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:

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- E. Thomas Corcoran
- Steven P. Furr, M.D. , **Vice Chair**
- James H. Shumock, **Chair**
- Steven H. Stokes, M.D.
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- James H. Shumock
- Steven H. Stokes, M.D.

LONG-RANGE PLANNING COMMITTEE:

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- 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
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MARCH 15, 2024
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- 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

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

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

Basic Financial Statements

September 30, 2023

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Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 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):

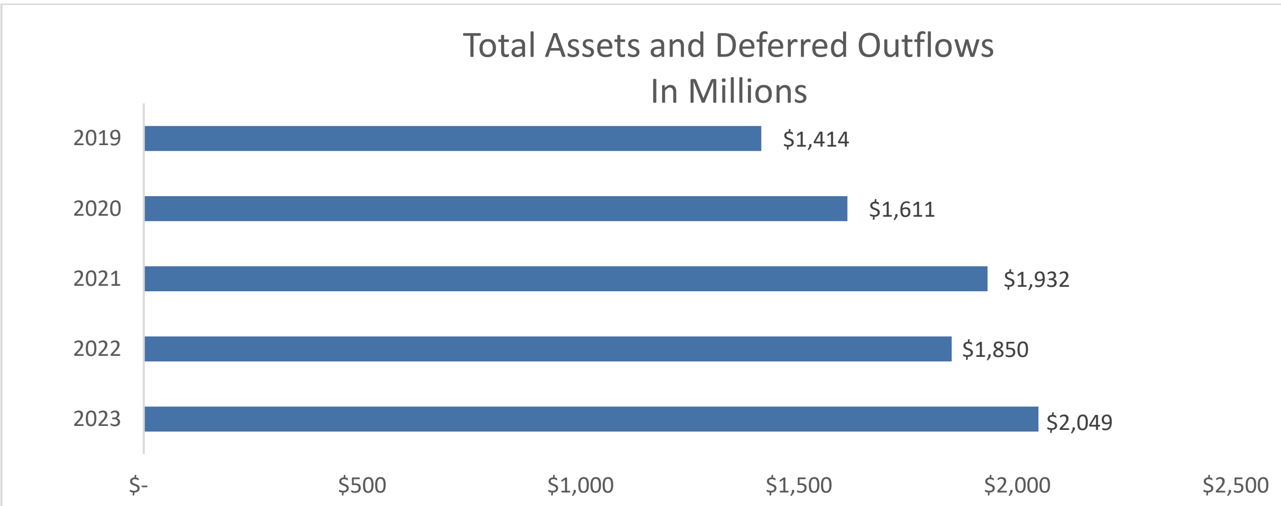
Condensed Schedules of Net Position

		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.

(Continued)

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



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

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

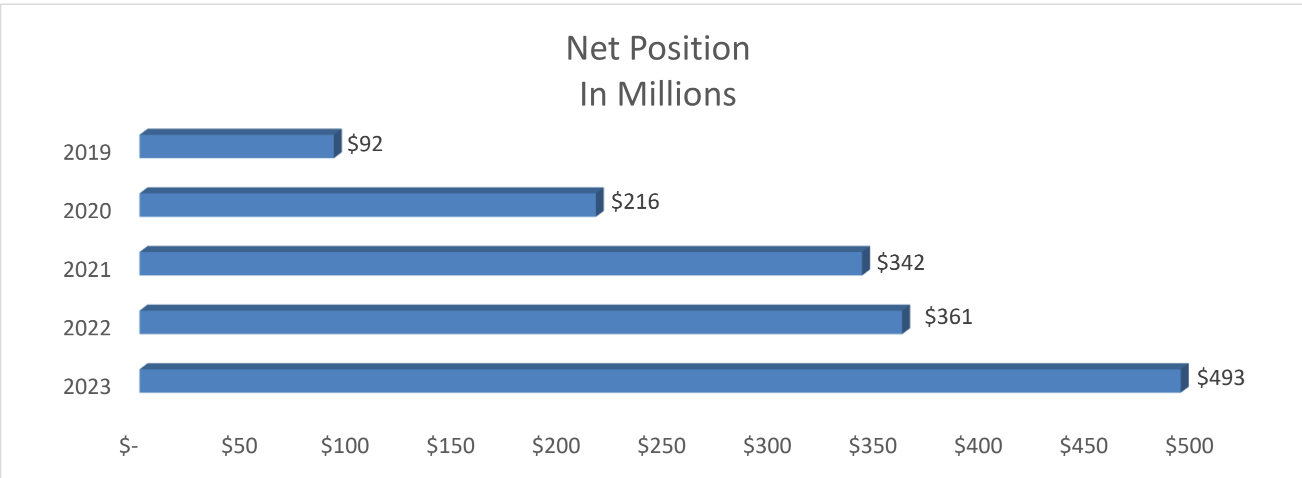
Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University and donor agreements, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University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

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

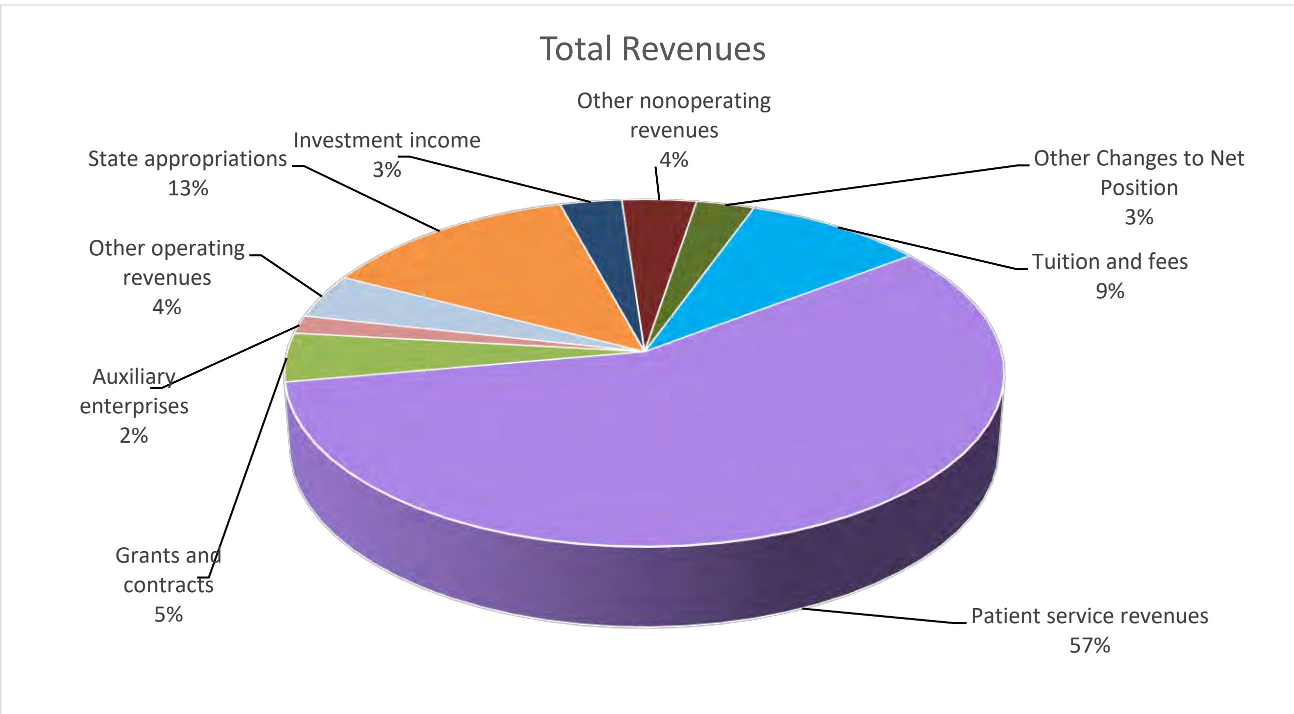
In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting, whereby certain leases that were previously classified as operating leases are now reported on the statement of net position. GASB Statement No. 87 required the University 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.

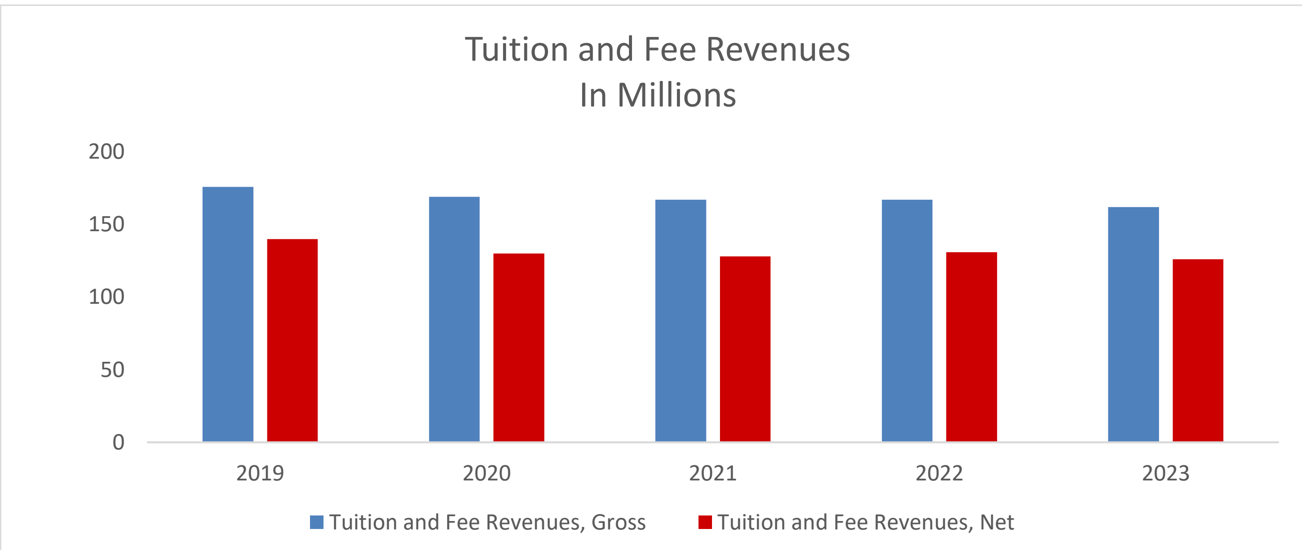
(Continued)

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.

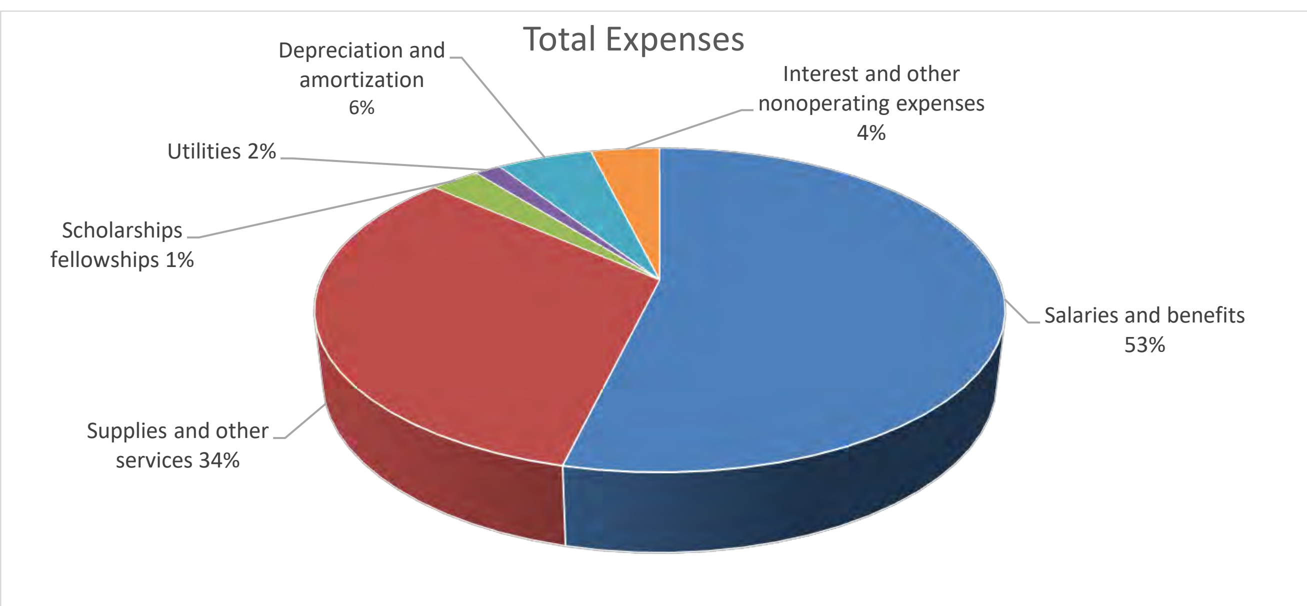
A summary of University revenues for the year ended September 30, 2023 is presented as follows:



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:

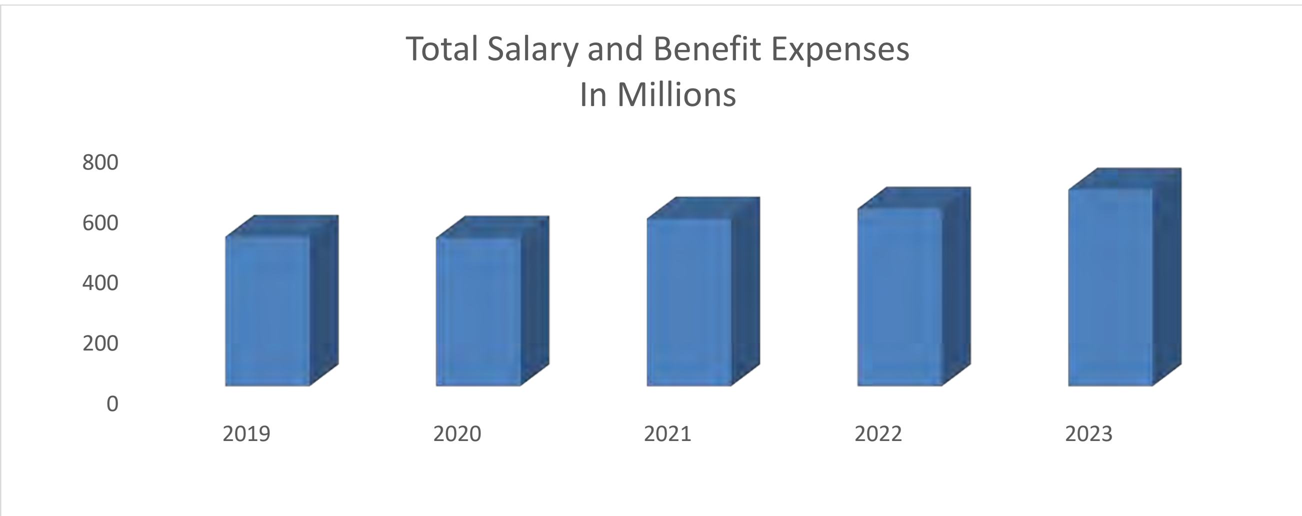


University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2023 is presented as follows:



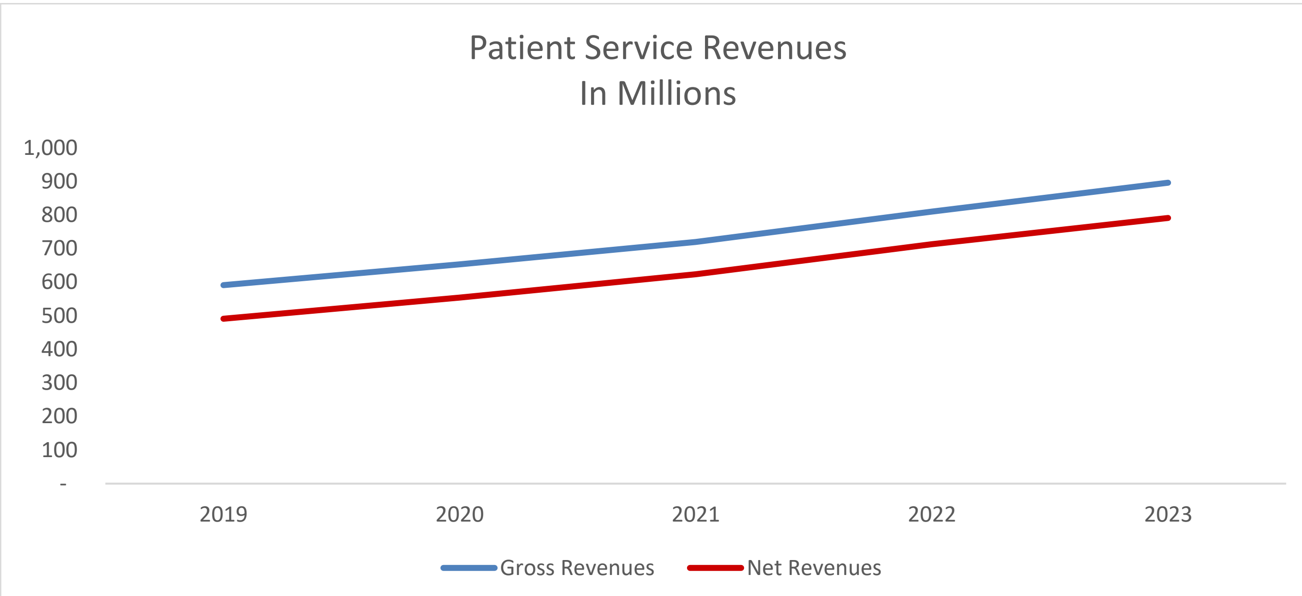
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships. Expenses related 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.

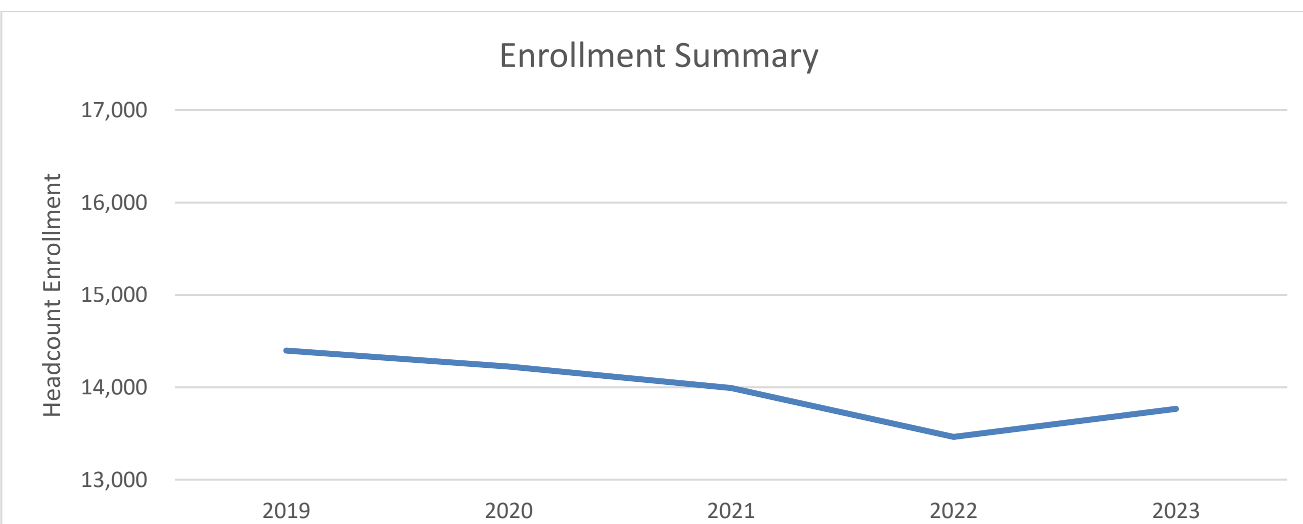
On March 5, 2021, the Financial Conduct Authority announced that the final publication date for US LIBOR would be June 30, 2023. Loans maturing after the end of LIBOR were reviewed to determine if appropriate language, referred to as fallback language, was used to provide for the replacement of LIBOR 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.

