000 related to endowment funds, and $1,473,000 related to collateral requirements of the interest rate swaps.

At December 31, 2022, restricted cash and cash equivalents consist of $2,997,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $20,939,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, $7,734,000 related to restricted donations related to certain capital projects, $647,000 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 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 and restricted investments of the University, by type, at fair value at December 31, 2023 and 2022 (in thousands) are as follows:

	2023	2022
U.S. treasury securities	$ 17,768	$ 13,153
U.S. federal agency notes	96,030	85,870
Commingled equity funds	106,423	103,291
Commingled fixed income funds	49,860	49,879
Marketable equity securities	65,179	54,656
Marketable debt securities	14,027	10,914
Private credit alternative fixed income investments	7,024	4,333
Private REIT alternative real estate investments	5,578	5,844
Private equity alternative investments	19,870	18,333
Real estate	8,479	8,479
Managed income alternative investments (low-volatility, multistrategy funds of funds)	37,463	37,109
	$ 427,701	$ 391,861

At December 31, 2023 and 2022, 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 December 31, 2023 and 2022, $34,335,000 and $28,579,000, respectively, of cumulative increase in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statement of net position.

The University invests in several private equity and private credit funds. At December 31, 2023 and 2022, the University had outstanding capital commitments to those funds of $26,049,000 and $21,185,000, respectively.

(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 multimanager fund.

The University’s exposure to credit risk and concentration of credit risk at December 31, 2023 and 2022 is as follows:

	2023	
	Credit rating	Percentage of total investments
Blackrock Credit Strategies Income Fund	Various	0.3 %
Common Fund Bond Fund	Various	3.9
Federal Farm Credit Banks Funding Corporation	AAA	2.3
Federal Home Loan Banks	AAA	12.6
Federal Home Loan Mortgage Corporation	AAA	6.7
Federal National Mortgage Association	AAA	1.0
Marketable debt securities	Various	3.3
PIMCO Pooled Bond Fund	Various	7.4
US Treasury securities	AAA	4.2

	2022	
	Credit rating	Percentage of total investments
Blackrock Credit Strategies Income Fund	Various	0.2 %
Common Fund Bond Fund	Various	4.7
Federal Farm Credit Banks Funding Corporation	AAA	3.0
Federal Home Loan Banks	AAA	11.2
Federal Home Loan Mortgage Corporation	AAA	6.8
Federal National Mortgage Association	AAA	1.0
Marketable debt securities	Various	2.8
PIMCO Pooled Bond Fund	Various	7.8
US Treasury securities	AAA	3.4

(Continued)

(ii) Interest Rate Risk

At December 31, 2023 and 2022, the maturity dates of the University's fixed income investments are as follows (in thousands):

	2023				
		Years to maturity			
	Fair value	Less than 1	1–5	6–10	More than 10
US Treasury securities	$ 17,768	2,076	9,962	5,438	292
US federal agency notes	96,030	42,349	47,975	190	5,516
Marketable debt securities	14,027	5,077	7,703	1,247	—
Commingled fixed income funds	49,860	—	28,526	4,689	16,645
	$ 177,685	49,502	94,166	11,564	22,453

	2022				
		Years to maturity			
	Fair value	Less than 1	1–5	6–10	More than 10
US Treasury securities	$ 13,153	1,857	4,514	6,782	—
US federal agency notes	85,870	—	79,546	193	6,131
Marketable debt securities	10,914	4,151	3,543	3,220	—
Commingled fixed income funds	49,879	—	27,356	4,158	18,365
	$ 159,816	6,008	114,959	14,353	24,496

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 that 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 are as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices
- 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 NAV 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 statement of net position.

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value at December 31, 2023 and 2022 (in thousands):

	Asset fair value measurements at December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. treasury securities	$ 17,768	—	—	17,768
U.S. federal agency notes	—	96,030	—	96,030
Commingled equity funds	104,061	2,362	—	106,423
Commingled fixed income funds	45,797	4,063	—	49,860
Marketable equity securities	65,179	—	—	65,179
Marketable debt securities	14,027	—	—	14,027
Private credit alternative fixed income	7,024	—	—	7,024
Private REIT alternative real estate investments	5,578	—	—	5,578
Private equity alternative investments	—	—	17,751	17,751
Real estate	—	—	8,479	8,479
Total investments at fair value	$ 259,434	102,455	26,230	388,119
Investments measured at NAV:				
Private equity funds				2,119
Managed income alternative investments (low-volatility, multistrategy funds of funds)				37,463
Total investments				$ 427,701

	Liability fair value measurements at December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate exchange agreements	$ —	15,032	—	15,032

Description		Asset fair value measurements at December 31, 2022 Level 1	Level 2	Level 3	Total
U.S. treasury securities	$	13,153	—	—	13,153
U.S. federal agency notes		—	85,870	—	85,870
Commingled equity funds		100,848	2,443	—	103,291
Commingled fixed income funds		46,293	3,586	—	49,879
Marketable equity securities		54,656	—	—	54,656
Marketable debt securities		10,914	—	—	10,914
Private credit alternative fixed income		4,333	—	—	4,333
Private REIT alternative real estate investments		5,844	—	—	5,844
Private equity alternative investments		—	—	16,180	16,180
Real estate		—	—	8,479	8,479
Total investments at fair value	$	236,041	91,899	24,659	352,599
Investments measured at NAV:					
Private equity funds					2,153
Managed income alternative investments (low-volatility, multistrategy funds of funds)					37,109
Total investments				$	391,861

Description		Liability fair value measurements at December 31, 2022 Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	$	—	16,666	—	16,666

A roll-forward schedule for Level 3 financial instruments for the three months ended December 31, 2023 and 2022 is as follows (in thousands):

		2023		2022
Beginning balance	$	25,533	$	16,379
Purchases		750		7,900
Net realized/unrealized gains		65		463
Sales		(118)		(83)
Ending balance	$	26,230	$	24,659

(b) Health Care Authority

HCA holds a 2.5% equity interest in USA Fairhope Physician Investors LLC (FPI), a multimember limited liability company that was formed to invest in the entity that developed and is now leasing an ambulatory surgical center. HCA's capital account balance in FPI is considered an investment in a joint venture, pursuant to GASB Statements Nos. 14 and 61. For the year ended December 31, 2023, HCA's capital account balance was $15,000. No distributions have been received by HCA to date; therefore, no income statement impact has been reported.

HCA holds a 51% equity interest in USA BC ASC Holdco, LLC (USA BC ASC Holdco), a multimember limited liability company formed to invest in USA Baldwin County ASC, LLC (USA BC ASC), a limited liability company formed to develop, own, and operate the Ambulatory Surgery Center on the USA Health Mapp Family Campus. For the year ended December 31, 2023, HCA's capital account balance is $443,000 and is presented on the statement of net position as an investment. HCA has received no distributions or allocations of gains or losses to date and there is no financial activity to report for USA BC ASC Holdco or USA BC ASC.