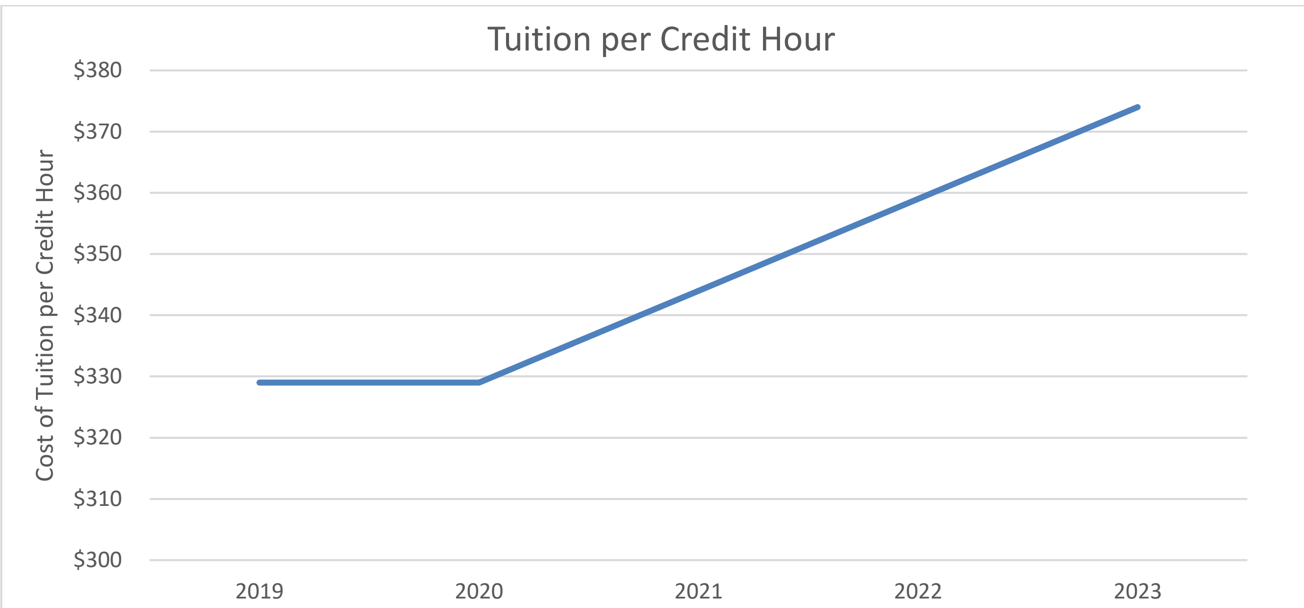
The University's credit rating is A1 (Negative) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Moody's Investors Services revised the University's outlook to negative from stable and affirmed its A1 issuer and revenue bond ratings in July 2023. Standard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

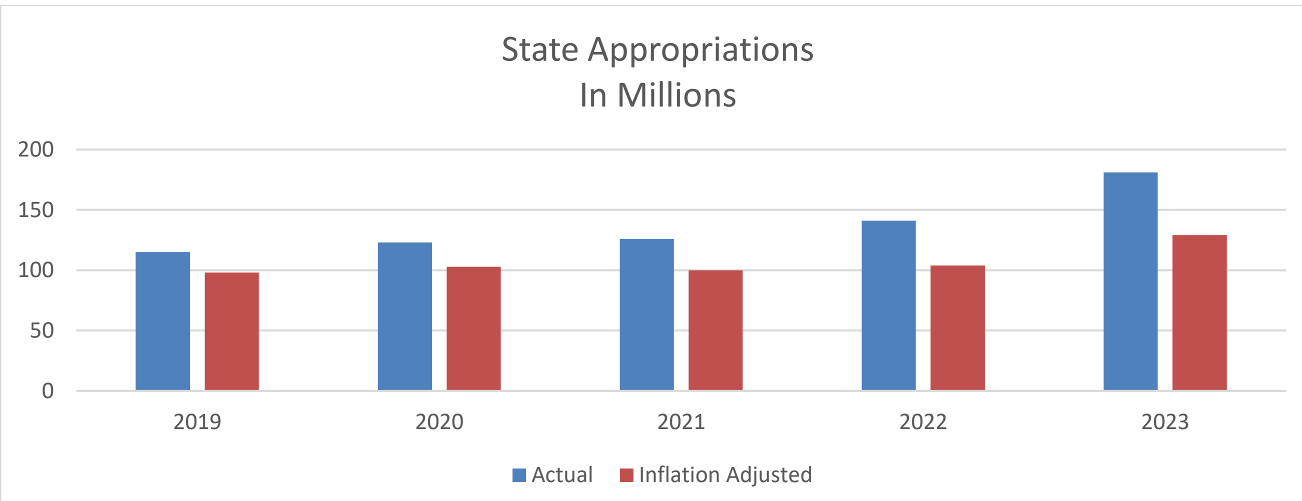


During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 9%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit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

(Continued)

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

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.

(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.

(Continued)

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.

(Continued)

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 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
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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.

KPMG

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

					Statement of Revenues, Expenses and Changes in Net Position Effect - Debit(Credit)			Statement of Net Position- Debit (Credit)		
Correcting Entry Necessary at Current Period End										
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)		

	Income effect according to Rollover method	Net Position	Total Assets and Deferred Outlfows	Total Liabilities and Deferred Inflows
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%

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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):

<u>ACCEPTED</u>

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.

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July 9, 2020

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

Dear Scott,

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

Objectives and Limitations of Services

Financial Statement Audit Services

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

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

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

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

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

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

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

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

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

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

Internal Control over Financial Reporting and Compliance and Other Matters

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

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

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

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

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

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

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

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

Uniform Guidance Audit Services

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

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

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

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

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

Offering Documents

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

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

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

Our Responsibility to Communicate with the Audit Committee

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

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

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

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

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

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

Management Responsibilities

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

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

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

c. distributing the reports issued by KPMG.

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

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

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

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

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

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

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

- Schedule of expenditures of federal awards;

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

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

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

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

Use of Internal Audit

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

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

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

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

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

The University agrees to:

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

Dispute Resolution

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

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

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

Other Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

Reports, Services and Associated Fees

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

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

* * * * * * *

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

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

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

Very truly yours,

KPMG LLP

Ashley E. Willson

Ashley E. Willson
Partner

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

<u>ACCEPTED</u>

University of South Alabama

Authorized Signature

Vice President for Finance & Administration
Title

7/10/2020
Date

Appendix I

Reports, Services and Associated Fees

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

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

Other Reports:

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

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

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

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

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

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

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.

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

KPMG

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

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.

 (Continued)

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)

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UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(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 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.

 (Continued)

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

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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.

(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 Owen Bailey

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

Jo Bonner

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

TJC Standards

MS 01.01.01 Medical staff bylaws address self-governance and accountability to the governing body.
Element of Performance 11 - 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 **or regulation** 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

UNIVERSITY OF SOUTH ALABAMA

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)

March 15, 2024

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
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

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.

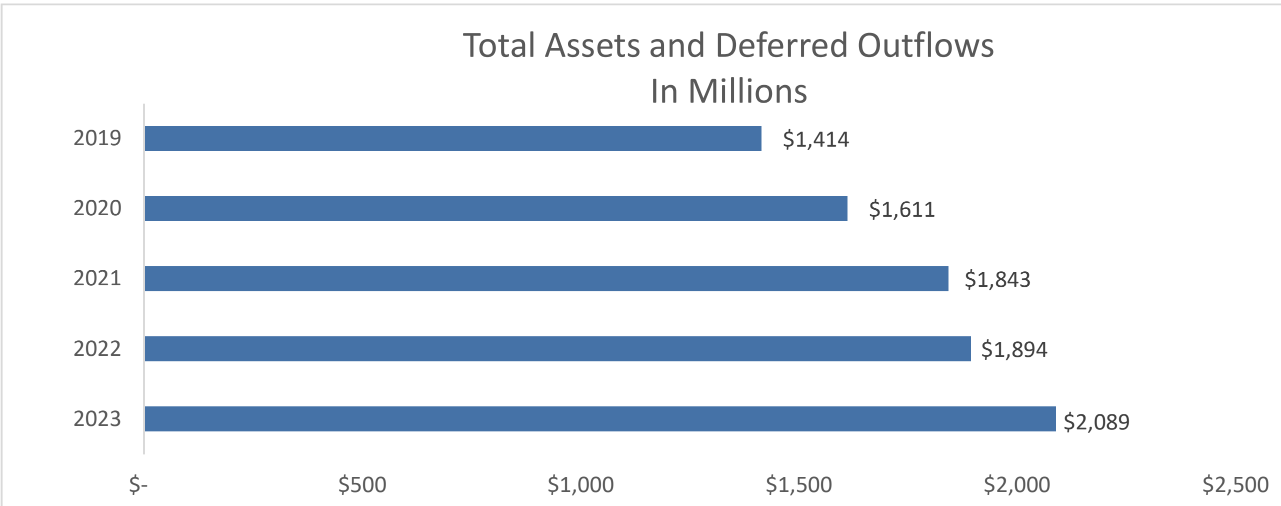
The condensed schedules of net position at December 31, 2023, 2022, and 2021 follow (in thousands):

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:

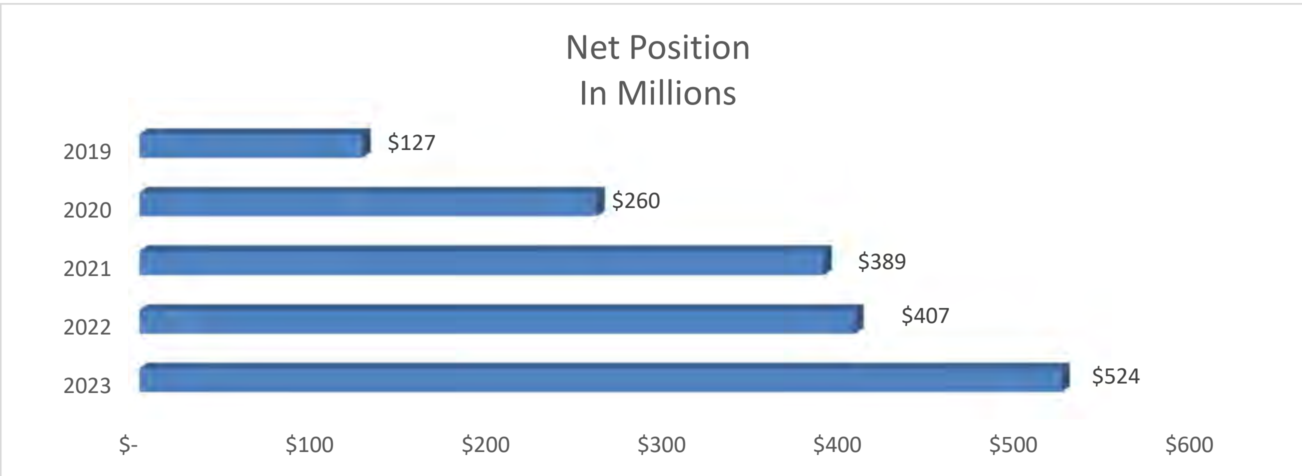
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

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

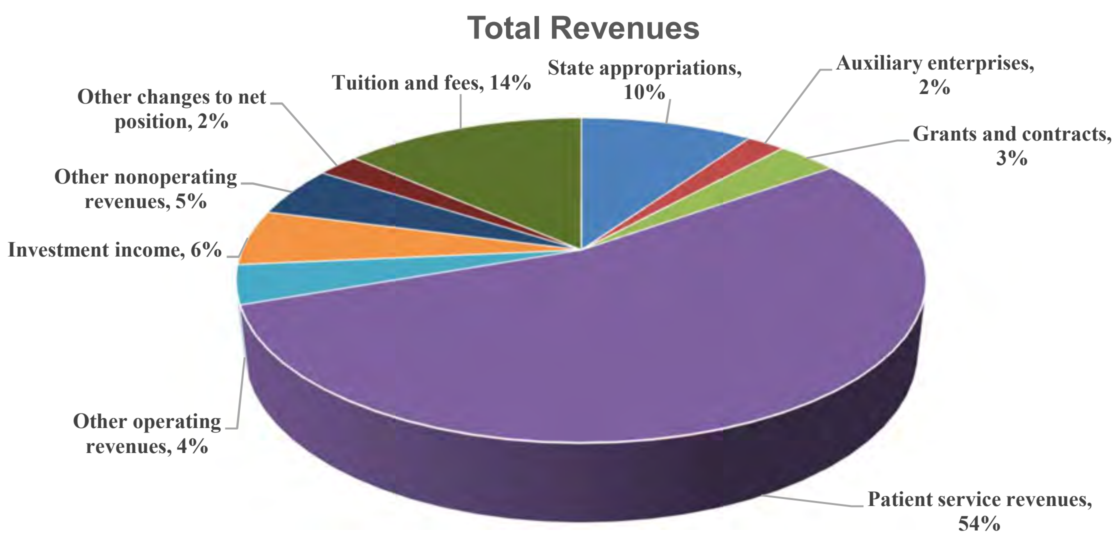
In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting, whereby certain leases that were previously classified as operating leases are now reported on the statement of net position. GASB Statement No. 87 required the University 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.

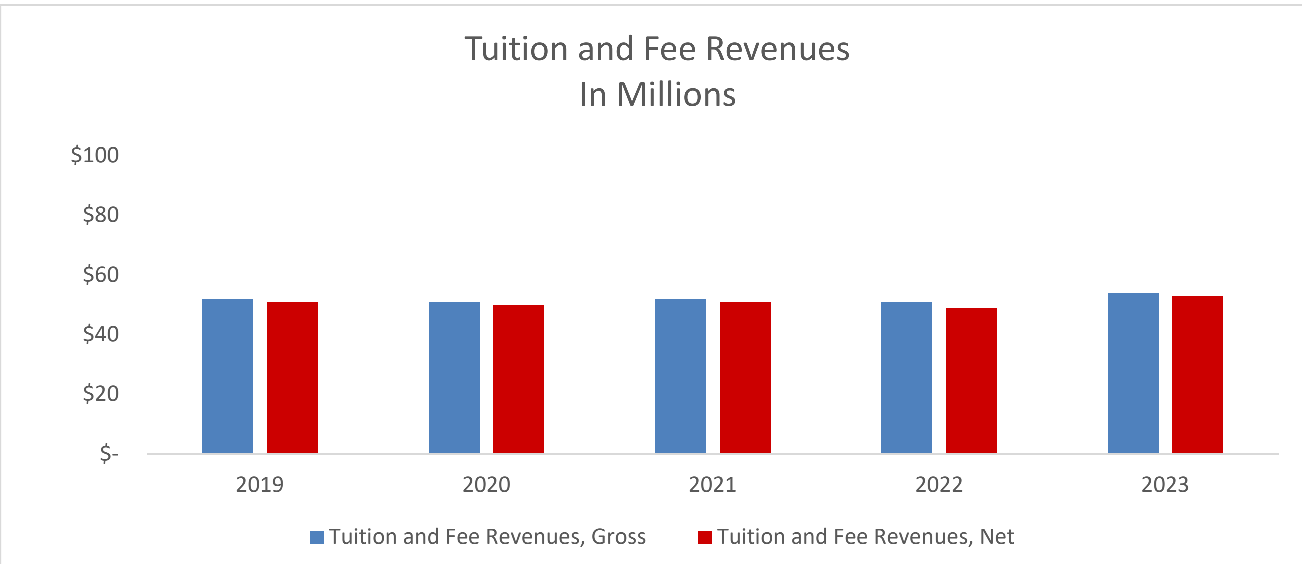
(Continued)

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.

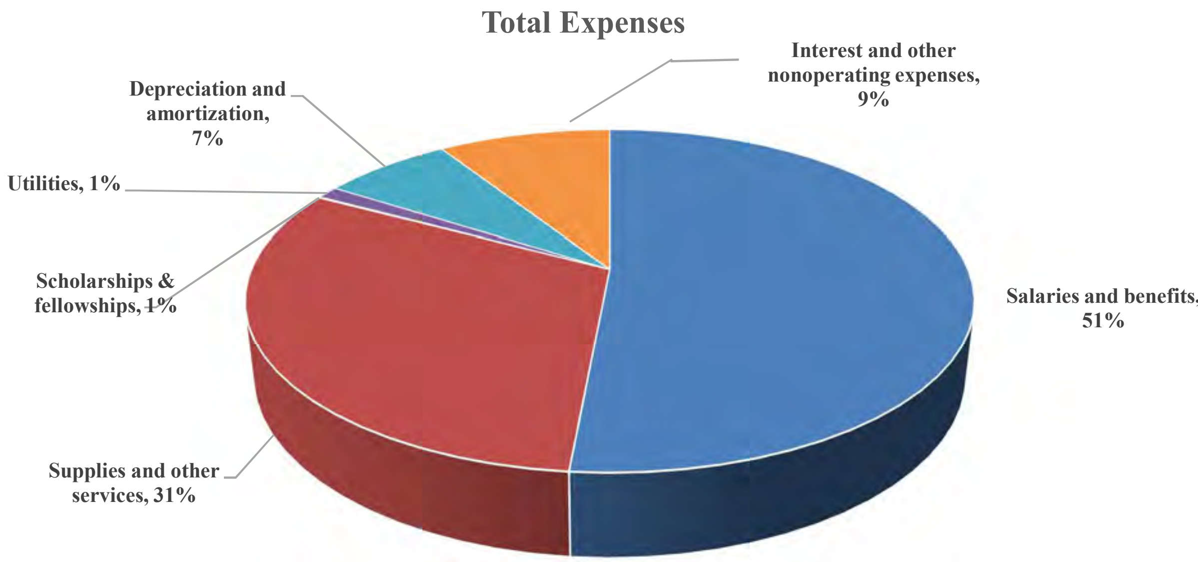
A summary of University revenues for the three months ended December 31, 2023 is presented as follows:



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:

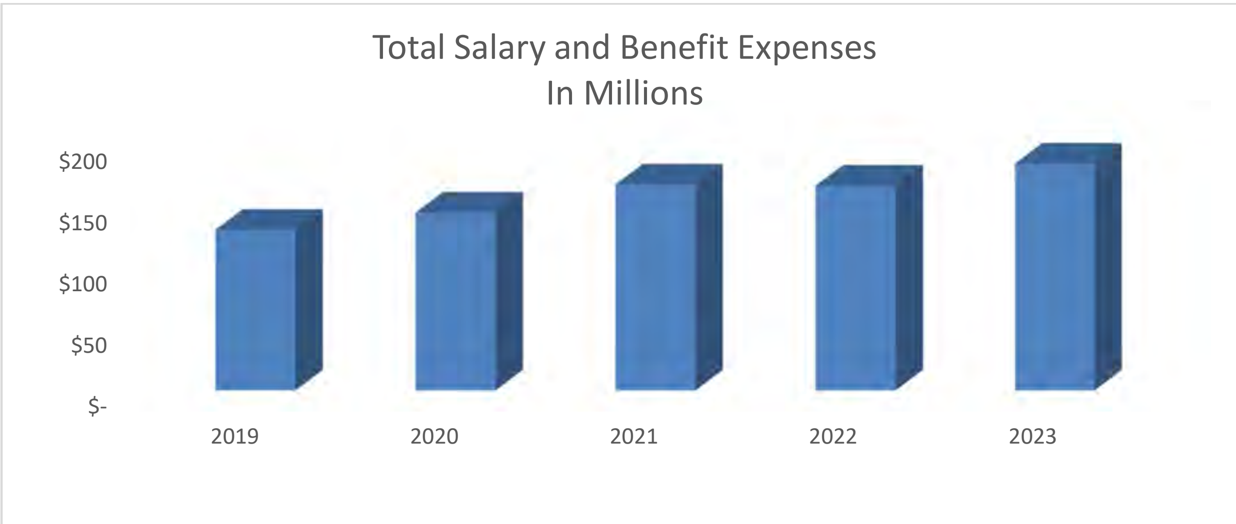


University expenses are presented using their natural expense classifications. A summary of University expenses for the three months ended December 31, 2023 is presented as follows:



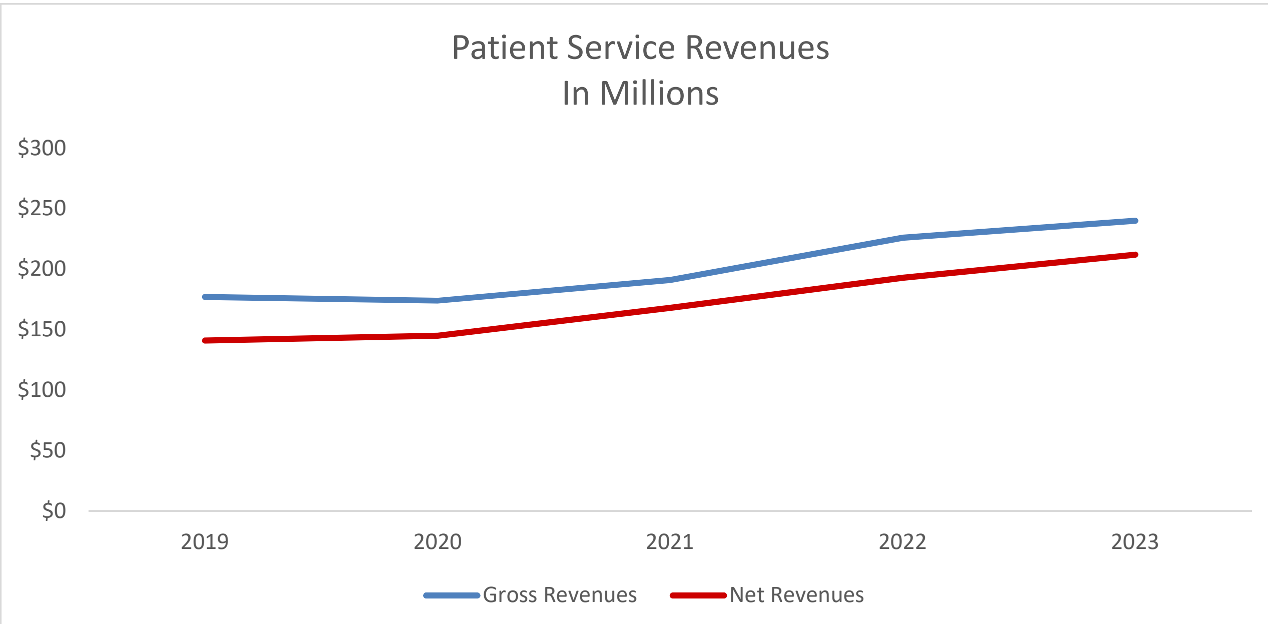
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships. Expenses related 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

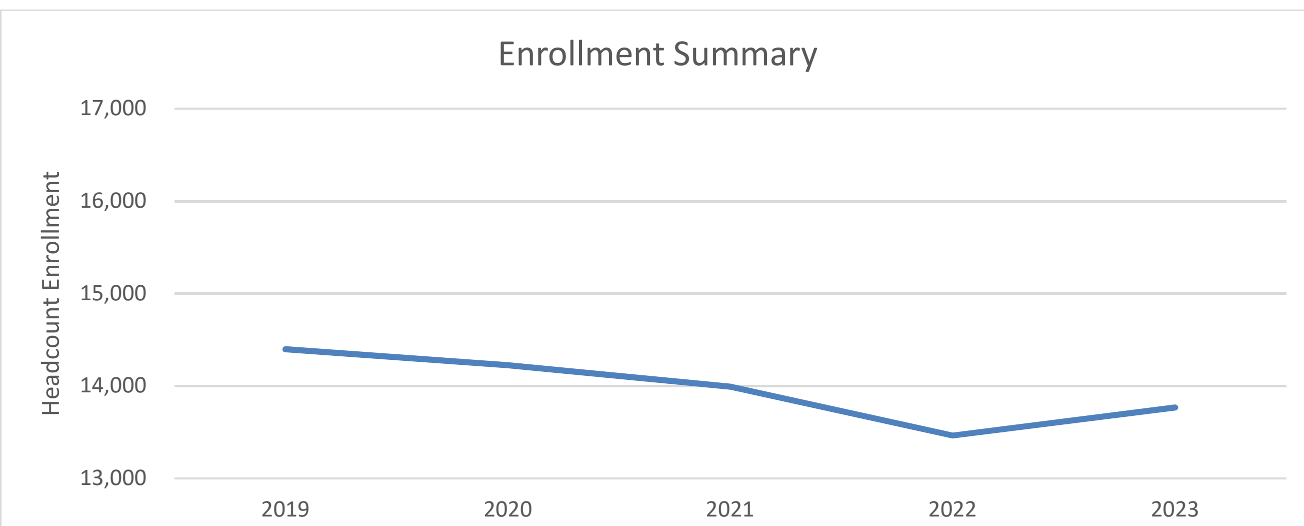
(SOFR) as an alternative to replace LIBOR. As recommended by the ARRC, all rate and fee settings for affected facilities maturing after the end of LIBOR have been replaced with a SOFR-based index.

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.

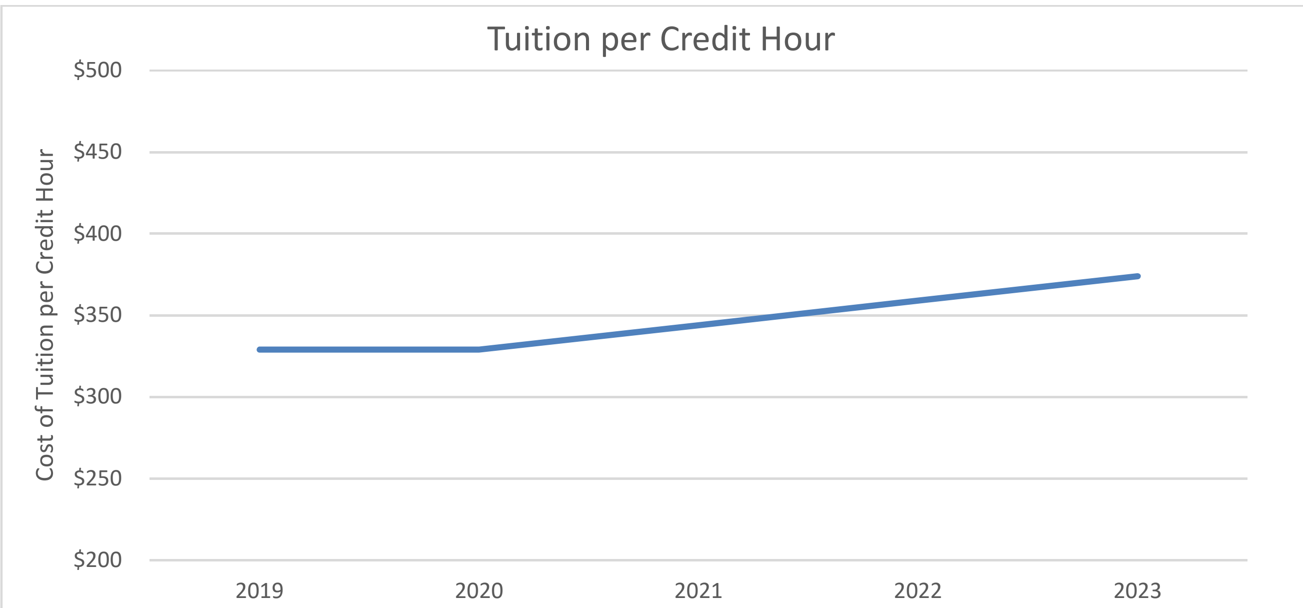
The University's credit rating is A1 (Negative) as rated by Moody's Investors Service and A+ (Stable) as rated by Standard and Poor's Global Ratings. Moody's Investors Services revised the University's outlook to negative from stable and affirmed its A1 issuer and revenue bond ratings in July 2023. Standard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

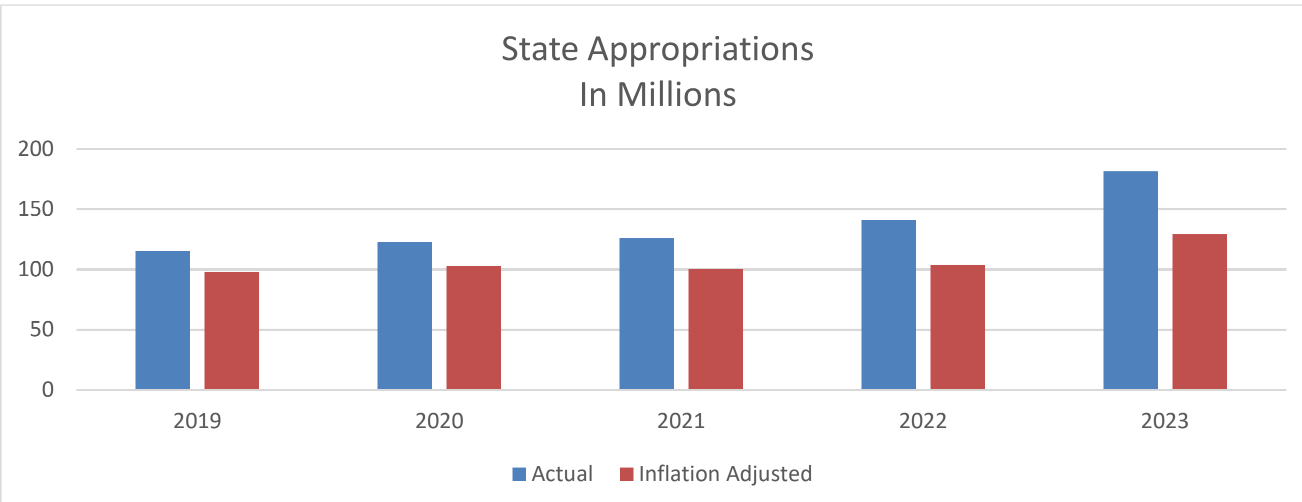


During the same period, in-state tuition per credit hour for in-person classes has increased by approximately 9%. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit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

(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.

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) 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.

(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

	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.

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.

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	2023 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	2022 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

(Continued)

(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.

(Continued)

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

MEMORANDUM

Finance and Administration

DATE: March 7, 2024

TO: Jo Bonner, President

FROM: Kristen Roberts, Chief Financial Office Kristen Roberts

SUBJECT: Parameters Resolution for Series 2024/2025 Refunding Bonds

Attached is a resolution outlining parameters for consideration by the Board of Trustees regarding the issuance of University Facilities Revenue Bonds, collectively referred to as the "Refunding Bonds."

The University previously issued University Facilities Revenue Bonds Series 2023-A and 2023-B ("Series 2023 Bonds") as a short-term bridge loan to facilitate the acquisition of USA Providence Hospital. It is advisable to refinance the Series 2023 Bonds into long-term bonds under the existing University Facilities Revenue Indenture. Conditions for issuing the Refunding Bonds are as follows:

(i) The Refunding Bonds shall be sold to JPMorgan Securities LLC, Raymond James & Associates, Inc., Truist Securities, Inc., and Piper Sandler & Co., or as otherwise determined by the President or Chief Financial Officer, as underwriters for the Refunding Bonds.

(ii) The Refunding Bonds shall bear interest at a fixed rate, payable semiannually.

(iii) The initial aggregate principal amount of the Refunding Bonds, plus premium, if any, shall not exceed $105,000,000.

(iv) No maturity of the Tax-Exempt Bonds may bear interest at a rate exceeding 5.75%, and no maturity of the Taxable Bonds may bear interest at a rate exceeding 7.00%.

(v) The true interest cost on the Refunding Bonds may not exceed 5.75%.

(vi) The Refunding Bonds shall have a final maturity not later than 30 years from their date of issuance, and shall have a weighted average maturity of not longer than 22 years.

(vii) The Refunding Bonds shall be issued and delivered by not later than April 18, 2025.

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

Attachment

Jo Bonner

A RESOLUTION AUTHORIZING THE ISSUANCE OF UNIVERSITY FACILITIES REVENUE BONDS AND TAXABLE UNIVERSITY FACILITIES REVENUE BONDS

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

Section 1. (a) Findings. The Board has determined and hereby finds and declares as follows:

(1) the University heretofore issued its not to exceed $80,000,000 University Facilities Revenue Bond, Series 2023-A, as heretofore or hereafter modified, amended and/or restated (the "Series 2023-A Bond") to DNT Asset Trust, and its not to exceed $20,000,000 Taxable University Facilities Revenue Bond, Series 2023-B, as heretofore or hereafter modified, amended and/or restated (the "Series 2023-B Bond" and, together with the Series 2023-A Bond, the "Series 2023 Bonds") to JPMorgan Chase Bank, N.A.; and

(2) the Series 2023 Bonds were structured as short-term, "draw down" obligations to give the University funding to purchase a 349 bed medical facility and related assets located primarily in the City of Mobile, Alabama ("USA Providence Hospital"), which the University planned to refinance with long-term parity bonds issued through the public bond market; and

(3) in furtherance of the said financing plan for USA Providence Hospital, it is necessary, advisable, and in the interest of the University to refinance the Series 2023 Bonds on a long-term basis through the issuance by the University of its University Facilities Revenue Bonds, Series 2024-A, or, if issued on or after January 1, 2025, University Facilities Revenue Bonds, Series 2025-A (the "Tax-Exempt Bonds") and its Taxable University Facilities Revenue Bonds, Series 2024-B, or, if issued on or after January 1, 2025, Taxable University Facilities Revenue Bonds, Series 2025-B (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Refunding Bonds"), all as more particularly described and set forth herein and provided that upon such sale and issuance the Refunding Bonds satisfy the criteria set forth in Section 2 of this resolution; and

(4) the Refunding Bonds shall be issued under and pursuant to that certain University Facilities Revenue Trust Indenture dated as of February 15, 1996, as supplemented and amended (the "Indenture"), between the University and The Bank of New Mellon Trust Company, N.A, as successor Trustee (herein called the "Trustee"), and in addition to paying the costs of refinancing the Series 2023 Bonds, proceeds of the Refunding Bonds shall be used to pay (i) the costs and expenses of issuing the Refunding Bonds, (ii) the premium for a municipal bond insurance policy (a "Bond Insurance Policy"), if obtained, respecting some or all of the maturities of the Refunding Bonds, and (iii) such other costs as shall be necessary and advised by the Financial Advisor (hereinafter defined)

to the University in connection with the issuance and sale of the Refunding Bonds; and

(b) Refunding Bonds to be Issued as an Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. The Refunding Bonds 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 Tax-Exempt Bonds shall be designated "Series 2024-A" or, if issued after January 1, 2025, "Series 2025-A", and the Taxable Bonds shall be designated "Series 2024-B" or, if issued after January 1, 2025, "Series 2025-B";

(3) the persons to whom the Refunding Bonds are to be delivered are set forth in Section 6 hereof;

(4) the Refunding Bonds are to be issued by sale in accordance with, and at the sale price set forth in, Section 6 hereof;

(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 Bonds;

(6) The only bonds outstanding under the Indenture at the time of adoption of this resolution and expected to be outstanding at the time of issuance of the Refunding 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 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 Bond, 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 Refunding Bonds are being issued for the purposes described in Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver the Refunding Bonds as directed by the Underwriters specified in Section 6 hereof upon payment of the purchase price for the Refunding Bonds.

Section 2. Authorization of the Refunding Bonds. (a) For the purposes specified in Section 1(a) of this resolution, the Board does hereby authorize the refinancing of the Series 2023 Bonds and, to enable such refinancing, the Board does hereby authorize and approve the issuance by the University its University Facilities Revenue Bonds, designated Series 2024-A if issued prior to January 1, 2025, and designated Series 2025-A if issued after January 1, 2025) , dated their date of initial issuance (herein called the "Tax-Exempt Bonds"), and its Taxable University Facilities Revenue Bonds, designated Series 2024-B if issued prior to January 1, 2025, and designated Series 2025-B if issued after to January 1, 2025, dated their date of initial issuance (herein called the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Refunding Bonds"), under such terms, conditions and provisions to be set out in the Supplemental Indenture hereinafter defined, which terms, conditions and provisions shall be determined in accordance with the following plan of finance (herein called the "Plan of Finance"):

(i) The Refunding Bonds shall bear interest at a fixed rate, payable semiannually.

(ii) The initial aggregate principal amount of the Refunding Bonds, plus premium, if any, shall not exceed $105,000,000.

(iii) No maturity of the Tax-Exempt Bonds may bear interest at a rate exceeding 5.75%, and no maturity of the Taxable Bonds may bear interest at a rate exceeding 7.00%.

(iv) The true interest cost on the Refunding Bonds (taking into account any original issue discount or original issue premium) may not exceed 5.75%.

(v) The Refunding Bonds shall have a final maturity not later than 30 years from their date of issuance, and shall have a weighted average maturity of not longer than 22 years.

(vi) The Refunding Bonds shall be issued and delivered by not later than April 18, 2025.

Section 3. Source of Payment of the Refunding Bonds. The principal of and the interest on the Refunding Bonds shall be payable from Pledged Revenues as defined in the Indenture. The Refunding Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama (herein called 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 Refunding 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 Refunding 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 Refunding 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.

Section 4. Refunding Bonds Payable at Par. All remittances of principal of and interest on the Refunding Bonds to the holders thereof shall be made at par without any deduction or exchange or other cost, fees or expenses. The bank at which the Refunding Bonds shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the Refunding Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

Section 5. Authorization of Supplemental Indenture. In connection with the issuance of the Refunding Bonds, the Board does hereby authorize and direct the President of the University (herein called the "President") and the Chief Financial Officer of the University (herein called the "Chief Financial Officer"), or either of them, to execute and deliver, for and in the name and behalf of the University, to The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), a Supplemental University Facilities Trust Indenture dated the date of the Refunding Bonds in substantially the form presented to the meeting at which this resolution is adopted and attached as <u>Exhibit I</u> to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), updated to reflect the final pricing terms of, and the final number of series of, the Refunding Bonds as reflected in the Certificate of Compliance (hereinafter defined) and as also herein permitted and, further, to contain provisions required by the provider of any Bond Insurance Policy if bond insurance is to be procured by the University for some or all of the Refunding Bonds, and does hereby authorize and direct the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board to affix to the Supplemental Indenture the corporate seal of the University and to attest the same. The Supplemental Indenture is supplemental to that certain University Facilities Revenue Trust Indenture between the University and the Trustee dated as of February 15, 1996, as heretofore supplemented and amended (together with the Supplemental Indenture, "Indenture").

Section 6. Sale of the Refunding Bonds. (a) The Refunding Bonds shall be sold to JPMorgan Securities LLC, Raymond James & Associates, Inc., Truist Securities, Inc., and Piper Sandler & Co., or as otherwise determined by the President or Chief Financial Officer (collectively, herein called the "Underwriters"), as underwriters for the Refunding Bonds. In connection with the sale of the Refunding Bonds to the Underwriters, the Board does hereby authorize and direct the President and the Chief Financial Officer, or either of them, to execute and deliver, for and in the name and behalf of the University, a Bond Purchase Agreement with the Underwriters, either in the form required by the Underwriters and approved by the President and the Chief Financial Officer, or either of them, or in the form presented to the meeting at which this resolution is adopted and attached as Exhibit II to the minutes of said meeting(which such form of Bond Purchase Agreement is hereby adopted in all respects as if set out in full in this resolution), containing or updated to contain the final pricing terms of the Refunding Bonds as reflected in the Certificate of Compliance and as also herein permitted. The Refunding Bonds shall bear such dates, shall mature at such times and in such manner, shall bear such rates of interest, shall be payable at such place or places, shall be in such denominations, shall be in such number of series, shall bear such numbers, and shall be in such form and contain such provisions as shall be set out in the Bond Purchase Agreement and the Supplemental Indenture authorized in Section 5 above.

(b) The President and the Chief Financial Officer, or either of them, are hereby authorized to cause the University to obtain a Bond Insurance Policy for some or all of the maturities of the Refunding Bonds if such officer or PFM Financial Advisors LLC, the financial advisor to the University (the "Financial Advisor") determines, at or around the sale of the Refunding Bonds, that the estimated present value of the premium of such policy will be less than the present value of the estimated or expected interest savings on the Refunding Bonds insured by, and as a result of, such policy.

Section 7. Preliminary Official Statement; Official Statement. (a) The Board does hereby authorize and direct the President and the Chief Financial Officer, or either of them, to cause to be finalized and circulated by the Underwriters a Preliminary Official Statement respecting the Refunding Bonds, the form of which is attached hereto as Exhibit III, with such modifications to reflect (i) material information concerning the University and its operations as of the time the said document is to be circulated for consideration by prospective investors in the Refunding Bonds, (ii) preliminary principal amounts and relevant preliminary pricing information for the Refunding Bonds, (iii) information respecting a Bond Insurance Policy and the provider thereof if bond insurance is procured by the University for some or all of the maturities of the Refunding Bonds, and (iv) such other material information concerning the Refunding Bonds, all as such officers, either independently or upon consultation with the Underwriters, bond counsel to the University and/or the Financial Advisor, shall determine necessary or desirable for inclusion in the Preliminary Official Statement. The President and the Chief Financial Officer, or either of them, are hereby authorized to cause the Preliminary Official Statement to be "deemed final" as of its date within the meaning of Rule 15c2-12(b)(1) promulgated by the U.S. Securities Exchange Commission (the "Rule") and thereafter circulated to prospective investors in the Refunding Bonds.

(b) The Board does hereby authorize and direct the President and the Chief Financial officer, or either of them, to execute, for and in the name and behalf of the University, an Official Statement with respect to the Refunding Bonds dated the date of sale of the Refunding Bonds, in substantially the form of the Preliminary Official Statement circulated to prospective investors in the Refunding Bonds in connection with the sale of the Refunding Bonds, with such changes as shall be necessary to conform to the provisions of this resolution to reflect the final pricing terms of the Refunding Bonds, to include information respecting a Bond Insurance Policy and the provider thereof if bond insurance is procured by the University for some or all of the maturities of the Refunding Bonds (if not included in the Preliminary Official Statement circulated by the Underwriters prior to sale of the Refunding Bonds), to reflect the other terms approved in accordance with the provisions of this resolution, and to reflect such other changes as shall be approved by the President and the Chief Financial Officer, or either of them, and acceptable to the Underwriters. The Board does hereby declare that the Official Statement so executed by the President or the Chief Financial Officer shall be the Official Statement of the University with respect to the Refunding Bonds.

Section 8. Authorization of Continuing Disclosure Agreement. The President and the Chief Financial Officer, or either of them, are hereby authorized and directed to execute and deliver, on behalf of the University, a Continuing Disclosure Agreement for the benefit of the beneficial owners of the Refunding Bonds, in substantially the form presented to the meeting at which this resolution is adopted (which form shall be attached as Exhibit IV to the minutes of said meeting and which is hereby adopted in all respects as if set out in full in this resolution) and with such changes thereto as shall be approved by the President and the Chief Financial Officer, or either of them. The said Continuing Disclosure Agreement is to be entered into contemporaneously with the issuance of the Refunding Bonds in order to assist the Underwriters of the Refunding Bonds in complying with the Rule. The rights of enforcement of the said Continuing Disclosure Agreement shall be as provided therein, and in no event shall a default by the University thereunder constitute a default hereunder or under the Indenture.

Section 9. Execution and Delivery of the Refunding Bonds. The Board does hereby authorize the President and the Chief Financial Officer, or either of them, to execute the Refunding Bonds, in the name and on behalf of the University, by manually signing each said bond, and does hereby 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 cause the corporate seal of the University to be imprinted or impressed on each of the Refunding Bonds and to attest the same by signing the Refunding Bonds, and the President and the Chief Financial Officer (or either of them) are hereby authorized and directed to deliver the Refunding Bonds, subsequent to their execution as provided herein and in the Indenture, to the Trustee under the Indenture, and to direct the Trustee to authenticate all the Refunding Bonds and to deliver them to the Underwriters, upon payment to the University of the purchase price therefor.

Section 10. Designated Officials. Each of the President and the Chief Financial Officer is herein designated a “Designated Officer” for purposes of this resolution. Each of the Chair Pro Tempore, Vice Chair, and Chairman of the Budget and Finance Committee is hereby designated as a "Designated Board Member" for purposes of this resolution.

Any Designated Board Member, together with any Designated Officer, are hereby authorized to approve the remaining details of the Plan of Finance. When the details of the Plan of Finance have been approved by a Designated Board Member and a Designated Officer, the designees shall execute, in the name and on behalf of the Board and the University, respectively, a certificate evidencing such approval (herein called the "Certificate of Compliance") in substantially the form set forth on Exhibit V hereto, and shall file a copy of such certificate with the Secretary of the Board, and such certificate shall be maintained in the records of the Board by the Secretary of the Board. The Certificate of Compliance may be executed in counterparts.

Section 11. Application of Proceeds; Call of Series 2023 Bonds for Redemption. (a) The entire proceeds derived by the University from the sale of the Refunding Bonds, less and except the underwriter's discount to be retained by the Underwriters and the premium for any Bond Insurance Policy, if any, obtained for the Refunding Bonds to be wired directly by the Underwriters to the provider thereof, shall be paid to the Trustee under the Indenture, which is thereupon authorized and directed to apply and disburse such moneys for the purposes herein described and as shall be specified in Section 1.6 of the Supplemental Indenture once updated to reflect the terms of the Certificate of Compliance, or as otherwise directed pursuant to a written order from the President or the Chief Financial Officer.

(b) The Board does hereby elect to redeem and pay, and does hereby call for redemption and payment, on such date as shall designated by a Designated Officer that is at least ten (10) days following issuance of the Refunding Bonds (herein called the "2023 Bonds Redemption Date"), all of the Series 2023 Bonds at and for a redemption price equal to 100% of the principal amount of the Series 2023 Bonds outstanding plus accrued interest thereon to the 2023 Bonds Redemption Date. The President and the Chief Financial Officer, or either of them, are hereby authorized and directed to deliver such notices, directives or other instruments as shall be necessary or desirable in connection with the redemption and defeasance of the Series 2023 Bonds. Proceeds to redeem and retire the Series 2023 Bonds may be deposited into such fund or account under the Indenture as shall be identified by the University, remitted directly to the holders of the Series 2023 Bonds, or deposited into a special account established under an escrow trust agreement between the University and the Trustee (containing terms approved by the President or the Chief Financial Officer, on behalf of the University) for the defeasance and retirement of the Series 2023 Bonds, all as shall be determined by the President or the Chief Financial Officer acting on the advice of the Financial Advisor and Bond Counsel to the University.

Section 12. Severability. 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.