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the three months ended December 31, 2023 is as follows (in thousands):

	2023				
	Adjusted beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land and other	$ 32,402	—	—	—	32,402
Construction in progress	93,769	15,159	(55)	—	108,873
Valuation in progress, Providence	—	90,535	—	—	90,535
	126,171	105,694	(55)	—	231,810
Capital assets being depreciated or amortized:					
Land improvements	76,842	—	—	—	76,842
Buildings, fixed equipment, and infrastructure	1,049,483	21	(180)	(182)	1,049,142
Other equipment	242,077	1,101	235	(1,007)	242,406
Library materials	97,346	5	—	—	97,351
Right-of-use assets	80,146	6,468	—	(2,870)	83,744
	1,545,894	7,595	55	(4,059)	1,549,485
Less accumulated depreciation and amortization for:					
Land improvements	(37,622)	(977)	—	—	(38,599)
Buildings, fixed equipment, and infrastructure	(425,862)	(9,553)	119	142	(435,154)
Other equipment	(190,405)	(7,316)	(119)	986	(196,854)
Library materials	(75,683)	(1,056)	—	—	(76,739)
Right-of-use assets	(27,820)	(5,730)	—	2,107	(31,443)
	(757,392)	(24,632)	—	3,235	(778,789)
Capital assets being depreciated, net	788,502	(17,037)	55	(824)	770,696
Capital assets, net	$ 914,673	88,657	—	(824)	1,002,506

A summary of the University's capital asset activity for the three months ended December 31, 2022 is as follows (in thousands):

	2022				
	Adjusted beginning balance	**Additions**	**Transfers**	**Reductions**	**Ending balance**
Capital assets not being depreciated or amortized:					
Land and other	$ 32,261	98	—	—	32,359
Construction in progress	68,240	(403)	—	—	67,837
	100,501	(305)	—	—	100,196
Capital assets being depreciated or amortized:					
Land improvements	76,801	—	—	—	76,801
Buildings, fixed equipment, and infrastructure	1,013,480	8,962	—	(42)	1,022,400
Other equipment	235,963	1,546	—	(2,962)	234,547
Library materials	92,340	—	—	—	92,340
Right-of-use assets	40,234	1,962	—	(315)	41,881
	1,458,818	12,470	—	(3,319)	1,467,969
Less accumulated depreciation and amortization for:					
Land improvements	(34,155)	(946)	—	—	(35,101)
Buildings, fixed equipment, and infrastructure	(397,002)	(7,723)	—	41	(404,684)
Other equipment	(176,004)	(4,935)	—	2,866	(178,073)
Library materials	(71,812)	(1,008)	—	—	(72,820)
Right-of-use assets	(8,360)	(2,712)	—	315	(10,757)
	(687,333)	(17,324)	—	3,222	(701,435)
Capital assets being depreciated, net	771,485	(4,854)	—	(97)	766,534
Capital assets, net	$ 871,986	(5,159)	—	(97)	866,730

A summary of the University's net right-of-use assets, which are included in capital assets on the statement of net position, activity categorized by classification for the three months ended December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Right-of-use assets:			
Automobile	$	15	15
Buildings		7,900	7,900
Equipment		30,002	28,046
Office space		7,110	5,920
Software		38,717	—
		83,744	41,881
Less accumulated amortization for right-of-use assets:			
Automobile		(13)	(7)
Buildings		(2,860)	(1,528)
Equipment		(13,194)	(7,936)
Office space		(2,700)	(1,286)
Software		(12,676)	—
		(31,443)	(10,757)
Right-of-use assets, net	$	52,301	31,124

Depreciation and amortization of capital assets for the three months ended December 31, 2023 and 2022 was $24,632,000 and $17,324,000, respectively, for the University. In addition, the University amortized bond costs of issuance for total depreciation and amortization of $24,639,000 and $17,335,000 for the three months ended December 31, 2023 and 2022, respectively.

The University purchased Ascension Providence, on behalf of HCA, from Gulf Coast Health System on October 1, 2023. For the three months ended December 31, 2023, the University had capital asset additions of $90,535,000 related to the acquisiton. The University has contracted with an independent certified public accounting firm to appraise the acquired asset. Upon completion, the assets will be transferred to the appropriate capital asset category.

At December 31, 2023 and 2022, the University had commitments of approximately $20,443,000 and $34,280,000, respectively, related to various construction projects.

For the three months ended December 31, 2023, the University received $4,812,000 in capital grants from the Alabama Public School and College Authority (APSCA) for the site preparation and construction of the new College of Medicine facility. The University had no capital grants for the three months ended December 31, 2022.

(Continued)

(b) USA Research and Technology Corporation

Changes in capital assets for the three months ended December 31, 2023 and 2022 are as follows (in thousands):

	2023				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land	$ 223	—	—	—	223
Construction in progress	114	77	—	—	191
	337	77	—	—	414
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,788	4	—	—	28,792
Tenant improvements	2,717	32	—	—	2,749
Other equipment	408	7	—	—	415
Computer software	56	—	—	—	56
Lease commissions	406	7	—	—	413
Right-of-use assets	3	—	—	—	3
	34,363	50	—	—	34,413
Less accumulated depreciation or amortization for:					
Land improvements	(1,783)	(23)	—	—	(1,806)
Buildings	(12,511)	(3)	—	—	(12,514)
Tenant improvements	(1,600)	(86)	—	—	(1,686)
Other equipment	(362)	(197)	—	—	(559)
Computer software	(24)	(4)	—	—	(28)
Lease commissions	(275)	(16)	—	—	(291)
Right-of-use assets	(1)	—	—	—	(1)
	(16,556)	(329)	—	—	(16,885)
Capital assets being depreciated or amortized, net	17,807	(279)	—	—	17,528
Capital assets, net	$ 18,144	(202)	—	—	17,942

(Continued)

	2022				
	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land	$ 223	—	—	—	223
Construction in progress	20	—	—	—	20
	243	—	—	—	243
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,642	—	—	—	28,642
Tenant improvements	2,653	—	—	—	2,653
Other equipment	390	—	—	—	390
Computer software	41	—	—	—	41
Lease commissions	362	46	—	—	408
Right-of-use assets	—	—	—	—	—
	34,073	46	—	—	34,119
Less accumulated depreciation or amortization for:					
Land improvements	(1,689)	(23)	—	—	(1,712)
Buildings	(11,732)	(193)	—	—	(11,925)
Tenant improvements	(1,283)	(79)	—	—	(1,362)
Other equipment	(356)	(6)	—	—	(362)
Computer software	(11)	(3)	—	—	(14)
Lease commissions	(211)	(16)	—	—	(227)
Right-of-use assets	—	—	—	—	—
	(15,282)	(320)	—	—	(15,602)
Capital assets being depreciated or amortized, net	18,791	(274)	—	—	18,517
Capital assets, net	$ 19,034	(274)	—	—	18,760

Depreciation and amortization expense totaled $329,000 and $320,000 for the three months ended December 31, 2023 and 2022.

Construction projects that remain in progress at December 31, 2023 include renovations for tenant improvements in Buildings II and improvements to heating, ventilation, and air conditioning systems in Buildings I, II, and III. At December 31, 2023, the Corporation had outstanding commitments of approximately $243,000.