Section 13. General Authorization. The President, the Chief Financial Officer, 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 such further agreements, certifications, instruments or other documents, containing such terms as such officer shall approve (subject to the limitations described in this resolution and the Certificate of Compliance executed and filed as provided in Section 10 hereof), 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 and to the end that the Refunding Bonds may be executed, issued and delivered and the Series 2023 Bonds redeemed and retired. 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 and directed to affix the official seal of the Board to such instruments and to attest the same.

EXHIBIT I

FORM OF SUPPLEMENTAL INDENTURE

TWENTY-[SECOND]/[THIRD] SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

between

UNIVERSITY OF SOUTH ALABAMA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Dated _____ __, 20[24]/[25]

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TWENTY-[SECOND]/[THIRD] SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE between the **UNIVERSITY OF SOUTH ALABAMA**, public body corporate under the laws of Alabama (herein called the "University"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (as successor Trustee to AmSouth Bank of Alabama and being herein called the "Trustee"), a national banking association in its capacity as Trustee under the University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended (herein called the "Indenture").

RECITALS

The University makes the following findings as a basis for the undertakings herein contained:

(a) Pursuant to the provisions of the Indenture, the University has issued and sold, and currently has outstanding under the Indenture, 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"),

(xvii) not to exceed $80,000,000 University Facilities Revenue Bond, Series 2023-A, as modified, amended and/or restated (the "Series 2023-A Bond"), and

(xviii) not to exceed $20,000,000 Taxable University Facilities Revenue Bond, Series 2023-B, as modified, amended and/or restated (the "Series 2023-B Bond" and, together with the Series 2023-A Bond, the "Series 2023 Bonds").

(b) In Article VIII of the Indenture, the University has reserved the right to issue Additional Bonds, secured by a pledge of the Pledged Revenues on a parity with all Additional Bonds outstanding under the Indenture, including the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C 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 Bond, 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 (collectively, the "Outstanding Bonds"), and with such Additional Bonds as shall hereafter be issued upon compliance with the applicable provisions of said Article VIII.

(c) The University has determined it is necessary, wise and in the best interest of the University and the public to (i) redeem and retire the Series 2023 Bonds, and (ii) pay certain issuance costs with the issuance of Additional Bonds. The University has duly adopted a resolution authorizing the issuance of such Additional Bonds, and this Supplemental University Facilities Revenue Trust Indenture is executed in order to specify the details with respect to such Additional Bonds.

(d) This Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series [2024]/[2025] Bonds (hereinafter referred to) as Additional Bonds under the Indenture.

Additional Definitions

The following definitions are in addition to those contained in the Indenture:

"**Authorized University Officer"** means the President of the University, the Chief Financial Officer of the University, or such other officer of the University as either of the foregoing officers shall have designated in writing to serve as an Authorized University Officer hereunder.

"**Escrow Trust Agreement"** mean an agreement between the University and the Trustee dated the date of the Series [2024]/[2025] Bonds for the deposit, investment and application of proceeds of the Series [2024]/[2025] Bonds for redemption of the Series 2023-A Bond and/or the Series 2023-B Bond.

["**Insurance Policy**" means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series [2024]/[2025] Bonds as provided therein, the specimen policy being set forth on Exhibit A hereto.]

["**Insured Series [2024]/[2025] Bonds**" means those of the Series [2024]/[2025] Bonds maturing on ________ 1, in the years ________ through ______, inclusive.

["**Insurer**" means [_______], or any successor thereto or assignee thereof.]

"**Interest Payment Date**" means, with respect to the Series [2024]/[2025] Bonds, each ________ 1 and _______ 1, commencing ________ 1, 202__.

"**Record Date**" as used in the Indenture shall be, with respect to the Series [2024]/[2025] Bonds, the ________ 15 and ________ 15 immediately preceding each Interest Payment Date.

"**Series [2024-A]/[2025-a] Bonds**" means the University Facilities Revenue Bonds, Series [2024-A]/[2025-A], authorized to be issued in the aggregate principal amount of $__________ and dated their original date of issuance.

NOW, THEREFORE, THIS TWENTY-[SECOND]/[THIRD] SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

WITNESSETH:

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holders at any time of the Series [2024]/[2025] Bonds hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

ARTICLE I
SERIES [2024-A]/[2025-A] BONDS

Section 1.1 Authorization and Description of the Series [2024-A]/[2025-A] Bonds. (a) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "University Facilities Revenue Bonds, Series [2024-A]/[2025-A]", dated ______ , 202_, which shall be issued in the aggregate principal amount of $________. The Series [2024-A]/[2025-A] Bonds shall mature and become payable on _____ 1 in the years and amounts shown below. Interest shall be payable on _______ 1, 202_, and on each Interest Payment Date thereafter, and the Series [2024-A]/[2025-A] Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

Maturity (_______1)	Principal Amount	Interest Rate

(b) The Series [2024-A]/[2025-A] Bonds shall be issued in denominations of $5,000 or any multiple thereof. The Series [2024-A]/[2025-A] Bonds shall be initially issued in the

Authorized Denominations and registered in the names of the Holders as shall be designated by the underwriters for the Series [2024-A]/[2025-A] Bonds.

Section 1.2 Optional Redemption Provisions. Those of the Series [2024-A]/[2025-A] Bonds having stated maturities on _____________, and thereafter, shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of $5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series [2024-A]/[2025-A] Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on _____________, and on any date thereafter, at and for a redemption price for each Series [2024-A]/[2025-A] Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

Section 1.3 Payments into Bond Fund; Method of Payment.

(a) The University will pay into the Bond Fund created in the Indenture, in addition to all other payments required to be paid therein, an amount sufficient to pay the principal of and interest on the Series [2024-A]/[2025-A] Bonds when due. The principal of the Series [2024-A]/[2025-A] Bonds shall be payable at maturity at the designated office of the Trustee in the City of Jacksonville, Florida. Interest on the Series [2024-A]/[2025-A] Bonds shall be payable by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Series [2024-A]/[2025-A] Bonds. The principal and the interest on the Series [2024-A]/[2025-A] Bonds shall be payable only upon maturity and only upon surrender of such Series [2024-A]/[2025-A] Bonds to the Trustee. All installments of principal of and interest on each Series [2024-A]/[2025-A] Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series [2024-A]/[2025-A] Bond. The Trustee may establish one or more accounts within the Bond Fund for the Series [2024-A]/[2025-A] Bond.

(b) **Issued in Book-Entry Form.** The Series [2024-A]/[2025-A] Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, NY ("DTC") as further described in Article II hereof. So long as the said book-entry only system remains in effect, the provisions of this Supplemental Indenture, including the provisions governing the registration and exchange of Series [2024-A]/[2025-A] Bonds, places and manner of payment of Series [2024-A]/[2025-A] Bonds, and requirements for presentment of Series [2024-A]/[2025-A] Bonds shall be subject to the standard procedures of DTC.

Section 1.4 Form of Series [2024-A]/[2025-A] Bonds. The form of Series [2024-A]/[2025-A] Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following form:

> Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC"), to the University or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the

name of DTC or the DTC Nominee (as defined in the Indenture referenced in this certificate), as the case maybe, or in such other name as is requested by an authorized representative of DTC (and any payment is made to DTC or the DTC Nominee or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, DTC or the DTC Nominee, as the case may be, has an interest herein.

UNITED STATES OF AMERICA
STATE OF ALABAMA
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Bonds
Series [2024-A]/[2025-A]

Interest Rate	**Maturity Date**	**CUSIP Number**

Subject to the provisions as herein stated

For value received, **UNIVERSITY OF SOUTH ALABAMA,** a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **CEDE & CO.**, or registered assigns, the principal sum of

_________________________DOLLARS

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, payable on __________ 1, 20__, and semiannually thereafter on each _____ 1 and _______ 1 until and at the maturity hereof. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. The principal of this bond is payable only upon presentation and surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Jacksonville, Florida, or its successor as trustee under the Indenture hereinafter referred to. Interest on this bond is payable by check or draft mailed by the Trustee on the interest payment date to the registered holder hereof and at the address shown on the registry books of the Trustee pertaining to the Series [2024-A]/[2025-A] Bonds as of the close of business on the __________ 15 or ___________ 15, as the case may be, next preceding the date of payment of such interest.

Interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is one of a duly authorized issue of bonds (herein called the "Series [2024-A]/[2025-A] Bonds") issuable in series without express limit as to principal amount under a Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Twenty-[Second]/[Third] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series [2024-A]/[2025-A] Bonds (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"). The principal of and the interest on the Series [2024-A]/[2025-A] Bonds are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding $10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (i) $47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (j) $18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (k) $19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (l) $37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (m) $40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, (n) $15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, (o) $20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September 23, 2021, (p) $35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September 23, 2021, (q) $45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September 23, 2021, (r) $________ Taxable University Facilities Revenue Bonds, Series [2024-B]/[2025-B], dated the date hereof, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the holders of the Series [2024-A]/[2025-A] Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall become immediately due and payable, and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of or the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The series of Bonds of which this is one is designated Series [2024-A]/[2025-A], and is authorized to be issued in the aggregate principal amount of $____________.

Those of the Series [2024-A]/[2025-A] Bonds having a stated maturity on _____________, and on any date thereafter, shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part on _________, and on any date thereafter (but if redeemed in part, (i) of such maturity or maturities as the University shall designate, and if less than all the Series [2024-A]/[2025-A] Bonds of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot, and (ii) only in installments of $5,000 or any integral multiple thereof), at and for a redemption price equal to the par or face amount thereof plus accrued interest to the date fixed for redemption.

The Series [2024-A]/[2025-A] Bonds are not general obligations of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. The Series [2024-A]/[2025-A] Bonds are not obligations or debts of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on said bonds is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Series [2024-A]/[2025-A] Bonds are issuable only as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor herewith will be issued to the transferee in exchange therefore, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the University and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture. The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated __________.

UNIVERSITY OF SOUTH ALABAMA

By:_________________________________
President

[SEAL]

Attest:

____
Secretary
of the Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Trustee

By:___________________________________
Its Authorized Officer

Form of Assignment

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto ___________________________________ the within bond and hereby irrevocably constitute(s) and appoint(s) ____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.

DATED this ____ day of ____________, ____.

____

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

____

(Bank, Broker or Firm)*

By ____________________________________

(Authorized Officer)

Its Medallion Number: __________________

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

[Statement Regarding Municipal Bond Insurance Policy]

Section 1.5 Execution and Delivery of the Series [2024-A]/[2025-A] Bonds. The Series [2024-A]/[2025-A] Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 1.6 Application of Proceeds from Sale of Series [2024-A]/[2025-A] Bonds. (a) The entire proceeds derived by the University from the sale of the Series [2024-A]/[2025-A] Bonds (less the underwriting discount of $_____________ to be retained by the Underwriters, [and less the sum of $___________ to be paid directly by the Underwriters to the Insurer for the premium for the Insurance Policy referable to the Insured Series [2024-A]/[2025-A] Bonds]) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(i) the sum of $___________ from proceeds of the Series [2024-A]/[2025-A] Bonds shall be remitted and deposited, as directed in writing by an Authorized University Officer, into a special fund or account held by the Trustee (whether under the Indenture or established under an Escrow Trust Agreement), or otherwise, for redemption and payment of the Series 2023-A Bond, and [the sum of $___________ from proceeds of the Series [2024-A]/[2025-A] Bonds shall be remitted and deposited, as directed in writing by an Authorized University Officer, into a special fund or account held by the Trustee (whether under the Indenture or under an Escrow Trust Agreement), or otherwise, for redemption and payment of the Series 2023-B Bond].

(ii) the balance ($[_______]) shall be deposited by the Trustee into a special clearing account (the "Cost of Issuance Account"), which the University hereby authorizes the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series [2024-A]/[2025-A] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series [2024-A]/[2025-A]

Bonds, with any funds remaining in said clearing account following the date of issuance of the Series [2024-A]/[2025-A] Bonds to be remitted by the Trustee to the University pursuant to written instructions from an Authorized University Officer.

(b) The President of the University and the Chief Financial Officer of the University are each hereby authorized to establish such funds or accounts with the Trustee, and to enter such agreements with the Trustee (including one or more Escrow Agreements), as shall be necessary for the Trustee to hold and invest proceeds of the Series [2024-A]/[2025-A] Bonds pending application thereof for redemption and payment of the Series 2023-A Bond [and the Series 2023-B Bond] on the date called for redemption.

ARTICLE II
SERIES [2024-B]/[2025-B] BONDS

Section 2.1 Authorization and Description of the Series [2024-B]/[2025-B] Bonds. (a) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "Taxable University Facilities Revenue Bonds, Series [2024-B]/[2025-B]", dated ______ , 202_, which shall be issued in the aggregate principal amount of $________. The Series [2024-B]/[2025-B] Bonds shall mature and become payable on _____ 1 in the years and amounts shown below. Interest shall be payable on _______ 1, 202_, and on each Interest Payment Date thereafter, and the Series [2024-B]/[2025-B] Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

Maturity (_______1)	Principal Amount	Interest Rate

(b) The Series [2024-B]/[2025-B] Bonds shall be issued in denominations of $5,000 or any multiple thereof. The Series [2024-B]/[2025-B] Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall be designated by the underwriters for the Series [2024-B]/[2025-B] Bonds.

Section 2.2 Optional Redemption Provisions. Those of the Series [2024-B]/[2025-B] Bonds having stated maturities on _____________, and thereafter, shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of $5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series [2024-B]/[2025-B] Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on _____________, and on any date thereafter, at and for a redemption price for each Series [2024-B]/[2025-B] Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

Section 2.3 Payments into Bond Fund; Method of Payment.

(a) The University will pay into the Bond Fund created in the Indenture, in addition to all other payments required to be paid therein, an amount sufficient to pay the principal of and interest on the Series [2024-B]/[2025-B] Bonds when due. The principal of the Series [2024-B]/[2025-B] Bonds shall be payable at maturity at the designated office of the Trustee in the City of Jacksonville, Florida. Interest on the Series [2024-B]/[2025-B] Bonds shall be payable by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Series [2024-B]/[2025-B] Bonds. The principal and the interest on the Series [2024-B]/[2025-B] Bonds shall be payable only upon maturity and only upon surrender of such Series [2024-B]/[2025-B] Bonds to the Trustee. All installments of principal of and interest on each Series [2024-B]/[2025-B] Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series [2024-B]/[2025-B] Bond. The Trustee may establish one or more accounts within the Bond Fund for the Series [2024-B]/[2025-B] Bond.

(b) **Issued in Book-Entry Form.** The Series [2024-B]/[2025-B] Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, NY ("DTC") as further described in Article II hereof. So long as the said book-entry only system remains in effect, the provisions of this Supplemental Indenture, including the provisions governing the registration and exchange of Series [2024-B]/[2025-B] Bonds, places and manner of payment of Series [2024-B]/[2025-B] Bonds, and requirements for presentment of Series [2024-B]/[2025-B] Bonds shall be subject to the standard procedures of DTC.

Section 2.4 Form of Series [2024-B]/[2025-B] Bonds. The form of Series [2024-B]/[2025-B] Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following form:

Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC"), to the University or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of DTC or the DTC Nominee (as defined in the Indenture referenced in this certificate), as the case maybe, or in such other name as is requested by an authorized representative of DTC (and any payment is made to DTC or the DTC Nominee or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, DTC or the DTC Nominee, as the case may be, has an interest herein.

UNITED STATES OF AMERICA
STATE OF ALABAMA
UNIVERSITY OF SOUTH ALABAMA
Taxable University Facilities Revenue Bonds
Series [2024-B]/[2025-B]

Interest Rate	**Maturity Date**	**CUSIP Number**

Subject to the provisions as herein stated

For value received, **UNIVERSITY OF SOUTH ALABAMA,** a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **CEDE & CO.**, or registered assigns, the principal sum of

________________________DOLLARS

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, payable on __________ 1, 20__, and semiannually thereafter on each _____ 1 and _______ 1 until and at the maturity hereof. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. The principal of this bond is payable only upon presentation and surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Jacksonville, Florida, or its successor as trustee under the Indenture hereinafter referred to. Interest on this bond is payable by check or draft mailed by the Trustee on the interest payment date to the registered holder hereof and at the address shown on the registry books of the Trustee pertaining to the Series [2024-B]/[2025-B] Bonds as of the close of business on the __________ 15 or ___________ 15, as the case may be, next preceding the date of payment of such interest.

Interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is one of a duly authorized issue of bonds (herein called the "Series [2024-B]/[2025-B] Bonds") issuable in series without express limit as to principal amount under a Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Twenty-[Second]/[Third] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series [2024-B]/[2025-B] Bonds (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"). The principal of and the interest on the Series [2024-B]/[2025-B] Bonds are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding $10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (i) $47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (j) $18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (k) $19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (l) $37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (m) $40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, (n) $15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, (o) $20,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-B, dated September 23, 2021, (p) $35,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-C, dated September 23, 2021, (q) $45,000,000 original principal amount Amended and Restated University Facilities Revenue Refunding Bond, Series 2016-D, dated September 23, 2021, (r) $________ University Facilities Revenue Bonds, Series [2024-A]/[2025-A], dated the date hereof, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the holders of the Series [2024-B]/[2025-B] Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall become immediately due and payable, and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of or the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The series of Bonds of which this is one is designated Series [2024-B]/[2025-B], and is authorized to be issued in the aggregate principal amount of $____________.

Those of the Series [2024-B]/[2025-B] Bonds having a stated maturity on _____________, and on any date thereafter, shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part on _________, and on any date thereafter (but if redeemed in part, (i) of such maturity or maturities as the University shall designate, and if less than all the Series [2024-B]/[2025-B] Bonds of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot, and (ii) only in installments of $5,000 or any integral multiple thereof), at and for a redemption price equal to the par or face amount thereof plus accrued interest to the date fixed for redemption.

The Series [2024-B]/[2025-B] Bonds are not general obligations of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. The Series [2024-B]/[2025-B] Bonds are not obligations or debts of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on said bonds is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Series [2024-B]/[2025-B] Bonds are issuable only as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor herewith will be issued to the transferee in exchange therefore, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the University and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture. The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated __________.

UNIVERSITY OF SOUTH ALABAMA

By:________________________________
President

[SEAL]

Attest:

____
Secretary
of the Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Trustee

By:___________________________________
Its Authorized Officer

Form of Assignment

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto __________________________________ the within bond and hereby irrevocably constitute(s) and appoint(s) __________________________________ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.

DATED this ____ day of ____________, ____.

____

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

____

(Bank, Broker or Firm)*

By ___________________________________

(Authorized Officer)

Its Medallion Number: ________________

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

[Statement Regarding Municipal Bond Insurance Policy]

Section 2.5 Execution and Delivery of the Series [2024-B]/[2025-B] Bonds. The Series [2024-B]/[2025-B] Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 2.6 Application of Proceeds from Sale of Series [2024-B]/[2025-B] Bonds. (a) The entire proceeds derived by the University from the sale of the Series [2024-B]/[2025-B] Bonds (less the underwriting discount of $____________ to be retained by the Underwriters, [and less the sum of $___________ to be paid directly by the Underwriters to the Insurer for the premium for the Insurance Policy referable to the Insured Series [2024-B]/[2025-B] Bonds]) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(i) the sum of $___________ from proceeds of the Series [2024-B]/[2025-B] Bonds shall be remitted and deposited, as directed in writing by an Authorized University Officer, into a special fund or account held by the Trustee (whether under the Indenture or established under an Escrow Agreement), or otherwise, for redemption and payment of the Series 2023-B Bond.

(ii) the balance ($[_______]) shall be deposited by the Trustee into the Cost of Issuance Account and applied by the Trustee for payment of those costs of issuing the Series [2024-B]/[2025-B] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series [2024-B]/[2025-B] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series [2024-B]/[2025-B] Bonds to be remitted by the Trustee to the University pursuant to written instructions from an Authorized University Officer.

(b) The President of the University and the Chief Financial Officer of the University are each hereby authorized to establish such funds or accounts with the Trustee, and to enter such agreements with the Trustee (including one or more Escrow Agreements), as shall be necessary for the Trustee to hold and invest proceeds of the Series [2024-B]/[2025-B] Bonds pending application thereof for redemption and payment of the Series 2023-B Bond on the date called for redemption.

(c) The entire proceeds derived by the University from the sale of the Series [2024-B]/[2025-B] Bonds (less the underwriting discount of $_____________ to be retained by the Underwriters, [and less the sum of $___________ to be paid directly by the Underwriters to the Insurer for the premium for the Insurance Policy referable to the Insured Series [2024-B]/[2025-B] Bonds]) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

> (i) the sum of $___________ from proceeds of the Series [2024-B]/[2025-B] Bonds shall be remitted and deposited into a special fund or account held by the Trustee for redemption and payment of the Series 2023-B Bond. The President of the University and the Chief Financial Officer of the University are each hereby authorized to establish such funds or accounts with the Trustee, and to enter such agreements with the Trustee, as shall be necessary for the Trustee to hold and invest proceeds of the Series [2024-B]/[2025-B] Bonds pending application thereof for redemption and payment of the Series 2023 Bonds on the date called for redemption.
>
> (ii) the balance ($[_______]) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series [2024-B]/[2025-B] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series [2024-B]/[2025-B] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series [2024-B]/[2025-B] Bonds to be remitted by the Trustee to the University pursuant to written instructions from an Authorized University Officer.

ARTICLE III
BOOK-ENTRY ONLY SYSTEM

The Series [2024]/[2025] Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series [2024]/[2025] Bonds. Purchasers of such Series [2024]/[2025] Bonds will not receive physical delivery of Series [2024]/[2025] Bond certificates. For purposes of this Supplemental Indenture, so long as all of the

Series [2024]/[2025] Bonds are in the custody of DTC, references to Series [2024]/[2025] Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the Series [2024]/[2025] Bonds. The Series [2024]/[2025] Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series [2024]/[2025] Bond will be issued for each maturity of the Series [2024]/[2025] Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series [2024]/[2025] Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series [2024]/[2025] Bonds on DTC's records. The ownership interest of each actual purchaser of each Series [2024]/[2025] Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series [2024]/[2025] Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series [2024]/[2025] Bonds, except in the event that use of the book-entry system for the Series [2024]/[2025] Bonds is discontinued.

To facilitate subsequent transfers, all Series [2024]/[2025] Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series [2024]/[2025] Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series [2024]/[2025] Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series [2024]/[2025] Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series [2024]/[2025] Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series [2024]/[2025] Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series [2024]/[2025] Bond documents. For example, Beneficial Owners of Series [2024]/[2025] Bonds may wish to ascertain that the nominee holding the Series [2024]/[2025] Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series [2024]/[2025] Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series [2024]/[2025] Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series [2024]/[2025] Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series [2024]/[2025] Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series [2024]/[2025] Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES [2024]/[2025] BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES [2024]/[2025] BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES [2024]/[2025] BONDHOLDERS UNDER THE TWENTY-[SECOND]/[THIRD] SUPPLEMENTAL INDENTURE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE SERIES [2024]/[2025] BONDS WITH RESPECT TO LESS THAN ALL OF THE SERIES [2024]/[2025] BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED SERIES [2024]/[2025] BONDHOLDER.

For every transfer and exchange of the Series [2024]/[2025] Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and the costs incurred in preparing Series [2024]/[2025] Bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Series [2024]/[2025] Bonds at any time by giving reasonable notice to the University. In the event of the discontinuance of the book-entry system for the Series [2024]/[2025] Bonds, Series [2024]/[2025] Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series [2024]/[2025] Bonds will be payable upon surrender of the Series [2024]/[2025] Bonds at the designated office of the Trustee; (ii) Series [2024]/[2025] Bonds may be transferred or exchanged for other Series [2024]/[2025] Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series [2024]/[2025] Bonds will be issued in denominations as described in the front portion of the Official Statement under "THE SERIES [2024]/[2025] BONDS".

In the event of the discontinuance of the use of the system of book-entry-only transfers through DTC (or a successor depository), Series [2024]/[2025] Bond certificates will be printed and delivered to DTC.

The information in this article concerning DTC and DTC’s book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

ARTICLE IV
[CERTAIN PROVISIONS REGARDING THE INSURER]

Section 4.1 Applicability of this Article. [Notwithstanding anything to the contrary contained in the Indenture, so long as the Insurance Policy remains in full force and effect and the Insurer is not then in payment default under the Insurance Policy, the provisions of this Article 3 shall apply for the benefit of the Insurer; provided that to the extent that the Insurer has made any payment of principal of or interest on the Insured Series [2024-A]/[2025-A] Bonds, it shall retain its rights of subrogation hereunder and under the Insurance Policy.]

Section 4.2 [Requirements of the Insurer.]

ARTICLE V
MISCELLANEOUS

Section 5.1 Concerning the Code. (a) **General.** The University recognizes that the Code imposes certain conditions to the exemption from federal income taxation of interest income on the Series [2024-A]/[2025-A] Bonds. The University agrees that it will continually comply with all requirements imposed by the Code as a condition to the exemption from federal income taxation of the interest income on the Series [2024-A]/[2025-A] Bonds. With respect to any question arising under this Section 5.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) **Series [2024-A]/[2025-A] Bonds not to be "Private Activity Bonds"**. The University will not apply the proceeds of the Series [2024-A]/[2025-A] Bonds in any manner that would cause the Series [2024-A]/[2025-A] Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) **Concerning the Arbitrage Provisions of the Code**. The University agrees that it will comply with all provisions of the Code necessary to preclude the Series [2024-A]/[2025-A] Bonds from being considered "arbitrage bonds" within the meaning of Section 148 of the Code.

(d) **Provisions Respecting Registration of Series [2024-A]/[2025-A] Bonds to Comply with Provisions of Code**. The University and the Trustee recognize that the provisions of the Code require that the Series [2024-A]/[2025-A] Bonds be in "registered form" and that, in general, the Series [2024-A]/[2025-A] Bonds must be registered as to both principal and interest and any transfer of the Series [2024-A]/[2025-A] Bonds must be effected only by the surrender of the old bond and either by the reissuance of the old bond to a new Holder or the issuance of a new bond to a new Holder. The Trustee may conclusively rely upon an opinion of nationally recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of the Series [2024-A]/[2025-A] Bonds.

Section 5.2 Confirmation of Indenture. All the terms, covenants and conditions of the Indenture, as supplemented hereby, are hereby in all respects ratified and confirmed, and the Indenture as so supplemented shall continue in full force and effect.

Section 5.3 Confirmation of Pledges. The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

Section 5.4 Construction of Supplemental Indenture. No provisions of this Supplemental Indenture shall be construed to limit or restrict, either expressly or impliedly, the obligations of the University contained in the Indenture or the powers of the Trustee thereunder, nor shall the provisions of this Supplemental Indenture be construed in any manner inconsistent with the provisions of the Indenture or in any manner that would adversely affect the interest of the Holders of any Series [2024-A]/[2025-A] Bonds.

Section 5.5 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 5.6 No Broker Confirmations. The University agrees that broker confirmations of investments in connection with the Series [2024-A]/[2025-A] Bonds are not required to be issued by the Trustee for each month in which a monthly statement is rendered or made available by the Trustee.

Section 5.7 Electronic Communications. The Trustee shall have the right to accept and act upon directions or instructions given by the University and delivered using Electronic Means (defined below); provided, however, that the University shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the University elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The University understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The University agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

[Signature page follows]

IN WITNESS WHEREOF, the University and the Trustee have each caused this Supplemental Indenture to be executed in its name and behalf by an authorized officer thereof, the University has caused its corporate seal to be hereunto affixed, and the University and the Trustee have caused this Supplemental Indenture to be dated ___________, 202__.

UNIVERSITY OF SOUTH ALABAMA

By:___________________________________
President

[SEAL]

Attest:

____
Secretary
Board of Trustees

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:___________________________________

Its: __________________________________

STATE OF ALABAMA)

COUNTY OF MOBILE)

I, ____ a Notary Public in and for said county in said state, hereby certify that Joe Bonner, whose name as the President of the **UNIVERSITY OF SOUTH ALABAMA,** a public body corporate under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this ____ day of ______, 202_.

[NOTARIAL SEAL] ____

Notary Public

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, ______________________________, a Notary Public in and for said county in said state, hereby certify that Stuart Statham, whose name as Vice President of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,** in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this ____ day of ______, 202_.

[NOTARIAL SEAL] ____________________________________

Notary Public

EXHIBIT A

Specimen Municipal Bond Insurance Policy

EXHIBIT II
<u>FORM BOND PURCHASE AGREEMENT</u>

UNIVERSITY OF SOUTH ALABAMA

BOND PURCHASE AGREEMENT

$____________	**$____________**
University Facilities Revenue Bonds Series [2024-A]/[2025-A]	**Taxable University Facilities Revenue Bonds Series [2024-A]/[2025-A]**

________, 202__

University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

J.P. Morgan Securities LLC (the "Representative"), for itself and on behalf of the firms listed on Exhibit A attached hereto (collectively, the "Underwriters"), offers to enter into the following agreement (this "Bond Purchase Agreement") with University of South Alabama (the "University"), which upon the University's acceptance of this offer, will be binding upon the Underwriters and upon the University. This offer is made subject to the University's acceptance on or before 2:00 p.m., Mobile, Alabama time, on _______, 202_, and if not so accepted, will be subject to withdrawal by the Representative upon notice to the University at any time prior to the acceptance hereof by the University.

1. **Purchase and Sale.** (a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters hereby agree to purchase from the University for offering to the public and the University hereby agrees to sell and deliver to the Underwriters for such purpose, all of the University's (i) $___________ University Facilities Revenue Bonds, [Series 2024-A]/[Series 2025-A] (the "Tax-Exempt Bonds"), and (ii) $___________ Taxable University Facilities Revenue Bonds, [Series 2024-B]/[Series 2025-B] (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Series [2024/2025] Bonds"). The Series [2024/2025] Bonds shall be dated their date of initial delivery and shall be issued in such principal amounts, mature on such dates, bear such rates of interest and be subject to redemption as set forth in Exhibit B-1 (as respects the Tax-Exempt Bonds) and Exhibit B-2 (as respects the Taxable Bonds) attached hereto. Interest on the Series [2024/2025] Bonds shall be payable on [________] 1 and [________] 1 in each year to maturity or earlier redemption, commencing [______] 1, 202__.

(b) The Tax-Exempt Bonds shall be paid for by the Underwriters by wire transfer on the Closing Date (as hereinafter defined) at the purchase price of $__________ (which takes into account [net] original issue [premium]/[discount] of $__________ and an Underwriters' discount of $_________), and the Taxable Bonds shall be paid for by the Underwriters by wire transfer on the Closing Date at a purchase price of $_________ (which takes into account an Underwriters' discount of $__________).

(c) The Series [2024/2025] Bonds shall be issued pursuant to the Constitution and the laws of the State of Alabama, and pursuant to the provisions of a University Facilities Revenue Trust Indenture, dated as of February 15, 1996, between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and as further supplemented by a Twenty-[Second]/[Third] Supplemental University Facilities Revenue Trust Indenture to be dated the date of the Series [2024/2025] Bonds (as so supplemented, the "Indenture"). The Series [2024/2025] Bonds are being issued for the purposes of (i) redeeming and retiring the University's not to exceed $80,000,000 University Facilities Revenue Bond, Series 2023-A, as modified, amended and/or restated, and its not to exceed $20,000,000 Taxable University Facilities Revenue Bond, Series 2023-B, as modified, amended and/or restated; (ii) paying the costs and expenses of issuing the Series [2024/2025] Bonds; [and (iii) paying the premium for a financial guaranty insurance policy with respect to certain of the Series [2024/2025] Bonds]. The Series [2024/2025] Bonds are limited obligations of the University, payable solely from, and secured by a pledge of, the "Pledged Revenues," as more fully described in the Preliminary Official Statement described below.

2. **Offering.** Subject to the terms and conditions set forth herein, the Underwriters agree to make a public offering of the Tax-Exempt Bonds and the Taxable Bonds Bonds at the initial offering prices or yields and subject to the redemption terms set forth in Exhibit B-1 and Exhibit B-2, respectively, attached hereto prior to 1:00 p.m. on the Closing Date; provided, however, the Underwriters reserve the right to change such initial offering prices or yields as the Underwriters shall deem necessary in connection with the marketing of the Series [2024/2025] Bonds and to offer and sell the Series [2024/2025] Bonds to certain dealers (including dealers depositing the Series [2024/2025] Bonds into investment trusts) and others at prices lower than the initial offering prices or higher yields than set forth on the inside cover page of the Official Statement (as hereinafter defined).

It shall be a condition of the University's obligation to sell and deliver the Series [2024/2025] Bonds to the Underwriters, and the obligation of the Underwriters to purchase and accept delivery of the Series [2024/2025] Bonds, that the entire aggregate initial principal amount of the Series [2024/2025] Bonds shall be sold and delivered by the University and accepted and paid for by the Underwriters on the Closing Date on the terms herein provided unless otherwise agreed to by the University by formal official action and by the Representative in writing.

3. **Official Statement and Other Documents.** The University hereby ratifies the use and distribution of the Preliminary Official Statement with respect to the Series [2024/2025] Bonds, dated _______ __, 202__ (the "Preliminary Official Statement"), and certifies that the Preliminary Official Statement, as of its date, was deemed final by the University for purposes of Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission (the "SEC"), except for the omission of certain information permitted by Rule 15c2-12.

The final Official Statement with respect to the Series [2024/2025] Bonds (the "Official Statement") shall be provided for distribution, at the expense of the University, in such quantity as may be requested by the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Bond Purchase Agreement or (ii) one (1) business day prior to the Closing Date, in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"), with respect to distribution of the Official Statement. The University shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

The Representative agrees to file the Official Statement with the MSRB as required by the applicable SEC or MSRB Rule. The filing with the MSRB shall be in accordance with the procedures of the Electronic Municipal Market Access System ("EMMA").

The Underwriters agree that they will not confirm the sale of any Series [2024/2025] Bonds unless a final written confirmation of the sale is accompanied or preceded by the delivery of a copy of the Official Statement, either directly or by notice that it is available through EMMA.

In order to assist the Underwriters in complying with Rule 15c2-12, the University has covenanted for the benefit of the owners of the Series [2024/2025] Bonds to provide certain financial and operating information on an annual basis and to provide notices of the occurrence of certain events within ten (10) business days of their occurrence, all pursuant to a Continuing Disclosure Agreement, dated the date of the Series [2024/2025] Bonds (the "Continuing Disclosure Agreement").

4. **Representations and Agreements.** The University hereby represents and agrees as follows:

(a) The University is duly created and existing under the constitution and laws of the State of Alabama.

(b) Except for the statements and information contained under the captions ["BOND INSURANCE,"] "RATINGS," "FINANCIAL ADVISOR" and "UNDERWRITING" and in Appendix D – DTC PROCEDURES (collectively, the "Excluded Sections"), the statements and information contained in the Preliminary Official Statement, as of its date and as of the date hereof, and in the Official Statement, as of the date hereof and as of the Closing Date, were and will be true and correct in all material respects and did not and will not contain any misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information contained therein not misleading in any material respect.

(c) The University has full legal right, power and authority to: (i) enter into this Bond Purchase Agreement, (ii) execute and deliver the Twenty-[Second]/[Third][Supplemental University Facilities Revenue Trust Indenture, the Continuing Disclosure Agreement, the Tax Certificate and Agreement (as hereinafter defined) and such other documents as shall be contemplated hereby and thereby for execution by the University (collectively, the "University Documents"), (iii) sell, issue and deliver the Series [2024/2025] Bonds to the Underwriters as provided herein, (iv) carry out and consummate the obligations and transactions contemplated by this Bond Purchase Agreement, the University Documents and the Official Statement, and on the Closing Date will be in compliance with the obligations on its part in connection with the issuance of the Series [2024/2025] Bonds contained in the Indenture, the University Documents, the Series [2024/2025] Bonds and this Bond Purchase Agreement, and (v) apply the proceeds of the Series [2024/2025] Bonds for the purposes contemplated by the University Documents, including for the payment or reimbursement of incidental expenses in connection with the marketing, issuance and deliver of the Series [2024/2025] Bonds to the extent required by Section 8 of this Agreement and in compliance with applicable law.

(d) The resolution of the Board of Trustees of the University authorizing the issuance and sale of the Series [2024/2025] Bonds (the "Authorizing Resolution"), a copy of which has been furnished to the Representative, was duly adopted on March 15, 2024, has not been amended or rescinded and remains in full force and effect on the date hereof.

(e) The University is not now, and will not on the Closing Date be, in breach of or in default under any law, judgement, decree, order, regulation, agreement, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it is bound, and no event has occurred or is continuing that, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder, except in either case for such breaches, defaults, or potential defaults or events of default, if any, which individually or in the aggregate would have no material adverse effect on the performance by the University under this Bond Purchase Agreement, the Indenture, the University Documents or the Series [2024/2025] Bonds.

(f) The financial statements included as Appendix A to the Preliminary Official Statement and the Official Statement present fairly, in all material respects, the financial position and results of operations of the University.

(g) When delivered to and paid for by the Underwriters on the Closing Date in accordance with the provisions of this Bond Purchase Agreement, the Series [2024/2025] Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and limited obligations of the University, payable from Pledged Revenues.

(h) The University has neither encumbered nor made a prior pledge of the Pledged Revenues other than to the holders of the Bonds heretofore issued under the terms of the Indenture.

(i) The adoption of the Authorizing Resolution and the authorization, execution and delivery of this Bond Purchase Agreement, the University Documents and compliance with the provisions hereof and thereof, and issuance of the Series [2024/2025] Bonds, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree or resolution.

(j) On the Closing Date, the University will be in compliance in all respects with the covenants and agreements contained in the Indenture.

(k) All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the issuance of the Series [2024/2025] Bonds, the performance by the University of its obligations hereunder and under the Indenture and the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement have been obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities law of any state in connection with the offering and sale of the Series [2024/2025] Bonds or in connection with the registration of the Series [2024/2025] Bonds under the federal securities laws.

(l) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body pending with respect to which service or notice on the University has been perfected or given or, to the best knowledge of the University, threatened against or affecting the University, which would (i) restrain or enjoin the issuance or delivery of the Series [2024/2025] Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series [2024/2025] Bonds or the validity, due authorization and execution of the Series [2024/2025] Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series [2024/2025] Bonds as and when due, or from applying the proceeds of the Series [2024/2025] Bonds for the purposes contemplated by the University Documents, including the payment or reimbursement of expenses as required by Section 8 of this Agreement, or (iv) in any way contest the corporate existence or powers of the University;

(m) During the period from the date hereof to and including a date which is 25 days following "the end of the underwriting period" (as hereinafter defined) for the Series [2024/2025] Bonds:

(1) the University will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall reasonably object in writing, unless the University has obtained an opinion of counsel stating that such amendment or supplement is necessary in order to make the Official Statement as then supplemented or amended, not contain any untrue statement of a material fact or not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading at the time that they are delivered to a purchaser of a Series [2024/2025] Bond;

(2) if any event relating to or affecting the University or the Series [2024/2025] Bonds shall occur which would or might cause the information contained in the Official Statement, as then supplemented or amended, to contain any

untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the University shall so notify the Representative, and, if as a result of which it is necessary in the opinion of the University or counsel to the Underwriters to amend or supplement the Official Statement in order to make the Official Statement not misleading, the University shall forthwith prepare and furnish to the Underwriters (at the expense of the University) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriters and the University) which will amend or supplement the Official Statement so that such Official Statement, as amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in any material respect;

(3) for the purpose of this section, the University will furnish to the Underwriters through the end of the underwriting period such information to confirm the truth, accuracy and completeness of the statements and information contained in the Official Statement as the Underwriters may from time to time reasonably request. The "end of the underwriting period" for purposes of Rule 15c2-12 shall mean the Closing Date unless the Representative notifies the University in writing, on or prior to the Closing Date, that the Closing Date will not be the "end of the underwriting period." In the event such notice is given in writing by the Representative to the University, the "end of the underwriting period" for the Series [2024/2025] Bonds as used in this Bond Purchase Agreement shall mean the earlier to occur of (i) 65 days after the Closing Date or (ii) the date on which the Underwriters no longer have any of the Series [2024/2025] Bonds for sale to the public.

(n) The University shall cooperate with the Underwriters and their counsel in any endeavor to qualify the Series [2024/2025] Bonds for offering and sale under the securities laws of such jurisdictions of the United States of America as the Underwriters may request and to continue such qualifications in effect as long as may be required for the distribution of the Series [2024/2025] Bonds; provided, however, the University shall not be required to consent to service of process in any such jurisdiction.

(o) The University will enter into the Continuing Disclosure Agreement. E xcept as described in the Preliminary Official Statement and the Official Statement, the University has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

5. **Closing.** At 9:00 a.m., local time, on ________, 202__, or at such time on such earlier or later date as shall be agreed upon by the University and the Representative (the "Closing Date"), the activities relating to the execution and delivery of certain documents and the delivery of the certificates, opinions and other instruments as described in Section 6(e) hereof shall occur at the offices of the University, 307 University Boulevard, Administrative Building, Mobile, Alabama, or such other location as shall be mutually agreed upon by the University and the Representative. Such simultaneous execution and delivery of such documents, certificates, opinions and other instruments are herein referred to as the "Closing." On the Closing Date:

(a) The University shall deliver to the Underwriters (i) the Series [2024/2025] Bonds, duly authorized, executed and authenticated, and (ii) the other instruments and documents required to be delivered to the Underwriters pursuant to Section 6 hereof.

(b) The purchase price for the Series [2024/2025] Bonds shall be paid to the University by wire transfer or by such other method as may be agreeable to the University and the Underwriters.

6. **Underwriters' Closing Conditions.** The Underwriters have entered into this Bond Purchase Agreement in reliance upon the representations of the University herein contained and the performance by the University of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriters under this Bond Purchase Agreement are and shall be subject to the following conditions:

(a) The representations and agreements of the University contained herein shall be true and correct and complied with as of the date hereof and as of the Closing Date.

(b) At the time of the Closing, the Indenture shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except to the extent that such amendments have been agreed to by the Underwriters.

(c) At the time of the Closing, all official action of the University relating to this Bond Purchase Agreement, the Indenture and the Series [2024/2025] Bonds, and all other documents contemplated hereby and thereby, shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Representative.