The Corporation’s net right-of-use assets ending balance categorized by classification for the three months ended December 31, 2023 and 2022 are as follows (in thousands):

		2023	2022
Right-of-use assets:			
Software subscriptions	$	3	—
		3	—
Less accumulated amortization for right-of-use assets:			
Software subscriptions		(1)	—
		(1)	—
Right-of-use assets, net	$	2	—

(c) Health Care Authority

A summary of HCA's capital assets activity for the three months ended December 31, 2023 is as follows (in thousands):

		Adjusted Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:						
Construction in progress	$	556	7	(555)	—	8
Works of art		1	—	—	—	1
		557	7	(555)	—	9
Capital assets being depreciated:						
Buildings		33,054	—	—	—	33,054
Leasehold improvements		5,333	11	—	—	5,344
Equipment		4,266	—	7	—	4,273
Computer software		139	—	—	—	139
Right-of-use assets		13,741	3	—	(59)	13,685
		56,533	14	7	(59)	56,495
Less accumulated depreciation for:						
Buildings		(1,045)	(312)	—	—	(1,357)
Leasehold improvements		(582)	(137)	—	—	(719)
Equipment		(2,323)	(122)	—	—	(2,445)
Computer software		(78)	(8)	—	—	(86)
Right-of-use assets		(4,155)	(530)	—	59	(4,626)
		(8,183)	(1,109)	—	59	(9,233)
Capital assets being depreciated, net		48,350	(1,095)	7	—	47,262
Capital assets, net	$	48,907	(1,088)	(548)	—	47,271

Construction in progress and outstanding commitments each totaled approximately $8,000 related to various construction projects as of December 31, 2023.

Depreciation and amortization of capital assets for the three months ended December 31, 2023 was $1,109,000.

A summary of HCA's net right-of-use assets categorized by classification for the three months ended December 31, 2023 is as follows (in thousands):

		Ending balance
Right-of-use assets:		
Buildings	$	13,607
Equipment		55
Software subscriptions		23
		13,685
Less accumulated amortization for right of use:		
Buildings		(4,581)
Equipment		(38)
Software subscriptions		(7)
		(4,626)
Right-of-use assets, net	$	9,059

(6) Noncurrent Liabilities

(a) University of South Alabama

A summary of the University's noncurrent liability activity for the three months ended December 31, 2023 is as follows (in thousands):

		Adjusted beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:							
Bonds payable	$	518,201	—	(5,341)	512,860	109,245	403,615
Notes payable from direct borrowings		797	—	(3)	794	189	605
Lease and subscription obligations		51,347	5,292	(5,823)	50,816	20,807	30,009
Total long-term debt		570,345	5,292	(11,167)	564,470	130,241	434,229
Other noncurrent liabilities:							
Net pension liability		375,894	—	—	375,894	—	375,894
Net OPEB liability		53,421	—	—	53,421	—	53,421
Other long-term liabilities		70,397	10,973	(3,039)	78,331	4,520	73,811
Total other noncurrent liabilities		499,712	10,973	(3,039)	507,646	4,520	503,126
Total noncurrent liabilities	$	1,070,057	16,265	(14,206)	1,072,116	134,761	937,355

A summary of the University's noncurrent liability activity for the three months ended December 31, 2022 is as follows (in thousands):

	Adjusted beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 458,916	—	(5,106)	453,810	24,605	429,205
Notes payable from direct borrowings	618	—	(184)	434	434	—
Lease and subscription obligations	31,964	2,193	(2,068)	32,089	8,969	23,120
Total long-term debt	491,498	2,193	(7,358)	486,333	34,008	452,325
Other noncurrent liabilities:						
Net pension liability	237,578	—	—	237,578	—	237,578
Net OPEB liability	205,378	—	—	205,378	—	205,378
Other long-term liabilities	81,663	4,907	(3,536)	83,034	4,937	78,097
Total other noncurrent liabilities	524,619	4,907	(3,536)	525,990	4,937	521,053
Total noncurrent liabilities	$ 1,016,117	7,100	(10,894)	1,012,323	38,945	973,378

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.

In 2018, the University converted a 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 December 31, 2022 was $434,000, and is reported as long-term debt (and current portion thereof) in the statement of net position. This loan was paid in full in July 2023.

In August 2023, the University entered into a three-year direct borrowing finance purchase agreement for the purchase of medical equipment. The purchase agreement for the equipment was for $46,000, with a down payment of $5,000 and thirty-six monthly payments of $1,000. After thirty-six monthly payments of $1,000, the equipment will become property of the University. The amount outstanding at December 31, 2023 is $38,083, and is reported as long-term debt (and current portion thereof) in the statement of net position.

In September 2023, the University entered into a five-year direct borrowing finance purchase agreement for the purchase of software and equipment. The full amount of the purchase agreement is $756,000, with monthly payments in the amount of $14,000 through June 1, 2028. At the end of the scheduled payments, the equipment and software will become property of the University. The full amount is outstanding at December 31, 2023 and is reported as long-term debt (and current portion thereof) in the statement of net position.

Lease and Subscription Obligations

The University determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether the University obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets and lease and subscription obligations. Lease and subscription right-of-use assets and related obligations are recognized at the commencement date based on the present value of the payments over the agreement term discounted using an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the specified term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease or subscription payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right-of-use asset and the reduction in liability balance related to principal payments will result in a difference between the net right-of-use asset and related lease and subscription obligations.

The University leases various automobiles, buildings, equipment, office space, and software subscriptions under leases expiring at various dates through 2038. Aggregate future minimum lease and subscription payments under noncancelable agreements as of December 31, 2023, by fiscal year, are as follows (in thousands):

		Principal	Interest	Total
2024	$	16,554	1,584	18,138
2025		15,234	1,474	16,708
2026		6,227	880	7,107
2027		4,161	604	4,765
2028		3,264	403	3,667
2029 – 2033		4,772	526	5,298
2034 – 2038		604	52	656
Lease and subscription obligations	$	50,816	5,523	56,339

These amounts are included in lease and subscription obligations and the current portion thereof in the accompanying statement of net position.

The University has commitments under leases and subscriptions for which the lease term has not commenced in the amount of $7,209,000 as of December 31, 2023.

The University leases space from the Corporation and HCA. See additional details in the following sections.

(b) USA Research and Technology Corporation

Changes in noncurrent liabilities for the three months ended December 31, 2023 and 2022 are as follows (in thousands):

	December 31, 2023					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 17,989	—	(252)	17,737	1,031	16,706

	December 31, 2022					
	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 19,379	—	(343)	19,036	1,299	17,737

(i) Notes Payable

Notes payable from direct borrowings consisted of the following at December 31, 2023 and 2022 (in thousands):

2023

PNC Bank promissory note, 4.38%, payable through 2028	$ 10,607
Hancock Whitney promissory note, 3.08%, payable through 2031	7,130
	$ 17,737

2022

PNC Bank promissory note, 4.38%, payable through 2028	$ 11,120
Hancock Whitney promissory note, 3.08%, payable through 2031	7,610
University of South Alabama promissory note, 3%, payable through 2023	306
	$ 19,036

The promissory note payable to PNC Bank has a 10-year term and amortization is based on a 10-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 promissory note payable to Hancock Whitney Bank has a 10-year term and is secured by an interest in rental leases and an interest in income received from rental of Building I. 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 the PNC note and the Hancock Whitney note, the University entered into an agreement with both lenders 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. As of September 30, 2023, the Corporation's debt service coverage ratio was 2.07 to 1.

The Corporation's outstanding notes from direct borrowings with PNC Bank and Hancock Whitney Bank contain a provision that, in the event of default, PNC Bank or Hancock Whitney 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 and Hancock Whitney Bank will give the Corporation 30 days to cure the default.

(ii) Debt Service on Long-Term Obligations

At December 31, 2023, total future debt service by year is as follows (in thousands):

		Debt service on notes payable		
		Principal	**Interest**	**Total**
2024	$	770	504	1,274
2025		1,061	637	1,698
2026		1,101	597	1,698
2027		1,144	554	1,698
2028		9,028	424	9,452
2029-2031		4,633	286	4,919
Total	$	17,737	3,002	20,739

(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 statement 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. As of December 31, 2023, and 2022, the unamortized balance in deferred outflows was $570,000 and $722,000, respectively.

(c) Health Care Authority

A summary of HCA's noncurrent liability activity for the three months ended December 31, 2023 is as follows (in thousands):

		Adjusted Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$	21,834	—	(39)	21,795	169	21,626
Lease and subscription obligations		10,063	3	(484)	9,582	1,919	7,663
Other noncurrent liabilities		—	—	—	—	—	—
Total noncurrent liabilities	$	31,897	3	(523)	31,377	2,088	29,289

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the Mapp Campus. Construction began in 2021 and was completed in October 2022. The agreement commenced upon construction completion for an initial 15-year period plus two options to extend for consecutive 5-year terms. HCA began making monthly payments at a 4.79% interest rate in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at December 31, 2023 is $21,795,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At December 31, 2023 future debt service for long-term debt by fiscal year is as follows (in thousands):

		Principal	Interest	Total
2024	$	121	781	902
2025		198	1,034	1,232
2026		240	1,023	1,263
2027		284	1,011	1,295
2028		331	996	1,327
2029-2033		2,474	4,676	7,150
2034-2038		4,199	3,891	8,090
2039-2043		6,528	2,625	9,153
2044-2047		7,420	761	8,181
Total	$	21,795	16,798	38,593

Lease and Subscription Obligations

HCA determines whether an arrangement is a lease at inception by evaluating whether the contract conveys the right to use an identified asset and whether HCA obtains substantially all of the economic benefits from and has the right to control the asset. Any lease or software subscription identified is recorded as a right-of-use asset under capital assets with a related lease and subscription obligation. Right-of-use assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. Amortization of right-of-use assets is recognized on a straight-line basis over the lease term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease payment and recorded as such in the statement of revenues, expenses, and changes in net position. The difference in methodology between the amortization of the right-of-use asset and the reduction in liability balance related to principal payments will result in a difference between the net right-of-use asset and related lease and subscription liability.

HCA has entered into agreements to lease various buildings and equipment and to utilize various software subscriptions under lease and subscription obligations expiring at various dates through 2032.

Aggregate future minimum lease payments under noncancelable agreements as of December 31, 2023, by fiscal year, are as follows (in thousands):

		Principal	Interest	Total
2024	$	1,451	269	1,720
2025		1,883	291	2,174
2026		1,672	219	1,891
2027		1,683	152	1,835
2028		971	97	1,068
2029–2033		1,922	100	2,022
	$	9,582	1,128	10,710

These amounts are included in lease and subscription obligations and current portion thereof in the accompanying statement of net position.

HCA has no lease or subscription commitments for which the term has not commenced as of December 31, 2023.

Other Noncurrent Liabilities

Other noncurrent liabilities consist of liabilities related to long-term vacation accruals. This liability is only accrued at fiscal year-end and the amounts due within one year are included in current portion of other long-term liabilities.

(7) Deferred Outflows and Inflows

Deferred outflows of resources are consumption of net assets that are applicable to a future reporting period. In 2016, the University issued its Series 2016 Bond. The proceeds from this series were used to partially defease the Series 2008 Bonds resulting in a loss of the difference between the acquisition price of the new debt and the net carrying amount of the old debt. In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, this loss was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. Additionally, in accordance with GASB Statements Nos. 68 and 75, changes in assumptions, changes in the proportion of total net liabilities relative to other plan participants, differences between employer contributions and the proportionate share of contributions, and employer contribution subsequent to the measurement date of the net pension liability but prior to the end of the fiscal year are presented as a deferred outflow of resources.

The components of deferred outflows of resources as of December 31, 2023 and 2022 are summarized below (in thousands):

Deferred outflows	2023	2022
Loss on refunding of 2016 bonds	$ 5,014	$ 5,401
Pension	122,095	57,943
OPEB	115,167	161,853
	$ 242,276	$ 225,197

Deferred inflows of resources are net asset acquisitions that are applicable to a future reporting period. In 2016, the University issued its 2016-B, C, and Bonds. In accordance with GASB Statement Nos. 63 and 65, the proceeds from these series refunded the remaining outstanding 2006 bonds and the resulting gain is being amortized over the remaining life of the Series 2016-B, C, and D Bonds as a deferred inflow of resources. Additionally, the University is a party to two derivatives in which the change in fair value is reported as a deferred outflow. Additionally, in accordance with GASB Statement Nos. 68 and 75, the difference between the expected and actual experience and the net difference between projected and actual earnings on investments are presented as a deferred inflow of resources. Finally, in accordance with

GASB Statement No. 87, the deferred inflow of resources attributable to leases is recognized on a straight-line basis over the respective lease terms.

The components of deferred inflows of resources as of December 31, 2023 and 2022 are summarized below (in thousands):

Deferred inflows		2023		2022
Gain on refunding of 2016 Series B, C & D bonds	$	2,931	$	3,158
Interest rate swaps		16,151		17,828
Pension		29,230		91,655
OPEB		260,679		186,980
Leases		2,418		2,188
	$	311,409	$	301,809

(8) Bonds Payable

Bonds payable consisted of the following at December 31, 2023 and 2022 (in thousands):

		2023	2022
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	$	18,218	19,776
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		4,555	4,943
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		3,799	4,499
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 0.73%, payable through March 2024		8,455	16,505
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		2,625	3,000
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037		67,985	71,300
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 0.72% payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026		20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of SOFR compounded in arrears plus 0.11448%, plus 77% payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2028		35,000	35,000

	2023	2022
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 79% of one month LIBOR plus .83%, (3.313% at September 30, 2022), 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	29,365	30,880
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	14,615	15,930
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	12,874	14,528
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	34,035	35,090
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041	38,045	39,380
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032	12,829	14,128
University Facilities Revenue Bonds, Series 2023-A variable rate payable at 80% adjusted term SOFR plus 0.45% payable through April 19, 2024	67,020	—
University Facilities Revenue Bonds, Series 2023-B variable rate payable at 80% adjusted term SOFR plus 0.45% payable through April 19, 2024	16,635	—
	478,805	417,709
Plus unamortized premium	35,327	37,481
Less unamortized debt extinguishment costs	(1,272)	(1,380)
	$ 512,860	453,810

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 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 at any time. The Series 2015 Bonds began maturing in August 2015 and were 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 Bonds will begin maturing in April 2033. The Series 2019-B Bonds began maturing in April 2021. Both Series 2019-A and 2019-B are both redeemable beginning in April 2029. The Series 2019-C Bonds began maturing in April 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds began maturing in April 2021 and are redeemable beginning April 2030. Series 2021 Bonds began maturing in April 2022 and are redeemable beginning April 2041. The Series 2021-B Bonds began maturing in August 2022 and are not subject to redemption. The Series 2023-A and 2023-B will mature in April 2024 and were redeemable beginning April 2023.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016- A, with a face value of $85,605,000. The proceeds from the Series 2016-A 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 assets of the escrow trust account nor the defeased indebtedness is included in the accompanying statement 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-A Bonds. The balance of the related deferred outflow totaled $5,014,000 at December 31, 2023. The principal outstanding on all defeased bonds is $71,300,000 at December 31, 2023.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C, and, 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, and Bonds. The balance of the related net deferred inflow at December 31, 2023 totaled $2,931,000.