(d) At any time on or prior to the Closing Date, the Representative shall have the right to cancel the agreement contained herein to purchase the Series [2024/2025] Bonds by notifying the University in writing of their intention to do so if between the date hereof and the Closing Date:

(i) legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any Committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on obligations of the general character of the Tax-Exempt Bonds; or

(ii) legislation shall be enacted or any action shall be taken by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered or any action shall be taken by the United States Securities and Exchange Commission which, in the opinion of Counsel for the Underwriters, has the effect that the Series [2024/2025] Bonds are not exempt from registration, qualification or other requirements under the Securities Act of 1933, as amended, or the Trust Indenture Act or otherwise, or would be in violation of any provision of the federal securities laws; or

(iii) in the opinion of the Representative, payment for and delivery of the Series [2024/2025] Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc. or other major exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices of securities shall have been required and be in force on any such exchange, or (B) a general banking moratorium shall have been established by federal, New York or Alabama authorities, or (C) there shall have occurred any outbreak or escalation of hostilities or other local, national or international calamity or crisis on the financial markets of the United States which, in the Representative's reasonable judgment, renders it impracticable for the Underwriters to market the Series [2024/2025] Bonds or to enforce contracts for the sale of the Series [2024/2025] Bonds; or

(iv) any order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental body or board, shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Series [2024/2025] Bonds as contemplated hereby or by the Official Statement or prohibiting the entering or performance of the Indenture; or

(v) the President of the United States, the Office of Management and Budget, the Department of Treasury, the Internal Revenue Service or any other governmental body, department, agency or commission of the United States or the State of Alabama shall take or propose to take any action or implement or propose regulations, rules or legislation which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series [2024/2025] Bonds or causes any material information in the Official Statement, in light of the circumstances under which it appears, to be misleading in any material respect; or

(vi) any executive order shall be announced, or any legislation, ordinance, rule or regulation shall be proposed by or introduced in, or be enacted by any governmental body, department, agency or commission of the United States or the State of Alabama, having jurisdiction over the subject matter, or a decision by any court of competent jurisdiction within the United States or within the State of Alabama, shall be rendered which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series [2024/2025] Bonds or causes any information in the Official Statement to be misleading in any material respect; or

(vii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series [2024/2025] Bonds or in any way contesting or affecting any authority for or the validity of the Series [2024/2025] Bonds, the Indenture or this Bond Purchase Agreement, or any of the proceedings of the University taken with respect to the issuance or sale of the Series [2024/2025] Bonds or the execution of and performance of this Bond Purchase Agreement, the Indenture or the University Documents, or the application of the proceeds of the Series [2024/2025] Bonds for the purposes contemplated by the University Documents, including the payment or reimbursement of expenses as required by Section 8 of this Agreement; or

(viii) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the University's obligations; or

(ix) the marketability of the Series [2024/2025] Bonds or the market price thereof, or the ability of the Underwriters to enforce contracts for the sale of the Series [2024/2025] Bonds, in the opinion of the Representative, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(x) any event shall have occurred or shall exist which, in the reasonable opinion of the Representative, would cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading as of such time and which would materially adversely affect the marketability of the Series [2024/2025] Bonds and, in either such event, the University refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Series [2024/2025] Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series [2024/2025] Bonds; or

(xi) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order;

(xii) a material disruption in securities settlement, payment or clearance services affecting the Series [2024/2025] Bonds shall have occurred; or

(xiii) there shall have been any materially adverse change in the financial condition or affairs of the University that is not contemplated in the Official Statement, as then amended and supplemented;

(e) On or prior to the Closing Date, the Underwriters shall receive the following documents:

(i) the Official Statement, and any supplements, amendments or modifications, if any, thereto, executed on behalf of the University by the President or the Chief Financial Officer of the University;

(ii) the Twenty-[Second]/[Third] Supplemental University Facilities Revenue Trust Indenture, certified by the Secretary of the University under seal as having been duly executed by the President or the Chief Financial Officer of the University and such modifications or amendments as may have been agreed to by the Underwriters;

(iii) a certified copy of the Authorizing Resolution;

(iv) an opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University ("Bond Counsel"), in substantially the form included in the Official Statement as Appendix B;

(v) a supplemental opinion of Bond Counsel in the form set forth on Exhibit D hereto;

(vi) an opinion of General Counsel to the University, addressed to Bond Counsel and the Underwriters, and dated the date of the Closing, in form and substance satisfactory to the Representative and Underwriter's Counsel, including but not limited to an opinion that nothing has come to the attention of such counsel that would lead such counsel to believe that the information and statements in the Preliminary Official Statement, as of its date and as of the date hereof, and in the Official Statement, as of its date and as of the Closing Date, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (subject to customary qualifications and exclusions);

(vii) an opinion of Hand Arendall Harrison Sale LLC, as Counsel to the Underwriters, in form and substance satisfactory to the Underwriters, including but not limited to an opinion that nothing has come to the attention of such counsel that would lead them to believe that the information and statements in the Preliminary Official Statement, as of its date and as of the date hereof, and in the Official Statement, as of its date and as of the Closing Date, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (subject to customary qualifications and exclusions);

(viii) A Tax Compliance Certificate and Agreement of the University (the "Tax Certificate and Agreement"), prepared by Bond Counsel and executed by an authorized officer of the University, dated as of the Closing Date, setting forth facts, estimates and circumstances concerning the use or application of the Series [2024/2025] Bond proceeds, in form and substance satisfactory to Bond Counsel;

(ix) evidence of an underlying rating of (i) ["A1"] issued by [Moody's Investors Service, Inc.] with respect to the Series [2024/2025] Bonds and (ii) ["A+"] by [S&P Global Ratings] with respect to the Series [2024/2025] Bonds;

(x) the Continuing Disclosure Agreement executed by an authorized officer of the University;

(xi) A certificate of the University, dated the date of the Closing, signed by the President or the Chief Financial Officer of the University and in form and substance satisfactory to the Representative and Underwriters' Counsel, to the effect that:

(1) since the date hereof no material and adverse change has occurred in the financial condition of the University or results of operations of the University, except as set forth in the Official Statement;

(2) the University has not, since September 30, [2023]/[2024], incurred any material liabilities other than in the ordinary course of business or as set forth in the Official Statement;

(3) no litigation or proceeding is pending with respect to which service or notice on the University has been perfected or given or, to their knowledge, threatened which would (i) restrain or enjoin the issuance or delivery of the Series [2024/2025] Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series [2024/2025] Bonds or the validity, due authorization and execution of the Series [2024/2025] Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series [2024/2025] Bonds as and when due, or from applying the proceeds of the Series [2024/2025] Bonds for the purposes contemplated by the University Documents, including the payment or reimbursement of expenses as required by Section 8 of this Agreement, or (iv) in any way contest the corporate existence or powers of the University;

(4) the Preliminary Official Statement (except for omissions permitted by Rule 15c2-12) did not as of its date and as of the date hereof does not, and the Official Statement, as of its date and at all times through the date of the Closing, will not, contain any misstatement of a material fact or omit to state any material fact required to be stated therein in order for the statements made therein, in the light of the circumstances under which they were made, not to be misleading;

(5) the representations of the University contained herein are true and correct in all material respects as of the date of the Closing, as if made on the date of the Closing; and

(6) none of the proceedings or authority for the execution and delivery of the Series [2024/2025] Bonds and the transactions related thereto have been modified, amended or repealed;

(xii) [an insurance policy issued by _________________ (the "Bond Insurer") guaranteeing the scheduled payment when due of the principal of and interest on [those of] the Series [2024/2025] Bonds [maturing in the year [___] and thereafter (the "Insured Bonds")];

(xiii) an opinion of counsel to the Bond Insurer, dated the date of Closing, in form and substance satisfactory to the Representative;

(xiv) [evidence of a rating of ["AA"] by [S&P Global Ratings] with respect to the Insured Series [2024/2025] Bonds]; and

(xv) such additional legal opinions, consents, certificates, proceedings, instruments and other documents as the Underwriters, or counsel therefor or Bond Counsel may reasonably request to evidence compliance by the University with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the University herein and the due performance or satisfaction by the University at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the University.

If the University shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Series [2024/2025] Bonds contained in this Bond Purchase Agreement and the Representative does not waive such inability in writing, or if the obligations of the Underwriters to purchase, accept delivery of and pay for the Series [2024/2025] Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, including the exercise of the Representative's right to cancel this Bond Purchase Agreement as provided in Section 6(d) hereof, this Bond Purchase Agreement shall terminate and neither the Underwriters nor the University shall be under any further obligation hereunder, except that the respective obligations of the University and the Underwriters set forth in Section 8 hereof shall continue in full force and effect.

7. **Establishment of Issue Price.**

(a) The Representative, on behalf of the Underwriters, agrees to assist the University in establishing the issue price of the Series [2024-A/2025-A] Bonds and shall execute and deliver to the University on the Closing Date an "issue price" or similar certificate substantially in the form attached hereto as Exhibit C, together with the supporting pricing wires or equivalent communications, and with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the University and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series [2024/2025] Bonds.

(b) [Except as otherwise set forth in Exhibit B-1,] the University will treat the first price at which 10% of each maturity of the Series [2024-A/2025-A] Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Representative shall report to the University the price or prices at which the Underwriters have sold to the public each maturity of Series [2024-A/2025-A] Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Series [2024-A/2025-A] Bonds, the Representative agrees to promptly report to the University the prices at which Series [2024-A/2025-A] Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Series [2024-A/2025-A]Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Series [2024-A/2025-A] Bonds of that maturity, provided that, the Underwriters' reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the University or bond counsel.]

(c) The Representative confirms that the Underwriters have offered the Series [2024/2025] Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit B-1 attached hereto, except as otherwise set forth therein. Exhibit B-1 also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series [2024-A/2025-A] Bonds for which the 10% test has not been satisfied and for which the University and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the University to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series [2024-A/2025-A] Bonds, the Underwriters will neither offer nor sell unsold Series [2024-A/2025-A] Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Series [2024-A/2025-A] Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the University promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Series [2024-A/2025-A] Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series [2024-A/2025-A] Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series [2024-A/2025-A] Bonds of each maturity allotted to it until either all Series [2024-A/2025-A] Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series [2024-A/2025-A] Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires, and

(ii) The University acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Series [2024-A/2025-A] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Series [2024-A/2025-A] Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series [2024-A/2025-A] Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series [2024-A/2025-A] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series [2024-A/2025-A] Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series [2024-A/2025-A] Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series [2024-A/2025-A] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series [2024-A/2025-A] Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The University further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series [2024-A/2025-A] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Series [2024-A/2025-A] Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series [2024-A/2025-A] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series [2024-A/2025-A] Bonds.

(e) The Underwriters acknowledge that sales of any Series [2024-A/2025-A] Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series [2024-A/2025-A] Bonds (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the University (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series [2024-A/2025-A] Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series [2024-A/2025-A] Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series [2024-A/2025-A] Bonds to the public),

(iii) a purchaser of any of the Series [2024-A/2025-A] Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

8. **Expenses**. The Underwriters shall be under no obligation to pay, and the University shall pay, any expense incident to the performance of the University's obligations hereunder including, but not limited to: (a) the cost of preparation, printing and delivery of the Series [2024/2025] Bonds, the Twenty-[Second]/[Third] Supplement University Facilities Revenue Trust Indenture, this Bond Purchase Agreement and all other instruments, agreements and other documents contemplated thereby and hereby; (b) the costs of preparation and the fees and disbursements of Bond Counsel and other legal counsel to the University; (c) fees for bond ratings; (d) the fees and expenses of the Trustee; (e) the costs of preparing, printing and delivering the Official Statement and any supplements or amendments thereto; and (f) such other expenses as may be agreed to in writing at a later date.

The University shall reimburse the Underwriters for actual expenses incurred or paid for by the Underwriters on behalf of the University for the University's employees and representatives, including, but not limited to, transportation, lodging, and meals in connection with the marketing, issuance, and delivery of the Series [2024/2025] Bonds; provided, however, that (i) reimbursement for such expenses shall not exceed an ordinary and reasonable amount for such expenses and (ii) such expenses are not related to the entertainment of any person and not prohibited from being reimbursed from the proceeds of an offering of municipal securities under MSRB Rule G-20. Such reimbursement may be in the form of inclusion in the expense component of the Underwriter's discount, or direct reimbursement as a cost of issuance.

The Underwriters shall pay: (a) all advertising expenses in connection with a public offering of the Series [2024/2025] Bonds, (b) fees of the CUSIP Service Bureau, (c) all fees and disbursements of any counsel retained by the Underwriters, and (d) any fees of the MSRB or the Securities Industry and Financial Markets Association.

In the event that either party shall have paid obligations of the other as set forth in this Section 7, adjustment shall be made at the time of the Closing.

9. **Notices**. Any notice or other communications to be given to the University under this Bond Purchase Agreement may be given by mailing the same to University of South Alabama, Attention: Chief Financial Officer, 307 University Boulevard, Administrative Building, Suite 170, Mobile, Alabama 36688, with a copy to Josh McCoy, PFM Financial Advisors LLC, 116 Jefferson Street South, Suite 301, Huntsville, Alabama 35801 and any such notice or other communication to be given to the Underwriters may be mailed to J.P. Morgan Securities LLC; Attention: ________________, ____________, [insert address].

10. **Parties in Interest**. This Bond Purchase Agreement is made solely for the benefit of the University and the Underwriters and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect and shall survive the delivery of the Series [2024/2025] Bonds.

11. **Waiver**. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the University hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters, in their sole discretion, and the approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Underwriters and delivered to the University.

12. **Limitations of Liability**. The obligations of the University hereunder shall be limited obligations, and shall be payable only from Pledged Revenues or other funds legally available therefor. No officer, agent or employee of the University shall be charged personally by the Underwriters with any liability, or held liable to the Underwriters under any term or provision of this Bond Purchase Agreement because of its execution or attempted execution, or because of any breach or attempted breach thereof.

13. **Counterparts**. This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

14. **Governing Law**. This Bond Purchase Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the University and the Underwriters with respect to the purchase and sale of the Series [2024/2025] Bonds. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

15. **No Advisory or Fiduciary Role**. The University acknowledges and agrees that: (i) the transactions contemplated by this Bond Purchase Agreement are arm's length, commercial transactions between the University and the Underwriters; (ii) in connection with such transaction, including the process leading thereto, the Underwriters are acting solely as principals and not as agents, fiduciaries or advisors (including municipal advisors) of the University; (iii) the Underwriters have neither assumed an advisory or fiduciary responsibility in favor of the University with respect to the offering of the Series [2024/2025] Bonds or the process leading thereto (whether or not the Underwriters or any affiliate of any Underwriter has advised or is currently advising the University on other matters) nor has it assumed any other obligation to the University except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the University; and (v) the University has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Series [2024/2025] Bonds.

16. **Waiver of Right to Trial by Jury.** EACH PARTY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL

BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS BOND PURCHASE AGREEMENT (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR ANY OTHER THEORY). EACH PARTY ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN MATERIALLY INDUCED TO ENTER INTO THIS AGREEMENT.

[Signature page follows.]

Very truly yours,

J.P. Morgan Securities, LLC,
on behalf of itself and the other underwriters
named herein

By: ____________________________________

Its: ____________________________________

Accepted this [____] day of ___________, 202__.

UNIVERSITY OF SOUTH ALABAMA

By:____

Its:____

EXHIBIT A

UNIVERSITY OF SOUTH ALABAMA

University Facilities Revenue Bonds
Series [2024-A]/[Series 2025-A]

Taxable University Facilities Revenue Bonds
Series [2024-B]/[Series 2025-B]

<u>Underwriters</u>

Raymond James & Associates, Inc.
Truist Securities, Inc.
Piper Sandler & Co.

EXHIBIT B-1

UNIVERSITY OF SOUTH ALABAMA

University Facilities Revenue Bonds
Series [2024-A/2025-A]

PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
AND REDEMPTION PROVISIONS

Maturity Schedule:

Maturity Date	Amount	Rate	Yield	Price

Redemption Provisions:

Optional Redemption. Those of the Series [2024-A/2025-A] Bonds having a stated maturity on _______ 1, ____, and thereafter will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on _______ 1, _____, and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series [2024-A/2025-A] Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series [2024-A/2025-A] Bond redeemed plus accrued interest to the date fixed for redemption.]

Mandatory Redemption. Those of the Series [2024-A/2025-A] Bonds maturing on [_______] shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series (2024-A/2025-A] Bonds, at and for a redemption price, with respect to each such Series [2024-A/2025-A] Bonds or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on ________ 1 in the following years:

Year	Amount Required to be Redeemed

EXHIBIT B-2

UNIVERSITY OF SOUTH ALABAMA
Taxable University Facilities Revenue Bonds
Series [2024-B/2025-B]

PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
<u>AND REDEMPTION PROVISIONS</u>

Maturity Schedule:

Maturity Date	Amount	Rate	Yield	Price

Redemption Provisions:

<u>Optional Redemption</u>. Those of the Series [2024-B/2025-B] Bonds having a stated maturity on _______ 1, ____, and thereafter will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on _______ 1, _____, and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series [2024-B/2025-B] Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series [2024-B/2025-B] Bond redeemed plus accrued interest to the date fixed for redemption.]

<u>Mandatory Redemption</u>. Those of the Series [2024-B/2025-B] Bonds maturing on [_______] shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series [2024-B/2025-B] Bonds, at and for a redemption price, with respect to each such Series [2024-B/2025-B] Bonds or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on _____1 in the following years:

Year	Amount Required to be Redeemed

EXHIBIT C

UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Bonds, Series [2024-A/2025-A]

<u>FORM OF ISSUE PRICE CERTIFICATE</u>

Issue Price Certificate

This certificate is being delivered by J.P. Morgan Securities LLC (the "Representative") in connection with the issuance by the University of South Alabama (the "University") of its $_______________ University Facilities Revenue Bonds, Series [2024-A/2025-A] (the "Series [2024-A/2025-A] Bonds"). The Series [2024-A/2025-A] Bonds have been purchased from the University by the underwriters (the "Underwriters") identified in the Bond Purchase Agreement dated _______, 202__ (the "Bond Purchase Agreement") between the University and the Representative, on behalf of the Underwriters. Capitalized terms not otherwise defined in this certificate have the meaning assigned in the Bond Purchase Agreement.

The Representative, on behalf of the Underwriters, hereby certifies with respect to the sale and issuance of the Series [2024-A/2025-A] Bonds:

1. **Pricing Wire.** Attached to this certificate as ***Appendix 1*** is the pricing wire or equivalent communication establishing the Initial Offering Prices of the Series [2024-A/2025-A] Bonds as of the Sale Date. The offering prices in the pricing wire are the same as the Initial Offering Prices identified in <u>Exhibit B-1</u> to the Bond Purchase Agreement.

2. **Offering at the Initial Offering Prices.** The Underwriters offered the Series [2024-A/2025-A]Bonds to the Public for purchase at the Initial Offering Prices identified in <u>Exhibit B-1</u> to the Bond Purchase Agreement.

3. **Sale of the General Rule Maturities.** ***Appendix 2*** correctly identifies each Maturity of the Series [2024-A/2025-A]Bonds for which the 10% Test was satisfied as of the Sale Date.

[4. **Hold-the-Offering-Price Maturities.** As set forth in the Bond Purchase Agreement, the Underwriters have agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, they would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Representative has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[4./5.] **Defined Terms.** In addition to the terms defined elsewhere in this certificate, the following definitions apply for purposes of this certificate:

(a) *General Rule Maturity* means each Maturity of the Series [2024-A/2025-A] Bonds identified in ***Appendix 2*** for which the 10% test was satisfied as of the Sale Date.

(b) *Hold-the-Offering-Price Maturity* means each Maturity of the Series [2024-A/2025-A] Bonds identified in ***Appendix 2*** for which the 10% test was not satisfied as of the Sale Date.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of business on the fifth business day after the Sale Date or (ii) the date on which the Underwriters sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity*, when used with respect to the Series [2024-A/2025-A] Bonds, means Series [2024-A/2025-A] Bonds with the same credit and payments terms. Series [2024-A/2025-A] Bonds with different maturity dates, or Series [2024-A/2025-A] Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to the Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the date of execution of the Bond Purchase Agreement by all parties.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the University (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series [2024-A/2025-A] Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series [2024-A/2025-A] Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series [2024-A/2025-A] Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The Representative understands that the forgoing information will be relied upon the University with respect to certain of the representations set forth in the Tax Certificate and Agreement executed by them and with respect to compliance with the federal income tax rules affecting the Series [2024-A/2025-A] Bonds, and by bond counsel (Bradley Arant Boult Cummings, L.L.P.) in connection with rendering its opinion that interest on the Series [2024-A/2025-A] Bonds is excluded from gross income for federal income tax purposes, the preparation of Form 8038-G, and other federal income tax advice that it may give to the University from time to time relating to the Series [2024-A/2025-A] Bonds.

Dated: __________________.

J.P. Morgan Securities LLC,
as Representative of the Underwriters

By: ____
(signature)

Name: ____
(print name)

Title:____

Appendix 1
Pricing Wire

Appendix 2

10% Test and Hold-The-Offering Price Identification

Exhibit D
Form of Supplemental Opinion of Bond Counsel

EXHIBIT III

FORM OF PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED [___________]

	RATINGS:	
	Underlying	**Insured**
Moody's:	[______]	[______]
S&P:	[______]	[______]

NEW ISSUE - BOOK-ENTRY ONLY ***See* "RATINGS" herein**

In the opinion of Bond Counsel to the University, under existing law and assuming the accuracy of certain representations and certifications and compliance by the University with certain tax covenants, interest on the Series 2024-A Bonds will be excluded from gross income for federal income tax purposes. Bond Counsel to the University is of the further opinion that, under existing law, interest on the Series 2024-A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2024 Bonds. Bond Counsel to the University is also of the opinion that, under existing law, interest on the Series 2024-A Bonds and interest on the Series 2024-B Bonds is exempt from Alabama income taxation.

UNIVERSITY OF SOUTH ALABAMA

$_________________*
University Facilities Revenue Bonds Series 2024-A

$_________________*
Taxable University Facilities Revenue Bonds Series 2024-B

Dated: Date of Delivery **Due: [April 1], as shown on inside cover**

FOR MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS, SEE INSIDE COVER

The above-referenced University Facilities Revenue Bonds, Series 2024-A (the "Series 2024-A Bonds") and Taxable University Facilities Revenue Bonds, Series 2024-A (the "Series 2024-B Bonds" and, together with the Series 2024-A Bonds, the "Series 2024 Bonds")[1] will be issued as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company ("DTC") and, when issued, will be registered in the name of and held by Cede & Co., as nominee. Purchases of beneficial interests in the Series 2024 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2024 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2024 Bonds. The principal of and interest on the Series 2024 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2024 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2024 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2024 BONDS - General Description" and in Appendix D hereto.

The Series 2024 Bonds are being issued by the University of South Alabama (the "University") pursuant to that certain University Facilities Revenue Trust Indenture between The Bank of New York Mellon Trust Company, N.A., as trustee, and the University dated as of February 15, 1996 (as heretofore supplemented and amended and as further supplemented and amended by a Twenty-Second Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2024 Bonds, the "Indenture") to (i) refinance certain obligations issued by the City to purchase and acquire various physical health care assets for use in the health care mission of the University (hereinafter defined as the "Refunded Bonds", and (ii) pay the costs of issuing the Series 2024 Bonds[, including the premium for the municipal bond insurance policy for the Insured Series 2024 Bonds defined below]. The principal of and interest on the Series 2024 Bonds are limited obligations of the University payable from and secured solely by the Pledged Revenues, as defined and further described herein.

[The scheduled payment of principal of and interest on the Series 2024 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Series 2024 Bonds by ______________________]. Certain Series 2024 Bonds are subject to redemption prior to maturity on such terms and as more fully described herein.

The Series 2024 Bonds are not obligations or debts of the State of Alabama (the "State") nor will any principal of or interest on the Series 2024 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2024 Bonds are special and limited obligations of the University, secured by a pledge of and payable solely from certain fees and revenues of the University as described herein and in the Indenture. Neither the Series 2024 Bonds nor the pledge of the said fees and revenues and other agreements provided in the Indenture shall be or constitute a general obligation of the University or an obligation of any nature whatsoever of the State, or be payable out of any moneys appropriated by the State to the University.