In September 2021, the terms for the outstanding bonds of the University designated “Series 2016-B,” “Series 2016-C,” and “Series 2016-D” (together, the Original 2016 Bonds), each of which bore interest at a variable rate based on a one-month LIBOR base index, were revised to address, among other things, the cessation of LIBOR. Specifically, the University issued bonds designated “Amended and Restated Series 2016-B,” “Amended and Restated Series 2016-C,” and “Amended and Restated Series 2016-D” (together, the Amended and Restated 2016 Bonds) in exchange for the Original 2016 Bonds. Each of the Amended and Restated 2016 Bonds provide that, upon the cessation of LIBOR as a base index for purposes of ISDA-based defined rates, the base index for such bond (the Replacement Index) would equal a benchmark replacement and any applicable spread adjustment that would apply for derivatives transactions referencing the ISDA Definitions. In addition, for each Amended and Restated 2016 Bond, the earliest date (the Put Date) on which the holder could elect to cause all scheduled principal thereunder to become due and payable was extended by approximately five years as compared to the first Put Date for the Original 2016 Bond exchanged therefor.

On March 5, 2021, the Financial Conduct Authority (FCA) announced the final publication date for US LIBOR was June 30, 2023. The Alternative Reference Rates Committee (ARRC) has recommended the Secured Overnight Financing Rate (SOFR) as an alternative to replace LIBOR.

In April 2023, the University issued University Facilities Revenue Bond (Draw-Down Loan) 2023-A, which can be drawn up to $80,000,000, and University Facilities Revenue Bond (Draw-Down Loan) 2023-B, which can be drawn upon up to $20,000,000. An initial draw of $485,000 was made on 2023-A at the inception of the bond. On September 27, 2023, an additional draw was made from 2023-A and 2023-B in the amounts of $66,535,000 and $16,635,000, respectively. The monies from both 2023-A and 2023-B can be drawn down at any time through the advance period, which ends in April 19, 2024, at which time the full principal drawn is due. The principal outstanding at December 31, 2023 for 2023-A is $67,020,000 and the balance for 2023-B is $16,635,000. These amounts are reported as current portion of long-term debt in the statement of net position. At December 31, 2023, the undrawn portion of 2023-A and 2023-B was $12,980,000 and $3,365,000, respectively.

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 December 31, 2023 and 2022, no amounts were due or recorded in the financial statements.

A summary of the University's short-term borrowing activity for the three months ended December 31, 2023 follows (in thousands):

	December 31, 2023			
	Beginning balance	Additions	Reductions	Ending balance
Short-term debt:				
Bonds payable	$ 83,655	—	—	83,655

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 year is as follows at December 31, 2023 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2024	$ 102,117	8,704	186	41	111,048
2025	21,289	12,962	158	25	34,434
2026	22,190	12,343	166	18	34,717
2027	23,095	11,701	160	10	34,966
2028	24,115	10,994	124	2	35,235
2029–2033	122,024	43,250	—	—	165,274
2034–2038	116,415	22,302	—	—	138,717
2039–2043	28,485	8,160	—	—	36,645
2044–2048	15,890	3,130	—	—	19,020
2049–2053	3,185	159	—	—	3,344
Subtotal	478,805	$ 133,705	794	96	613,400
Plus (less):					
Unamortized bond premium	35,327		—		
Unamortized debt extinguishment costs	(1,272)		—		
Total	$ 512,860		794		

(9) Lease Receivables

(a) University of South Alabama

The University leases land, buildings, and suites to various lessees expiring at various dates through 2072. For the three months ended December 31, 2023, the University recognized a total of $216,000 of inflows of resources from leases, of which $190,000 was recognized as lease revenue as other operating revenue and interest of $26,000 was recognized as a component of investment income in the statement of revenues, expenses, and changes in net position.

For the three months ended December 31, 2022, the University recognized a total of $212,000 of inflows of resources from leases, of which $189,000 was recognized as lease revenue as other operating revenue and interest of $23,000 was recognized as a component of investment income in the statement of revenues, expenses, and changes in net position.

The following table provides future minimum lease revenue by fiscal year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	514	69	583
2025		658	69	727
2026		190	50	240
2027		180	42	222
2028		177	35	212
2029–2033		727	65	792
2034–2038		1	4	5
2039–2043		2	3	5
2044–2048		2	3	5
2049–2053		2	3	5
2054–2058		3	2	5
2059–2063		4	2	6
2064–2068		4	1	5
2069–2073		1	—	1
Lease receivable	$	2,465	348	2,813

(b) USA Research and Technology Corporation

The Corporation leases land, buildings, and suites to various lessees under financing leases and short-term leases expiring at various dates through 2057. In Building I, space is leased under five lease agreements. The first lease has a 5 year initial term expiring in October 2023 with two 5 year renewal options. The second lease had a 1 year initial term, which was amended to include an additional 2 year term expiring in December 2025 with no renewal options. The third lease has a 5-year initial term expiring in August 2024 with one 5 year renewal option. The fourth and fifth leases both have 5-year terms and no renewal options, with the fourth lease expiring in April 2024 and the fifth lease in July 2024.

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

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). For the three months ended December 31, 2023 and 2022, the Corporation reported no operating expense reimbursement income.

Space under lease to the University was 80,092 and 78,123 square feet at December 31, 2023 and 2022, respectively.

The Corporation owns a building located on the premises of the USA Health, 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, which was initially set to expire in March 2020, with three 5-year renewal options. The lease was renewed for an additional 10 years, expiring in March 2030, 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, 2023. One lease is for a 40-year initial term expiring in October 2046 with two renewal options—the first for 20 years and the second for 15 years. 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 two renewal options—the first for 20 years and the second for 15 years.

The terms and conditions of each lease agreement vary by tenant with some including early termination options. Of the existing lease agreements, three have early termination options. One tenant in Building I and two tenants in Building II have options to terminate their lease agreement early if notice is given within the stated timeframe and all, if any, monetary obligations have been met.

In December 2022, a tenant in Building I exercised an early termination option that required payment of the unamortized portion of tenant improvement costs incurred by the Corporation. This payment totaled $164,000 and was recognized as a component of rental income and is recorded as operating revenues in the statement of revenues, expenses, and changes in net position.

For the three months ended December 31, 2023 and 2022, the Corporation recognized a total of $916,000 and $1,018,000, respectively, of inflows of resources from financing leases, of which $827,000 and $915,000, respectively, was recognized as lease revenue and $89,000 and $102,000, respectively, was recognized as interest income in other nonoperating revenues.

(Continued)

The following table provides future minimum lease revenue by fiscal year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	1,845	242	2,087
2025		1,025	279	1,304
2026		928	248	1,176
2027		748	223	971
2028		744	200	944
2029–2033		1,987	746	2,733
2034–2038		1,181	548	1,729
2039–2043		1,497	343	1,840
2044–2048		1,142	104	1,246
2049–2053		137	31	168
2054–2058		132	9	141
Lease receivable	$	11,366	2,973	14,339

(c) Health Care Authority

Leases as a lessor are included in the lease receivable and current portion thereof on the statement of net position.

Lease receivables represent HCA’s contractual right to receive cash in exchange for the right to use an asset for a specific amount of time. HCA subleases buildings, suites, and land under leases expiring at various dates through 2073. For the three months ended December 31, 2023, HCA recognized a total of $137,000 of inflows of resources from leases, of which $103,000 was recognized as lease revenue and $34,000 was recognized as interest income. Lease revenue is included within other operating revenues and interest income is included within investment income on the statement of revenues, expenses, and changes in net position.

The following table provides future minimum lease revenue by fiscal year that is included in the measurement of the lease receivable (in thousands):

		Principal	Interest	Total
2024	$	245	94	339
2025		281	119	400
2026		291	108	399
2027		310	96	406
2028		195	86	281
2029-2033		880	316	1,196
2034-2038		609	162	771
2039-2043		34	105	139
2044-2048		42	97	139
2049-2053		53	87	140
2054-2058		66	74	140
2059-2063		82	57	139
2064-2068		102	37	139
2069-2073		100	11	111
	$	3,290	1,449	4,739

(10) Derivative Transactions – Interest Rate Swaps

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. The income associated with the derivatives is a component of investment income and the corresponding expense is a component of interest expense. The terms of the derivatives require the University to post collateral when certain criteria are met. Such amounts as of December 31, 2023 and 2022 totaled $14,516,000 and $20,956,000, respectively, which is included in restricted investments on the statement of net position.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bond matures. The notional amount of the 2014 swap will at all times match the outstanding principal amount of the related bond. Under the swap, the University pays the counterparty a fixed semiannual payment based on an annual rate of 4.9753%. Prior to the cessation of LIBOR, the University received, on a monthly basis, a variable payment of 68% of the one-month LIBOR. In connection with the cessation of LIBOR, the University is adhering to the ISDA Fallback protocols, which means that, as of the cessation of LIBOR on June 30, 2023, the University receives payments calculated at 68% of SOFR compounded in arrears + 0.11448%, plus 0.25%.

The 2016 swap will terminate in December 2036, when the Amended and Restated 2016 Bonds reach their final scheduled maturity. The notional amount of the swap will at all times match the outstanding principal amount of the related bonds. Under the swap, the University pays the counterparty a fixed semiannual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of SOFR Compounded in arrears + 0.11448%, plus 0.25%. Conversely, the Amended and Restated 2016 Bonds bear interest at 68% of SOFR compounded in arrears + 0.11448% plus 72 basis points (as respects the Amended and Restated 2016-B Bond), 77 basis points (as respects the Amended and Restated 2016-C Bond), and 83 basis points (as respects the Amended and Restated 2016-D Bond).

Fair value: The 2014 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 swap as other long-term liabilities in the amount of $125,000 and $379,000 in the statement of net position at December 31, 2023 and 2022, respectively. The change in the fair value of the swap of $89,000 and $85,000, respectively, during the three months ended December 31, 2023 and 2022, is reported as a change in both deferred inflow and contra liability (other long-term liabilities) in the statement 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 $103,000 and $763,000 at December 31, 2023 and 2022.

The 2016 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 swap as other long-term liabilities in the amount of $14,907,000 and $16,287,306, respectively, in the statement of net position at December 30, 2023 and 2022. The change in the fair value of the swap of $2,341,000 and $1,489,187 during the three months ended December 31, 2023 and 2022 respectively, is reported as a change in both deferred inflow and contra liability (other long-term liabilities) in the statement of net position at December 31, 2023 and 2022, since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2016 swap totaled $16,049,000 and $17,065,000 at December 31, 2023 and 2022, respectively.

The fair values of the interest rate swaps are 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 SOFR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the SOFR rate will also result in a decrease of the University's interest payments on the related bonds. The University's exposure is limited to 0.48% of the notional amount for the Series 2014-A and 0.47%, 0.52%, and 0.58% of the notional amounts for the Series 2016-B, 2016-C, and 2016-D, respectively. The exposure is the difference in the payment from the counterparty and the interest payment on the related bonds.

Credit risk: As of December 31, 2023 and 2022, the University was not exposed to credit risk on the interest rate swaps because the swaps 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 December 31, 2023.

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 December 31, 2023, and calculating interest for subsequent years using forward rates of one-month LIBOR (adjusted to 68% of SOFR Compounded in arrears + 0.11448%, plus .73%), debt service requirements for the 2014 swap payments, by fiscal year, are as follows (in thousands):

		Variable rate note		Interest rate	
		Principal	Interest	swap, net	Total
2024	$	8,455	60	160	8,675
Total	$	8,455	60	160	8,675

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

		Variable rate note		Interest rate	
		Principal	Interest	swap, net	Total
2024	$	—	2,102	804	2,906
2025		5,600	2,440	2,937	10,977
2026		5,885	2,210	2,849	10,944
2027–2031		34,285	8,551	11,363	54,199
2032–2036		44,025	3,863	5,246	53,134
2037–2040		10,205	64	205	10,474
Total	$	100,000	19,230	23,404	142,634

(11) 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, 2019.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2020.

Revenues from the Medicare program accounted for approximately 14% of USA Health's patient service revenues for the year ended September 30, 2023.

Blue Cross Blue Shield – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon Medicare Severity Diagnosis Related Groups. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on Blue Cross Enhanced Ambulatory Patient Groups.

Revenues from the Blue Cross program accounted for approximately 29% of USA Health's patient service revenues for the year ended September 30, 2023.

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 certainty 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. For the year ended September 30, 2023, the University received supplemental payments from this program in the amount of $87,279,000.

Revenues from the Medicaid program accounted for approximately 25% of USA Health's patient service revenues for the year ended September 30, 2023.

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 includes discounts from established charges and prospectively determined daily and case rates.

(Continued)

The composition of patient service revenues for the three months ended December 31, 2023 and 2022 follows (in thousands):

		2023	2022
Gross patient service revenues	$	550,706	512,054
Less:			
Provision for contractual and other adjustments		(310,184)	(287,906)
Provision for bad debts		(28,058)	(31,574)
	$	212,464	192,574

(12) 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 60 with 10 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 62 with 10 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.

Tier 2 covered members of the TRS contribute 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rates are 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percentage 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 $21,345,000 and $22,002,000 for the year ended September 30, 2023 and 2022, respectively.

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

At September 30, 2023 and 2022, the University reported a liability of $375,894,000 and $237,578,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2023, the collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion of contributions to the pension plan was 2.418758%, which was a decrease of 0.103213% from its proportion measured as of September 30, 2021 of 2.521971%.

For the year ended September 30, 2023 and 2022, the University recognized pension expense of approximately $33,657,000 and $5,810,000, respectively, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September, 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2023	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 8,263	9,122
Changes of assumptions	17,057	—
Net difference between projected and actual earnings on pension plan investments	75,430	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	20,108
Employer contributions subsequent to measurement date	21,345	—
	$ 122,095	29,230

	2022	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 11,000	13,842
Changes of assumptions	24,938	—
Net difference between projected and actual earnings on pension plan investments	—	56,080
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	21,733
Employer contributions subsequent to measurement date	22,005	—
	$ 57,943	91,655

At September 30, 2023, approximately $21,345,000 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:		
2024	$	16,985
2025		14,957
2026		11,588
2027		27,990
	$	71,520

(e) Actuarial Assumptions

The total pension liability as of September 30, 2023 and 2022 was determined by an actuarial valuation as of September 30, 2021 and 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	2023	**2022**
Inflation	2.50 %	2.50 %
Investment rate of return*	7.45 %	7.45 %
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, 2021 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63–67) and for females (112% ages < 69, 98% > age 74, phasing down 69–74), projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019.