The Series 2024 Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without notice, and to the approval of legality of the Series 2024 Bonds by Bradley Arant Boult Cummings LLP, Bond Counsel to the University. Hand Arendall Harrison Sale LLC will render an opinion on behalf of the Underwriters. It is expected that the Series 2024 Bonds in definitive form will be available for delivery through DTC on or about [_______, 2024].

JPMorgan Securities LLC
Truist Securities Inc.

Raymond James & Associates, Inc.
Piper Sandler & Co.

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* Preliminary; subject to change.

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[1] Note: will revise to read "Series 2025" through this document if the bonds are issued in calendar year 2025.

MATURITIES, AMOUNTS, RATES, YIELDS & CUSIPS

$_________________*
University Facilities Revenue Bonds
Series 2024-A

Maturity [(April 1)]	Principal Amount*	Interest Rate	Yield	CUSIP(1)

$_________________*
Taxable University Facilities Revenue Bonds
Series 2024-B

Maturity [(April 1)]	Principal Amount*	Interest Rate	Yield	CUSIP(1)

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* Preliminary; subject to change.

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the registered owners of the Series 2024 Bonds. The University and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the University on the Series 2024 Bonds and by the Underwriters on the Series 2024 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.

UNIVERSITY OF SOUTH ALABAMA

PRESIDENT
Jo Bonner

CHIEF FINANCIAL OFFICER
Kristen Roberts, CPA

BOND COUNSEL
Bradley Arant Boult Cummings LLP
Birmingham, Alabama

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Huntsville, Alabama

UNDERWRITERS
JPMorgan Securities LLC
Raymond James & Associates, Inc.
Truist Securities, Inc.
Piper Sandler & Co.

COUNSEL TO UNDERWRITERS
Hand Arendall Harrison Sale LLC
Mobile, Alabama

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the University from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the University.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the University or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2024 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the University's beliefs as well as assumptions made by and information currently available to the University. *See* "FORWARD LOOKING STATEMENTS" herein.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2024 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2024 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

TABLE OF CONTENTS

OFFICIAL STATEMENT

pertaining to

UNIVERSITY OF SOUTH ALABAMA

$________________*	**$________________***
University Facilities Revenue Bonds Series 2024-A	**Taxable University Facilities Revenue Bonds Series 2024-B**

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information in connection with the issuance by the University of South Alabama of the above-referenced University Facilities Revenue Bonds, Series 2024-A (the "Series 2024-A Bonds") and Taxable University Facilities Revenue Bonds, Series 2024-B (the "Series 2024-B Bonds" and, together with the Series 2024-A Bonds, the "Series 2024 Bonds"), dated their date of initial delivery and issued as additional parity bonds under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and amended (the "Base Indenture") and as further supplemented and amended by a Twenty-Second Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2024 Bonds (the Base Indenture, as so supplemented and amended, the "Indenture").

Definitions of certain words and terms having initial capital letters used herein are defined in the Indenture or in the instrument or document in the description of which such word or term is used. Reference is hereby made to the full text of the documents and instruments briefly described herein which may be obtained from the Underwriters or from the University during the period of the offering.

The Governor, the State Superintendent of Education and the appointed trustees together constitute a public body corporate under the name University of South Alabama (the "University"). The University is located in the City of Mobile, Alabama.

Purpose of the Issue

Proceeds of the Series 2024 Bonds will be applied to pay the costs of redeeming and retiring the up to $80,000,000 University Facilities Revenue Bond (Draw Down Loan), Series 2023-A, as amended, and the up to $20,000,000 Taxable University Facilities Revenue Bond (Draw Down Loan), Series 2023-B, as amended (collectively, the "Refunded Bonds"), the proceeds of which were used by the University to pay the costs of purchasing and improving the healthcare facilities located at 6801 Airport Boulevard, Mobile, Alabama known as “Providence Hospital” ("USA Providence Hospital") and other health care facilities related thereto. Proceeds of the Series 2024 Bonds will also be used to pay the costs of issuing the Series 2024 Bonds[, including the premium for a municipal bond insurance policy for the Series 2024 Bonds].

The University leases USA Providence Hospital to the University of South Alabama Health Care Authority, an Alabama public corporation ("USA HCA"), which operates and manages USA Providence Hospital under a lease agreement between the University and USA HCA (the “USA Providence Hospital Lease”). All licenses and regulatory titles incident to the operation and management of USA Providence Hospital are held by and in the name of USA HCA. Under the terms of the USA Providence Hospital Lease, USA HCA is required to make lease payments to the University from revenues remaining after the expenses of operating USA Providence Hospital in amounts corresponding to maturing installments of principal and interest on the Refunded Bonds, and on any bonds issued to refinance the Refunded Bonds (i.e., the proposed Series 2024 Bonds), even though no portion of the operations of USA Providence Hospital is pledged to or otherwise a source of payment of debt service of the Series 2024 Bonds.

Security

The Series 2024 Bonds are limited obligations of the University payable solely from, and secured solely by a pledge of, the Pledged Revenues, as more fully described below under "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues." The Pledged Revenues include a pledge of the General Fees levied against students enrolled at the University and any additional fees and revenues that may in the future be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, a pledge of the gross revenues derived from certain auxiliary enterprises services furnished by the University, and an amount not exceeding $10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital, each as described herein. *See* "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues." **No portion of the operations of USA Providence Hospital is pledged to or otherwise a source of payment of debt service of the Series 2024 Bonds.**

The Series 2024 Bonds will not constitute a charge against the general credit of the University and will not be payable from moneys appropriated to the University by the State of Alabama. The University has no taxing power. The State of Alabama will not be liable in any manner for the payment of the principal and interest on the Series 2024 Bonds. Holders of the Series 2024 Bonds shall never have the right to demand payment of the Series 2024 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Additional Parity Bonds

The Indenture permits the University to issue additional bonds that will be secured by and be payable from Pledged Revenues on parity of lien with the Outstanding Bonds (defined below), the Series 2024 Bonds and any Additional Bonds (defined below) issued hereafter. For a description of the Outstanding Bonds (i.e., Bonds already outstanding under the Indenture that are secured by and payable from Pledged Revenues on parity of lien with the Series 2024 Bonds), *See* "SECURITY AND SOURCE OF PAYMENT – General." For a description of the terms of the Indenture for the issuance of Additional Bonds in the future, *See* "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

THE SERIES 2024 BONDS

General Description

The Series 2024 Bonds will be dated their initial date of delivery, and will bear interest (payable on [October 1, 2024], and on each [April 1] and [October 1] thereafter until maturity) at the rates and will mature on [April 1] in the years and in the amounts set forth on the inside cover page of this Official Statement. The Series 2024 Bonds will be issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

The Series 2024 Bonds will be initially issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2024 Bonds. Purchasers of such Series 2024 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2024 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee. DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee Cede or such other nominee as may be requested by an authorized representative of DTC. As to each series of the Series 2024 Bonds, one fully-registered bond certificate will be issued for each maturity, in the aggregate principal amount of such maturity, and will be deposited with DTC. *See* Appendix D hereto for DTC payment and other related provisions.

During any period in which the Series 2024 Bonds are not held in the Book-Entry System, principal of the Series 2024 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the Series 2024 Bonds as they mature. Interest on Series 2024 Bonds will be paid by the Trustee by check or draft mailed to the persons who are the registered owners of record as of the close of business on the March 15 or September 15, as the case may be, immediately preceding each interest payment date by check or draft mailed to such owners at their addresses shown on the registry books of the Trustee pertaining to the Series 2024 Bonds.

No charge will be made for any exchange or transfer of the Series 2024 Bonds, but the registered owners thereof shall be responsible for paying all taxes and other governmental charges relating to such transfer or exchange. In the event a Series 2024 Bond is lost, stolen, destroyed or mutilated, the University and the Trustee may require satisfactory indemnification for the replacement thereof and may charge the holder or owner of such bond with their fees and expenses in connection with the replacement thereof.

Optional Redemption

Series 2024-A Bonds. Those of the Series 2024-A Bonds having a stated maturity on [________], and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on [________], and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2024-A Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2024-A Bond redeemed plus accrued interest to the date fixed for redemption.

Series 2024-B Bonds. Those of the Series 2024-B Bonds having a stated maturity on [________], and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on [________], and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2024-B Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2024-B Bond redeemed plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption is required to be mailed by United States registered or certified mail to the registered owner of each Series 2024 Bond to be redeemed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption at the address shown on the registry books of the Trustee. No further interest will accrue after the date fixed for redemption on the principal of any Series 2024 Bond called for redemption upon notice duly given as provided in the Indenture and if payment therefor has been duly provided, and in such event any Series 2024 Bond (or portion thereof) called for redemption will no longer be protected by the provisions of the Indenture.

In the event that less than all of the outstanding principal of any Series 2024 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2024 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2024 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2024 Bond.

BOND INSURANCE

[to come if bond insurance obtained]

SECURITY AND SOURCE OF PAYMENT

General

The University has previously issued various series of Bonds under the Indenture, of which eighteen series of Bonds are currently outstanding before giving effect to the issuance of the Series 2024 Bonds. Those series of Bonds consist of the following:

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

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

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

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

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

(f) $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds");

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

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

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

(j) $38,105,000 University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds");

(k) $47,750,000 University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds");

(l) $18,440,000 Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds");

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

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

(o) $40,555,000 original principal amount University Facilities Revenue Bonds, Series 2021, dated March 10, 2021 (the "Series 2021 Bonds");

(p) $15,387,000 original principal amount University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021 (the "Series 2021-B Bond");

(q) Up to $80,000,000 [University Facilities Revenue Bond (Draw Down Loan), Series 2024-A]; and

(r) Up to $20,000,000 [Taxable University Facilities Revenue Bond (Draw Down Loan), Series 2024-B]

[The Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond, the Series 2020 Bonds, the Series 2021 Bonds, and the Series 2021-B Bond are herein collectively referred to as the

"Outstanding Bonds." The Outstanding Bonds, the Series 2024 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds".][2]

Sources of Payment and Pledged Revenues

The Series 2024 Bonds will be issued under the Indenture, as supplemented and amended by a Twenty-Second Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2024 Bonds (the "Twenty-Second Supplemental Indenture") between the University and the Trustee, and will constitute limited obligations of the University payable solely from and secured by a lien on and a pledge of the Pledged Revenues (hereinafter defined) levied and collected by the University. The Series 2024 Bonds are secured pro rata and on an equal lien basis one with the other, with the Outstanding Bonds and with any Additional Bonds that may be hereafter issued under and subject to the terms and conditions of the Indenture, by a pledge of the Pledged Revenues.

The Series 2024 Bonds shall never be payable from any funds at any time provided for or appropriated by the State of Alabama and shall not be a charge on the general credit or tax revenues of the State of Alabama. Neither the State of Alabama nor the University shall be obligated, directly or indirectly, to contribute any funds, property or resources to the payment of the Series 2024 Bonds except the Pledged Revenues.

The Series 2024 Bonds are payable solely out of the Pledged Revenues as defined in the Indenture, as amended, on a parity of lien with the Outstanding Bonds and any Additional Bonds at any time issued under the Indenture. Pledged Revenues is defined in the Indenture as follows:

"*Pledged Revenues*" means the Auxiliary Enterprises Revenues, the Children's & Women's Hospital Revenues, the General Fees, and additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture.

"*Auxiliary Enterprises Revenues*" means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University.

"*Children's & Women's Hospital Revenues*" means an amount not exceeding $10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital.

"*General Fees*" means all fees now or hereafter levied as a general tuition fee against students enrolled at the University.

Additional Bonds

In the Indenture, the University has reserved the right to issue and deliver from time to time and at any time Bonds ("Additional Bonds") secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds, the Series 2024 Bonds, and any other Additional Bonds then outstanding for any purpose permitted by law and upon compliance with certain requirements set forth under the Indenture. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" below.

ANNUAL DEBT SERVICE REQUIREMENTS; UNIVERSITY DEBT

Debt Service Requirements of the Series 2024 Bonds

Series 2024-A Bonds. The following sets forth the estimated debt service requirements of the Series 2024-A Bonds on a fiscal year basis:

Fiscal Year Ending September 30,	Principal*	Interest*	Total*

[2] Note to working group – at such time as POS gets posted need to review and revise this section to reflect bonds then outstanding.

* Preliminary; subject to change.

Series 2024-B Bonds. The following sets forth the estimated debt service requirements of the Series 2024-B Bonds on a fiscal year basis:

Fiscal Year Ending September 30,	**Principal***	**Interest***	**Total***

* Preliminary; subject to change

Debt Service Requirements – Outstanding Bonds and the Series 2024 Bonds

The following table sets forth the estimated debt service requirements on all Outstanding Bonds (assuming no exercise of Put Rights for the Series 2016 Put Bonds as more particularly described below) and the proposed Series 2024 Bonds on a fiscal year basis:

Fiscal Year Ending Sept. 30	Series 2013(1)	Series 2014-A(2)	Series 2015	Series 2016	Series 2016-B(3)	Series 2016-C(3)	Series 2016-D(3)	Series 2017 Bonds	Series 2019 Bonds(4)	Series 2020 Bonds	Series 2021 Bonds(5)	Series 2023 Bonds*	Total Debt Service*
2024	3,470,941	8,685,623	440,918	6,509,275	1,094,000	1,932,000	2,511,000	2,979,750	6,257,567	2,624,400			
2025	3,470,941	-	431,347	6,509,275	2,183,368	3,837,904	4,960,692	2,977,125	6,295,603	2,900,400			
2026	3,470,942	-	421,956	6,515,400	2,177,545	3,826,709	4,944,748	2,981,688	6,341,736	2,903,600			
2027	3,470,942	-	412,565	6,507,050	2,172,495	3,816,814	4,930,396	2,973,250	6,385,960	2,899,600			
2028	3,470,942	-	403,251	6,510,200	2,166,053	3,804,431	4,912,760	2,980,375	6,436,123	2,902,100			
2029	2,646,549	-	393,782	6,509,575	2,160,056	3,792,768	4,895,964	2,977,875	6,483,325	2,900,600			
2030	2,646,549	-	384,391	6,513,325	2,153,312	3,779,738	4,877,317	2,975,750	5,648,528	2,905,100			
2031	2,646,548	-	-	6,506,075	2,146,629	3,766,753	4,858,631	2,978,625	4,285,865	2,900,100			
2032	2,646,548	-	-	6,507,325	2,138,817	3,751,725	4,837,216	2,981,125	4,287,333	2,900,850			
2033	2,646,548	-	-	6,506,325	2,131,656	3,737,767	4,817,069	2,978,125	4,784,230	2,901,850			
2034	-	-	-	6,507,450	2,123,900	3,722,695	4,795,377	2,979,375	4,560,250	2,902,850			
2035	-	-	-	6,505,075	2,115,331	3,706,121	4,771,636	2,974,625	4,547,000	2,898,600			
2036	-	-	-	6,508,950	2,105,729	3,687,661	4,745,344	2,978,500	4,833,750	2,902,000			
2037	-	-	-	6,511,050	2,096,821	3,670,330	4,720,374	2,975,625	4,500,250	2,906,600			
2038	-	-	-	6,501,075	-	-	-	1,640,000	4,486,500	2,902,200			
2039	-	-	-	-	-	-	-	-	4,472,000	2,904,000			
2040	-	-	-	-	-	-	-	-	4,156,500	2,901,600			
2041	-	-	-	-	-	-	-	-	4,154,750	-			
2042	-	-	-	-	-	-	-	-	4,156,500	-			
2043	-	--	-	-	-	-	--	-	4,156,250	-			
2044	-	-	-	-	-	-	-	-	4,158,750	-			
2045	-	-	-	-	-	-	-	-	4,153,500	-			
2046	-	-	-	-	-	-	-	-	4,155,500	-			
2047	-	-	-	-	-	-	-	-	3,254,000	-			
2048	-	-	-	-	-	-	-	-	3,298,750	-			
2049	-	-	-	-	-	-	-	-	3,344,250	-			

(1) Includes the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C Bond

(2) Interest on the Series 2014-A Bond is calculated at the net swap rate of 5.4553% under the 2014 Swap described herein.

(3) Interest on the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond is calculated at the net swap rate for each such bond of 5.47%, 5.52% and 5.58%, respectively, under the 2016 Swap described herein. The amortization shown for each of the 2016-B Bond, the 2016-C Bond, and the 2016-D Bond assumes no exercise of a Put Right prior to maturity, or that such indebtedness is refinanced on any Put Date so as to achieve the same current principal amortization and same net swap rate. *See* "Put Rights Respecting Certain Outstanding Bonds" below.

(4) Includes debt service on Series 2019-A Bonds, Series 2019-B Bonds and the Series 2019-C Bond.

(5) Includes debt service on Series 2021 Bonds and the Series 2021-B Bond.

Variable Rate Bonds

Each series of Outstanding Bonds bears interest at a fixed rate, except the Series 2014-A Bond and the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond (collectively, the "Series 2016 Put Bonds"). The Series 2014-A Bond and the Series 2016 Put Bonds bear interest at variable rates. These variable rates are computed based on 68% of the Secured Overnight Financing Rate ("SOFR") compounded in arrears plus 0.11448%, plus 72 basis points (as respects the Series 2016-B Bond), 77 basis points (as respects the Series 2016-C Bond), and 83 basis points (as respects the Series 2016-D Bond).

The University has entered into an interest rate exchange agreement respecting the Series 2014-A Bond and an interest rate exchange agreement respecting the Series 2016 Put Bonds. *See* "Derivatives" below for a discussion of these interest rate swap agreements.

Derivatives

The University has entered an interest rate swap (the "2014 Swap") with Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., (the "Counterparty"), respecting the Series 2014-A Bond. The notional amount of the 2014 Swap will at all times match the outstanding scheduled principal amount of the Series 2014-A Bond, and the 2014 Swap will mature on March 15, 2024. Under the 2014 Swap, the University pays a fixed rate of 4.9753% and receives 68% of one-month SOFR compounded in arrears plus 0.11448%, plus 0.25%.The University also has entered an interest rate swap (the "2016 Swap") with the Counterparty respecting the Series 2016 Put Bonds. Under the 2016 Swap, the University pays a fixed rate of 5.0% and receives 68% of SOFR compounded in arrears plus 0.114488%, plus 0.25%. The 2016 Swap matures on December 1, 2036. The combined principal amortization of the Series 2016 Put Bonds matches the notional amount on the 2016 Swap through its maturity; however, each of these Series 2016 Put Bonds contains a right, exercisable at the sole discretion of the bondholder, to cause such Bond to mature and become due and payable prior to its final maturity. *See* "Put Rights Respecting Certain Outstanding Bonds" below for a discussion of these put rights.

Pursuant to the terms of the 2014 Swap and the 2016 Swap, the University is required to post collateral from time to time equal to any then negative valuation of such swaps. For additional information regarding derivative exposure, *See* Note 10 of the University's audited financial statements for the fiscal year ended September 30, 2023 attached hereto at Appendix A.

Put Rights Respecting Certain Outstanding Bonds

Each of the Series 2016 Put Bonds has principal amortized from December 1, 2024, through and including December 1, 2036. However, each Series 2016 Put Bond contains a feature (a "Put Right") permitting its holder to cause all outstanding principal on such Bond to mature and become due and payable by the University on a date (such date, a "Put Date") before scheduled maturity.

The earliest Put Date for the Series 2016-B Bond is December 1, 2026, the earliest Put Date for the Series 2016-C Bond is December 1, 2028, and the earliest Put Date for the Series 2016-D Bond is December 1, 2031. For each Series 2016 Put Bond, the Put Right must be exercised at least 210 days before the applicable Put Date, and if not timely exercised, such right extends immediately to the succeeding bond year until timely exercised or such Bond reaches final maturity, whichever occurs first.

The University intends to refinance any Series 2016 Put Bond for which a Put Right is exercised so as to maintain the Bond's then-current principal amortization. While the University is not aware of any existing obstacles to its ability to refinance the Series 2016 Put Bonds, should Put Rights be exercised, market conditions, the financial condition of the University or the State of Alabama, and various other factors in existence at the time such rights are exercised could hamper or even prevent the University from refinancing Series 2016 Put Bonds as presently intended.

Pledged Revenues

The following is a summary of the amount of General Fees, Auxiliary Enterprises Revenues and Children's & Women's Hospital Revenues collected by the University for the fiscal years ended September 30, 2019, through September 30, 2023:

	2019	**2020**	**2021**	**2022**	**2023**
General Fees[1]	$175,638,000	$168,639,000	$167,820,000	$167,378,463	$167,027,240
Auxiliary Enterprises Revenues[1]	22,587,000	20,244,000	24,841,000	26,769,634	27,221,069
Children's & Women's Hospital Revenues[2]	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	$208,225,000	$198,883,000	$202,661,000	$204,148,097	$204,248,309

____

[1] General Fees and Auxiliary Enterprises Revenues include amounts allocated to scholarship allowances for accounting purposes. General Fees and Auxiliary Enterprises Revenues net of scholarship allowances for fiscal year 2019 were $139,871,000 and $21,484,000, respectively, for fiscal year 2020 were $129,644,000 and $19,038,000, respectively, for fiscal year 2021 were approximately $128,040,000, and $18,507,000, for fiscal year 2022 were $130,677,000 and $21,562,000, respectively, and for fiscal year 2023 were $125,929,000 and $23,227,000, respectively.
[2] Only $10,000,000 of the gross revenues from the USA Children's and Women's Hospital, in any fiscal year of the University, are pledged to payment of all the Bonds (*i.e.*, the Outstanding Bonds, the Series 2024 Bonds and any Additional Bonds hereafter issued). *See* "HEALTH CARE SYSTEM" below for total gross revenues from USA Children's and Women's Hospital for the years shown.

Reference is hereby made to the audited financial statements of the University for the fiscal year ended September 30, 2023, appearing as Appendix A hereto, and the audited financial statements of the University for the other periods which are available on EMMA (as defined herein). *See* "CONTINUING DISCLOSURE" below for a description of EMMA.

Prior to issuance of the Series 2024 Bonds, the total principal amount of indebtedness of the University payable from Pledged Revenues is not greater than [$______________.]