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:

	Target allocation	Long-term expected rate of return*
Fixed income	15.0 %	2.8 %
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	9.0
Real estate	10.0	6.5
Cash equivalents	5.0	2.5
	100.0 %	

* Includes assumed rate of inflation of 2.00%

(f) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2023 and 2022 was 7.45%. 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.

(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 7.45%, 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 one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	$	486,391	375,894	282,821

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022 as well as prior-year reports. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2022. The auditors' report dated January 17, 2023 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, 2022 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(13) 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). 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 $81,000 representing 135 for the three months ended December 31, 2023.

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. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed $3,671,000 representing 3,729 employees participating in this plan for the three months ended December 31, 2023. 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 36 months; at which time, they become 100% vested in the plan.

Effective April 1, 2022, HCM adopted a deferred compensation retirement plan. All nonstudent employees are eligible to defer receipt of a portion of their salary until a later date. 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. Under this plan, contributions by eligible employees are not matched by HCM. During the three months ended December 31, 2023, 121 participated in this plan. All eligible employees are fully vested in their accounts under this plan immediately upon contributing.

(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. Employees acquired through the Providence purchase were able to transfer their current PTO balances to the University. This transferred PTO is eligible for payout. The accompanying statement of net position includes accruals for vacation pay and paid time off of approximately $11,265,000 and $11,807,000 at December 31, 2023 and 2022, 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.

(14) 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. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the reporting of the participating employers' share of 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. 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, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network, and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

(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 $6,382,000 and $5,859,000 for the year ended September 30, 2023 and 2022, respectively.

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

At September 30, 2023 and 2022, the University reported a liability of $53,421,000 and $205,378,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2023, the net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion of contributions to the OPEB plan was 3.065860%, which was a decrease of 0.90909% from its proportion measured as of September 30, 2021 of 3.974950%.

For the year ended September 30, 2023 and 2022, the University recognized OPEB expense of approximately $(25,190,000) and 1,286,000, respectively, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2023	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 2,450	108,013
Changes of assumptions	43,332	77,758
Net difference between projected and actual earnings on OPEB plan investments	6,718	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,285	74,908
Employer contributions subsequent to the measurement date	6,382	—
	$ 115,167	260,679

	2022	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 4,859	71,452
Changes of assumptions	73,143	79,606
Net difference between projected and actual earnings on OPEB plan investments	—	6,406
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,991	29,515
Employer contributions subsequent to the measurement date	5,859	—
	$ 161,852	186,979

At September 30, 2023, approximately $6,382,000 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 ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB income (expense) as follows (in thousands):

Year ending September 30:		
2024	$	(35,828)
2025		(35,176)
2026		(10,386)
2027		(16,525)
2028		(32,491)
Thereafter		(21,488)
	$	(151,894)

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2023 and 2022 was determined by an actuarial valuation performed as of September 30, 2021 and 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	2023	2022
Inflation	2.50 %	2.50 %
Projected salary increases*	3.25-5.00 %	3.25-5.00 %
Long-term investment rate of return**	7.00 %	7.00 %
Municipal bond index rate at the measurement date	4.40 %	4.40 %
Municipal bond index rate at prior measurement date	2.29 %	2.29 %
Projected year for fiduciary net position to be depleted	N/A	2051
Single equivalent interest rate at the measurement date	7.00 %	7.00 %
Single equivalent interest rate at prior measurement date	3.97 %	3.97 %
Healthcare cost trend rate		
Pre-Medicare eligible	6.50 %	6.50 %
Medicare eligible	***	***
Ultimate trend rate		
Pre-Medicare eligible	4.50 %	4.50 %
Medicare eligible	4.50 %	4.50 %
Year of ultimate trend rate		
Pre-Medicare eligible	2031	2028
Medicare eligible	2027	2025

* Includes 2.75% wage inflation

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

*** Initial Medicare claims are set based on scheduled increases through plan year 2025.

Mortality rates were based on the Pub-2010 Teacher Below Median tables adjusted for males (108% ages < 63, 96% ages > 67; phasing down 63–67) and for females (112% ages < 69, 98% > age 74, phasing down 69–74), projected generationally using scale MP-2020 adjusted by 66–2/3% beginning with year 2019.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the TRS on September 13, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) of the total OPEB liability were based on the September 30, 2021 valuation.

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:

	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 2.50% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2023 and 2022 was 7.00% and 3.05%, 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. 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022. It is assumed that the 15.257% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by $800 with inflation at 2.5% starting in 2027. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation by the asset class and by the mean and variance of real returns. 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. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

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

The following table presents the University's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 4.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower 3.50% or one percentage point higher 5.50% than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (3.50)%	Current rate (4.50)%	1% Increase (5.50)%
University's proportionate share of collective net OPEB liability	$	40,509	53,421	69,256

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate (in thousands):

		September 30, 2023		
		1% Decrease (6.00)%	Current rate (7.00)%	1% Increase (8.00)%
University's proportionate share of collective net OPEB liability	$	66,047	53,421	42,822

(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, 2022 and 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022 and 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

(15) 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 three months ended December 31, 2023 and 2022. 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 $1,018,000 for the three months ended December 31, 2023. 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 year ended December 31, 2023 and 2022 for the PLTF, GLTF, and health plan are summarized as follows (in thousands):

		2023	2022
Balance, beginning of year	$	46,186	50,015
Liabilities incurred and other additions		33,776	23,145
Claims, administrative fees paid, and other reductions		(22,676)	(19,303)
Balance, end of year	$	57,286	53,857

These amounts are included in other long-term liabilities and in accounts payable and accrued liabilities in the accompanying statement of net position.

(16) Other Related Parties and Related-Party Transactions

During the three months ended December 31, 2023 and 2022, the University had certain related-party transactions with affiliates as described below.

South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. SAMSF had total assets of $11,661,000 and $10,996,000, net assets of $11,639,000 and $10,996,000, and total revenues of $173,000 and $518,000, for the three months ended December 31, 2023 and 2022, respectively. During the three months ended December 31, 2023 and 2022, SAMSF made contributions in the amount of $9,000 and $217,000, respectively, to support clinical trials and research at the University. Contributions from SAMSF are presented as private grants and contract revenues on the statement of revenues, expenses, and changes in net position for the University.

Jaguar Athletic Fund (JAF) is a not-for-profit corporation that was organized for the purpose of providing support for the athletic programs and student-athletes at the University. For the three months ended December 31, 2023 and 2022, JAF had total assets of $1,270,000 and $2,082,000, net assets of

$1,270,000 and 2,082,000, and total revenues of $397,000 and 690,000. JAF did not make any contributions to the University for the three months ended December 31, 2023 or 2022.

Gulf Coast TotalCare (Gulf Coast) is an Alabama not-for-profit corporation created for the purpose of operating a community-led network to coordinate the healthcare of Medicaid patients in Southwest Alabama. For the three months ended December 31, 2023 and 2022, Gulf Coast had total assets of $1,494,000 and $935,000, net assets of $529,000 and $516,000, and total revenues of $2,093,000 and $2,202,000, respectively. For the three months ended December 31, 2023 and 2022, HCM (a blended component unit of the University) charged Gulf Coast a management fee of $238,000 and $259,000, respectively, to cover management and administrative expenses for Gulf Coast operations. For the three months ended December 31, 2022, HCM transferred $350,000 to Gulf Coast due to increased expenses related to COVID-19. The management fee and transfer are presented as other operating revenue and supplies and services, respectively, on the statement of revenues, expenses, and changes in net position for the University.

The University of South Alabama Foundation for Research and Commercialization (FRAC) is an Alabama not-for-profit corporation created for the purpose of promoting and advancing the University's educational, research, and service missions. For the three months ended December 31, 2023 and 2022, FRAC had total assets of $48,000 and $51,000, net assets of $48,000 and $51,000, and total revenues of $3,000 and $1,000, respectively. FRAC has royalty sharing agreements in place with the University and inventors in which each party receives a designated percentage of licensing income generated from intellectual property. For the three months ended December 31, 2023 and 2022, FRAC did not have any distributions to the University.

USA Presidential 1963 Fund is an Alabama not-for-profit corporation created for promoting charitable, scientific, literary, or educational initiatives that benefit and support of the University. This not-for-profit corporation had no financial activity for the three months ended December 31, 2023 or 2022.

(17) Commitments and Contingencies

(a) Grants and Contracts

At December 31, 2023, the University had been awarded approximately $135,573,000 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, if any, are included in unrecognized revenues and include amounts received from grant and contract sponsors that 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) Litigation

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

(c) 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, 2023, no amounts were payable pursuant to these agreements.

(d) USA Research and Technology Corporation Leases

The University has commitments under lease receivables with the Corporation. Space under lease to the University was 80,092 and 78,123 square feet at December 31, 2023 and 2022, respectively. See note 9 for additional details.

(18) Functional Expense Information

Operating expenses by functional classification for the three months ended December 31, 2023 are as follows (in thousands).

		2023
Instruction	$	30,651
Research		7,983
Public service		3,608
Academic support		9,802
Student services		11,068
Institutional support		11,673
Operation and maintenance of plant		2,270
Scholarships		433
USA Health		219,230
Auxiliary enterprises		5,225
Depreciation and amortization		24,639
	$	326,582

(19) 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 three months ended December 31, 2023 and 2022 as follows (in thousands):

		2023	2022
Current assets	$	24,574	21,509
Noncurrent assets		60,721	55,687
Total assets		85,295	77,196
Current liabilities		32,326	23,272
Noncurrent liabilities		47,569	49,465
Total liabilities		79,895	72,737
Net position	$	5,400	4,459
Operating revenues	$	3,257	98,406
Operating expenses		(7,638)	(101,417)
Operating loss		(4,381)	(3,011)
Nonoperating revenues		4,665	—
Nonoperating expenses		—	2,943
Change in net position	$	284	(68)

(20) Recently Issued Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to update measurement guidance and recognition requirements for compensated absences in addition to amending previously required disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which is effective for fiscal years beginning after June 15, 2024. The objective of this statement is to establish reporting requirements for certain concentrations and constraints that may negatively impact operations or the ability to meet outstanding obligations.

The effect of the implementation of GASB Statement Nos. 101 and 102 on the University has not yet been determined.

(21) 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.

The CARES Act was signed into law on March 27, 2020 and was 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. Through December 31, 2023, the University (including USA Health) has been awarded $105,484,000 in CARES Act, and other funding from federal and state sources for COVID-19 relief. Of this amount, $28,000 and $0 was awarded in the three months ended December 31, 2023 and 2022. Of the $105,484,000 total funds awarded, $49,000 and $4,203,000 has been received and recognized as nonoperating revenue in the statements of revenues, expenses, and changes in net position for the three months ended December 31, 2023 and 2022, respectively.

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES

LONG-RANGE PLANNING COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Long-Range Planning Committee

December 7, 2023
3:18 p.m.

A meeting of the Long-Range Planning Committee of the University of South Alabama (USA) Board of Trustees was duly convened by Ms. Chandra Brown Stewart, Chair, on Thursday, December 7, 2023, at 3:18 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Chandra Brown Stewart, Ron Jenkins, Judge Lewis, Lenus Perkins, Steve Stokes, Mike Windom and Jim Yance were present.
Other Trustees:	Alexis Atkins, Scott Charlton, Tom Corcoran, Steve Furr, Luis Gonzalez, Ron Graham, Arlene Mitchell and Jimmy Shumock.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Angela Coleman, Kristin Dukes, Joel Erdmann, Monica Ezell, Buck Kelley, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 35**, Ms. Brown Stewart called for consideration of the minutes for a meeting scheduled to take place on October 30, 2023, **Item 36**. On motion by Judge Lewis, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Ms. Brown Stewart called on Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, to discuss **Item 37**, a resolution authorizing the *University of South Alabama Strategic Priorities 2024 to 2029*. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) Dr. Coleman provided insight on the process leading to completion of the draft proposed. She pointed out that the draft reaffirmed the University mission and core values and stated the document would be revisited over time and updated as appropriate, adding also that work to establish student success indicators would continue. Provost Kent conveyed appreciation to Dr. Coleman and the entire team engaged in this effort, which she noted included Trustees. On motion by Mr. Yance, seconded by Mr. Perkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

There being no further business, the meeting was adjourned at 3:26 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Committee of the Whole

December 7, 2023
3:26 p.m.

A meeting of the Committee of the Whole of the University of South Alabama (USA) Board of Trustees was duly convened by Ms. Arlene Mitchell, Chair *pro tempore*, on Thursday, December 7, 2023, at 3:26 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Alexis Atkins, Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Steve Furr, Luis Gonzalez, Ron Graham, Ron Jenkins, Bill Lewis, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance were present.
Member Absent:	Kay Ivey.
Administration & Guests:	Delaware Arif (Faculty Senate), Owen Bailey, Jim Berscheidt, Joél Billingsley, Jo Bonner, Lynne Chronister, Kristin Dukes, Joel Erdmann, Monica Ezell, Buck Kelley, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Kristen Roberts, Donna Streeter (Faculty Senate), Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 38**, Chair Mitchell called for consideration of the minutes for meetings of the Committee of the Whole and Evaluation and Compensation Committee held on September 7, 2023, as well as for a meeting of the Executive Committee held on September 26, 2023, **Item 39**. On motion by Mr. Shumock, seconded by Mr. Yance, the Committee voted unanimously to adopt the minutes.

Chair Mitchell called on Ms. Dukes to present **Item 40**, a resolution authorizing the revised *Bylaws of the Board of Trustees of the University of South Alabama*. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 8, 2023.) Ms. Dukes outlined the revisions incorporated into the bylaws document proposed. On motion by Judge Windom, seconded by Mr. Yance, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Chair Mitchell turned to President Bonner, who introduced **Item 41**, a resolution commending Ms. Laura Schratt, former Executive Director of the Office of Internal Audit, for her service to the University. President Bonner commented on Ms. Schratt's love for the University and noted she would be present for the Board of Trustees meeting on December 8, 2023. On motion by Mr. Corcoran, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

In accordance with the provisions of the Alabama Open Meetings Act, Chair Mitchell made a motion to convene an executive session for an anticipated duration of 30 minutes for the purpose of discussing pending or threatened litigation, **Item 42**. She stated that Ms. Dukes had submitted the required written declaration for the minutes and that adjournment of the meeting would be in effect upon the conclusion of the executive session. Ms. Atkins seconded and, at 3:30 p.m., the Committee voted unanimously to convene an executive session, as recorded below. The executive session began at 3:35 p.m.:

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

There being no further business, the meeting was adjourned at 4:01 p.m.

Respectfully submitted:

Arlene Mitchell, Chair *pro tempore*