Maximum Annual Debt Service Requirement

The estimated Maximum Annual Debt Service Requirement respecting the Series 2024 Bonds and the Outstanding Bonds, based on the amortization schedule set forth above under "Debt Service Requirements – Outstanding Bonds and the Series 2024 Bonds", occurring in the fiscal year of the University ending September 30, [_____] ($[__________]), is covered [____] times by Pledged Revenues referable to the fiscal year of the University ended September 30, [____] ($[__________]). *See* "Pledged Revenues" above. This coverage is based on the assumption that the Series 2016 Put Bonds mature in accordance with their scheduled principal amortization and without the exercise of Put Rights by any of the holders of those Bonds. *See* "Put Rights Respecting Certain Outstanding Bonds" above.

Assuming the exercise of the Put Right for each of the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond on the earliest date permitted (*i.e.*, December 1, 2026, for the Series 2016-B Bond, December 1, 2028, for the Series 2016-C Bond, and December 1, 2031, for the Series 2016-D), the scheduled annual debt service for the University's fiscal years ending September 30, 2027, September 30, 2029, and September 30, 2032, would be $[__________], $[__________], and $[__________], respectively, and the scheduled maximum annual debt service requirement for the Series 2024 Bonds and the Outstanding Bonds would occur in the fiscal year of the University ending September 30, [___] ($[__________]), and would be covered approximately [____] times by Pledged Revenues referable to the fiscal year of the University ended September 30, 20[__]($[________]).

Other University Debt

USA Line of Credit – USA Providence Hospital. On October 2, 2023, the University entered into a Revolving Line of Credit Agreement (the "USA Providence Hospital Revolving Line") with Hancock Whitney Bank ("Hancock Whitney") to provide funds to cover operating expenses of USA HCA in operating and managing USA Providence Hospital. Under the USA Providence Hospital Revolving Line, for a period thirty (30) months the University may, from time to time, draw funds from Hancock Whitney so long as the outstanding principal amount thereunder at any time is not greater than $50,000,000, with the amount outstanding upon the end of such thirty (30) month period being due and payable in six (6) equal monthly installments. Interest on principal outstanding under the USA Providence Hospital Revolving Line is equal to SOFR plus 120 basis points. To date, the University has not made any drawings under the USA Providence Hospital Line of Credit.

Med One Capital Lease. The University has entered a capital lease agreement with Med One Capital Funding, LLC for certain medical equipment to be used at USA Health University Hospital. Under this arrangement, the University makes monthly lease payments, over a period of 60 months, aggregating just under $4,000,000, and pays a nominal price to acquire title to the equipment at conclusion of the lease. Payments under this lease are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

Energy Savings Agreement with Alabama Power. The University has entered a ten (10) year agreement dated February 1, 2016 (the "Energy Savings Agreement") with Alabama Power Company ("APC") under which APC agrees to design, procure and install certain energy conservation equipment and measures to reduce energy and maintenance costs at USA Health University Hospital. Under this Agreement, the University pays APC $18,882 per month over a period of 120 months (totaling $2,265,840 in payments from the University). Payments under the Energy Savings Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

Master Lease Agreement with Hancock Whitney. The University has entered a Master Lease Agreement dated June 13, 2019 (the "Master Lease Agreement") with Hancock Whitney Equipment Finance and Leasing, LLC ("Hancock Whitney") under and pursuant to which the University may request and receive extensions of credit from Hancock Whitney to purchase up to $10,000,000 in equipment for use by the University. Under the Master Lease Agreement, Hancock Whitney purchases and leases equipment requested by the University. Lease payments from the University include principal and interest components. To date, the University has $2,903,872.89 outstanding under the Master Lease Agreement as shown in the table below, which such amount bears interest at a fixed annual rates and is payable on a monthly basis (with equal monthly payments of principal and interest). Payments under the Master Lease Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

Lease Number	**Amount Outstanding**	**Rate**	**Maturity**
BTS 002	$231,554.56	3.010%	April 10, 2024
BTS 003	153,988.11	2.755	January 22, 2025
BTS 004	240,053.58	2.813	December 17, 2025
BTS 005	1,177,302.53	7.468	November 3, 2028
BTS 006	1,100,974.11	6.970	December 27, 2028

Rent Supplement Agreement for USA HCA. The University is a tenant under a long-term lease of real property located in Baldwin County, Alabama, known as the "MAAP Property", upon which the University has located certain health care operations and activities of USA Health and USA HCA. USA HCA entered a Whole Building Lease Agreement (the "MOB Agreement") with Family Medical Investments, LLC, an Alabama limited liability company and a local physicians' group (the "Physicians' Group"), under which the Physicians' Group has caused to be designed, constructed, and developed an approximately 51,000 square foot facility (the "Medical Office Building") for lease to USA Health for a period of fifteen (15) years, with at least two (2) five (5) year options to extend. Under the MOB Agreement, USA HCA pays rent in the form of fixed annual payments ("Base Rent") and additional payments covering all expenses (e.g., operating, insurance, repair and maintenance costs) of the Medical Office Building known as "Additional Rent", and, upon the occurrence of certain events, to pay certain other costs and expenses (the "Remaining Leasehold Obligations"). The University entered a Rent Supplement Agreement dated October 7, 2021, among the University, the Physicians' Group, USA HCA, and TheFirst, a National banking association (the construction lender to the Physicians' Group for the Medical Office Building) under which USA HCA agreed to use its revenues for payment of Base Rent, Additional Rent, and the Remaining Leasehold Payment

Obligations, and if USA HCA does not timely make the full amount of such payments, the University has agreed to remit and pay the balance to USA HCA.

Rent Supplement Agreements for USARTC. As more particularly described under the section entitled "RESEARCH & TECHNOLOGY CORPORATION", USARTC (hereinafter defined) is a not-for-profit corporation organized by the University to own and operate certain facilities on land of the University incident to research, technological and other enterprises. USARTC has financed these facilities through loans secured by rentals payable from tenants of these facilities to USARTC. [There are two such loans currently outstanding; one with a remaining principal balance of $12,004,155.53 bearing interest at a fixed annual rate of 4.35%, and the other with a remaining outstanding principal amount of $8,500,000 bearing interest at a fixed annual rate of 3.08%.][3] For each such loan, the University has entered an agreement (each, a "USARTC Rent Supplement Agreement") under which the University agrees to cover any shortfall in payments owed as debt service. Payments under each USARTC Rent Supplement Agreement are not secured by Pledged Revenues under the Indenture or any other special funds or assets of the University.

Future Debt

Campus Master Plan. In 2017, the Board of Trustees approved the University campus master plan, which covered the ten-year period from 2017 to 2027. Some of these projects (to cover capital improvements not appropriate for pay-as-you-go financing) may be funded through the issuance of long-term debt.

New Medical School Building. The University intends to develop and construct a major new building to house the USA College of Medicine (hereinafter defined as the "New Medical school Building"), which will require the University to issue one or more series of Additional Bonds aggregating at least $40.2 million in principal amount on parity of lien with the Series 2024 Bonds to cover a portion of the costs of construction. See "NEW MEDICAL SCHOOL BUILDING" herein for additional details regarding the current estimated sources of funding for the New Medical School Building.

NEW MEDICAL SCHOOL BUILDING

General. The University intends to develop and construct a new building to house the USA College of Medicine, and in December 2023 broke ground on a new 250,000-square-foot Frederick P. Whiddon College of Medicine building (the "New Medical School Building"). The New Medical School Building will round-out a medical education hub on campus that includes the College of Nursing, the Pat Capps Covey College of Allied Health Professions, the Health Simulation Building and the Charles M. Baugh Biomedical Library, and will allow the University to graduate more physicians and accelerate research and innovation.

When the new building opens, more than 500,000 square feet of campus facilities will be dedicated to healthcare education and research. This includes (among other things) state-of-the-art laboratory spaces to create flexibility and efficiency for current and future research. It will also allow for expanding the class size of first-year medical students from 80 to 100, with the capability of increasing to 120 in the future.

Construction of the facility is not planned to start until 2025, with an estimated completion date in 2026.

Estimated Cost; Sources to Fund Construction. The New Medical School Building is estimated to cost approximately $247 million. Just over half of the funds needed to construct the facility will come from federal and state grants for which the University has already obtained approval, together with a relatively small amount of cash on hand at the University, including:

- $68.1 million from Alabama Public School and College Authority grants.
- $59.4 million from a National Institute for Standards and Technology grant.
- $5.3 million from cash on hand at the University.

[3] Terry Albano has asked that Josh/PFM review this and provide current amounts, etc. outstanding.

The University intends to cover the balance ($117.2 million) through a combination of sources (the "Future Funding Sources"), including:

- Approximately $30.0 million from the sale of real property no longer needed in the operations of the University. Such property has been listed but, as of the date of this Official Statement, the University has not received an offer for purchase of the same.
- Approximately $10.0 million from the City of Mobile, Alabama (the "City") under a funding agreement between the City and the University (the “City Funding Agreement”). The payment obligations of the City under the City Funding Agreement are to be made in annual installments of $1.0 million/year for the years 2024 through 2033, and such payments are contingent upon the said City’s actual revenues being for any year being sufficient to sustain the operating budget of the City (and, if not, the City has the right to terminate the City Funding Agreement and declare it null and void).
- Approximately $5.0 million from Mobile County, Alabama (the "County") under a funding agreement between the County and the University (the "County Funding Agreement"). The payment obligations of the County under the County Funding Agreement are to be made in annual installments of $500,000 /year for the years 2024 through 2033, and such payments are contingent upon the said County’s actual revenues for any year being sufficient to sustain the operating budget of the County (and, if not, the County has the right to terminate the County Funding Agreement and declare it null and void).
- Approximately $30.0 million from a fundraising campaign specific to the New Medical School Building that is presently being developed by the University.

The remainder (approximately $40.2 million) is anticipated to be funded from proceeds of bonds to be issued by the University under the Indenture on parity of lien with the Series 2024 Bonds (the "Prospective Medical School Parity Bond Issue").

In the event of any shortfall in amounts available under the Future Funding Sources, the University will either value engineer the construction of the New Medical School Building or increase the size of the Prospective Medical School Parity Bond Issue to include such difference.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of funds for the plan of financing with respect to the issuance of the Series 2024 Bonds are as follows:

Sources of Funds	
Principal amount of Series 2024 Bonds	
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total Sources	
Uses of Funds	
Redemption and Payment of Refunded Bonds	
Costs of Issuance[1]	
Total Uses	

[1] Includes underwriting discount, [municipal bond insurance premium,] legal and accounting fees, printing costs, rating agency fees, financial advisory fees, and other expenses of issuance.

CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY

General

The University of South Alabama (the “University”) is a public body corporate of the State of Alabama existing under provisions of Act No. 157, Acts of Alabama, Second Special Session 1963, and Chapter 55 of Title 16 of the Code of Alabama 1975, as amended. The University is a comprehensive, coeducational, state-assisted institution, which serves as a major center of undergraduate, graduate, and professional education for Alabama, the Gulf Coast region and the southeastern United States.

The University's mission encompasses the three traditional academic functions of teaching, research, and public service through which it pursues the discovery, preservation and communication of knowledge. The University was admitted to membership in the Southern Association of Colleges and Schools on December 4, 1968.

Total enrollment for Fall 2023 was 13,738. Of those students, 8,913 were classified as undergraduate students, 4,854 were enrolled in graduate or professional programs, and 1 was unclassified. For the academic year 2022-2023, the University awarded 3,418 degrees, of which 1,809 were Baccalaureate Degrees, 1,266 were Master’s Degrees, 269 were Doctoral degrees, and 74 were M.D. degrees.

The University of South Alabama main campus, located in a section of Mobile called Springhill, consists of 1,200 wooded acres. The primary instructional buildings are contained on this campus, as well as the medical college and dormitory facilities. A 750-acre municipal park is adjacent to the main campus.

The University of South Alabama Baldwin County Campus was established as a branch campus in 1984 to better meet the needs of students located in Baldwin County, Alabama, and offers graduate courses, upper-level undergraduate courses, and non-credit courses/public service programs.

The University’s health system, known as USA Health, is composed of the USA Health University Hospital, the USA Children & Women’s Hospital, the USA Health Mitchell Cancer Institute, and USA Health Ambulatory Services. USA Health provides primary and tertiary care for a multi-county service area. The USA Health University Hospital ("USAUH") is a 406-licensed bed hospital which includes a level one trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques. The USA Children's & Women's Hospital ("USACW") is a 152-licensed bed facility specializing in pediatric, obstetric and gynecological services. USACW includes neonatal and pediatric intensive care nurseries, progressive care nurseries and other facilities for dealing with high-risk deliveries. In 2015, the 195,000 square foot expansion of USACW was placed into service. The USA Health Mitchell Cancer Institute ("USAMCI") is an academic cancer treatment and research enterprise housed in a state-of-the-art 125,000 square foot integrated clinical and research building. USA Health Ambulatory Services ("Ambulatory Services") is a 160-physician multi-specialty faculty practice dedicated to delivering leading-edge care to patients and supporting the mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. The Strada Patient Care Center, a 133,000 square foot building located near USACW, was placed in service in December 2016 and provides 153 patient exam rooms, 16 nurses’ stations, and seven (7) educational conference rooms for use by University physicians.

USA Providence Hospital, the facilities of which were acquired by the University on October 1, 2023 with proceeds of the Refunded Bonds, is a full-service, 349 bed hospital that provides 24/7 emergency care and a Level III trauma center. The hospital offers birthing services, surgical care and specialty care. The hospital in the heart of the Providence Hospital campus, which includes primary care clinics, outpatient specialty clinics, rehabilitation services, a pharmacy, and a wide range of treatment services including minimally invasive procedures, imaging, lab tests, wound care and diabetes care. The facilities comprising USA Providence Hospital are leased by the University to USA HCA, which operates and administers the hospital.

For the 2022-2023 academic year, the University employed 831 full-time faculty persons. Approximately 31.9% of faculty members are tenured. The University employs 9,260 persons in all categories.

The main campuses in Mobile, Alabama, consists of 141 major buildings, including hospital and medical related facilities. Those facilities include buildings currently providing approximately 2,350 beds (with capacity to expand up to 2,500 beds, if needed) available for student residency on campus.

For its fiscal year ended September 30, 2023, the University reported grants and contracts revenue from Federal, State and private sources of approximately $62,507,000, and an additional $181,177,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2023 (net of scholarship allowances) were approximately $125,929,000, and net patient service revenues from USA Health during such period were approximately $554,431,000. *See* Appendix A.

Summary Enrollment Profile - Fall 2023
(Excluding Medical Residents)

	Fall 2023	
	Number	Percent
Covey College of Allied Health Professions	1,553	11.3%
College of Arts and Sciences	2,919	21.2%
Mitchell College of Business	1,087	7.9%
School of Computing	696	5.1%
College of Education & Professional Studies	1,760	12.8%
College of Engineering	954	6.9%
Graduate School	46	0.3%
College of Medicine	353	2.6%
College of Nursing	4,400	32.0%
Total	13,768	100.0%

USA offers programs leading to 59 baccalaureate degrees, 39 master's degrees, an Education Specialist (Ed.S.) degree, 15 doctoral degrees, and a Medical Doctor (M.D.) degree. USA also offers a number of post-secondary certificates. In addition to the traditional on-campus course offerings, the University offers over 500 online courses each semester to fit the needs of a diverse student body.

Financial

The following section contains certain financial information for the University, including a comparison of the revenues, expenses and changes in net position for the fiscal years 2019 through 2023 (dollars in thousands).

	2019	2020	2021	2022	2023
Operating revenues:					
Tuition and fees, net	$139,871	$129,644	$128,040	$130,677	$125,929
Net patient service revenue	491,796	554,431	622,678	720,055	791,446
Federal, state and private grants and contracts	36,647	39,668	44,589	48,749	62,507
Other	62,527	58,949	65,388	80,440	80,143
Total	730,841	782,692	860,695	979,921	1,060,025
Operating expenses:					
Salaries and benefits	495,123	491,791	554,587	587,844	653,681
Supplies and other services	268,416	285,289	338,512	409,008	418,707
Other	79,492	81,216	97,399	98,038	115,211
Total	843,031	858,296	990,498	1,094,890	1,187,599
Operating loss	(112,190)	(75,604)	(129,803)	(114,969)	(127,574)
Nonoperating revenues (expenses):					
State appropriations	115,209	123,063	126,481	140,709	181,177
Investment income (loss)	8,203	23,378	54,294	(53,135)	42,889
Other, net	25,189	41,274	61,611	27,626	(2,920)
Net nonoperating revenues	148,601	187,715	242,386	115,200	221,146
Income (loss) before capital appropriations, capital contributions, grants, and additions to endowment	36,411	112,111	112,583	231	93,572
Capital appropriations, capital contributions, grants and additions to endowment	20,316	12,042	13,449	25,711	38,479
Change in net position	56,727	124,153	126,032	25,942	132,051
Beginning net position, before cumulative effect of change in accounting principle	35,398	92,125	216,278	342,310	361,188
Cumulative effect of change in accounting principle	-	-	-	(7,064)	-
Beginning net position- as adjusted	35,398	92,125	216,278	335,246	361,188
Ending net position	$92,125	$216,278	$342,310	$361,188	$493,239

The University's audited financial statements for the year ended September 30, 2023, are attached as Appendix A.

Faculty and Staff

Faculty and staff employees for the University were as follows at September 30 for the years shown:

	2023	2022	2021	2020	2019
Full-time faculty by rank:					
Professor	170	171	168	172	176
Associate Professor	210	205	192	185	186
Assistant Professor	346	356	361	352	353
Instructor	104	115	113	121	129
Lecturer	1	1	1	1	1
TOTAL	831	848	835	831	845

Full-time faculty by length of service:

	2023	2022	2021	2020	2019
Up to 2 years	150	164	147	146	164
3-4 years	99	109	123	122	151
5-9 years	238	224	217	210	168
10-14 years	100	102	116	115	137
15+ years	244	249	232	238	225
TOTAL	831	848	835	831	845
Percent of faculty tenured	31.9%	31.8%	31.9%	32.0%	31.0%
Part-time faculty	330	399	471	427	431
Non-faculty	8,111	6,064	5,425	5,188	5,047
Total University employees	9,260	7,305	6,719	6,434	6,307

Student Enrollment and Trends

Enrollment Strategy. As reflected in the tables below, Fall 2023 represented a strong reversal of prior years' enrollment decline both in total enrollment and particularly in new students including the largest first-time freshmen classes in five years. Overall enrollment is up 2%, driven by undergraduates up by 5% (which is the result of increased first-time freshmen enrollment up 19%).

Among other initiatives, the University engaged in strategies designed to better market the University to prospective students in general, and to better target those with higher probabilities of enrolling and matriculating through the University. Specifically, the University continued to increase on-campus visit opportunities for prospective students and families driven in part by the addition of hosting 31 *Jag-Day* Bus Tours (31 Mobile County and Baldwin County high schools were transported to campus for tours and academic experiences via the University's Jaguar charter buses). Additionally, administration personally presented to juniors and seniors at 35 high schools throughout the state. High schools involved in *Jag-Days* and administration visits showed increased enrollment of approximately 150 first year students.

The University also continues to increase its digital footprint via additional electronic media name-buys and expanding other digital marketing tools. The relatively new client relationship management ("CRM") system is three years old and now fully integrated supporting a much more robust communication strategy for both students and parents. The CRM was employed by the University to enhance electronic mail and digital marketing programs.

Additionally, volumes of prospective students with academic interests aligning with top programs at the University, as well as increasing the geographic footprint from which student interest can be cultivated, have both been enhanced recently. These strategic actions are contributing to increased prospective student volumes and ultimately to freshmen applications and admissions moving into the Fall 2024 semester compared to last year at this time as noted below.

- Total records purchased by the University for marketing to prospective students: +107,000 (an increase of 67%)
- Fall 2024 freshman applications: +420 (an increase 4.0%)
- Fall 2024 freshman admissions: +340 (an increase of 4.5%)

The University's "test-optional" application and admissions review process continues to ensure equitable consideration and enrollment opportunities for students with diverse academic backgrounds who have proven records of successful course completion and grades. Additionally, merit and need-based funding continues to support students based on exceptional academic work and/or financial need.

The University continues to focus on its transfer strategy as well and has recently combined its office of adult student learners with the office of admissions/recruitment operations. This has contributed to additional opportunities to more consistently and collaboratively cultivate new adult, nontraditional and transfer students. Fall 2023 transfer enrollment increased by approximately 60 students (an increase of 8%), and current Fall 2024 transfer admits continue to outpace 2023 at approximately 50 students (an increase of 12%).

Short-Term Results. The University continues to be encouraged by the short-term results of its enrollment strategy as seen in Fall 2023 and as currently tracking toward Fall 2024. Additional admissions counselors charged with recruitment of high school students, transfer students, and adult learners combined with enhanced prospective student volume purchases and innovative increased campus visit opportunities continue to positively impact our enrollment recovery.

Enrollment, Application, Acceptance and Related Trends. The following tables present results for the periods indicated relating to student enrollment, applications, matriculations, and retention.

Total student enrollment by head count was as follows for the semesters shown:

	Fall 2023	Fall 2022	Fall 2021	Fall 2020	Fall 2019
Undergraduate	8,913	8,489	8,830	9,046	9,595
Graduate/Professional	4,854	4,972	5,159	5,174	4,796
Unclassified	1	2	3	4	6
Total	13,768	13,463	13,992	14,224	14,397

Applications, acceptances and matriculations for freshmen students:

	Fall 2023	Fall 2022	Fall 2021	Fall 2020	Fall 2019
Applications	12,629	12,510	11,779	8,057	6,282
Acceptances	8,677	8,163	8,325	5,877	4,929
Matriculations(1)	1,833	1,573	1,734	1,551	1,549
Percent of applicants accepted	68.7%	65.3%	70.7%	72.9%	78.5%
Percent of applicants enrolled	14.5%	12.6%	14.7%	19.3%	24.7%

(1) Reflects only first-time freshmen that started in the fall semester indicated.

Total enrollment by full-time equivalent(1):

	Fall 2023	Fall 2022	Fall 2021	Fall 2020	Fall 2019
Undergraduate	8,147	7,722	8,053	8,300	8,800
Graduate/Professional	4,010	4,091	4,210	4,228	3,874
Total	12,157	11,813	12,263	12,528	12,674

(1) FTE enrollment is calculated using ACHE guidelines.

Retention rate for full-time freshmen entering in:

	Fall 2022	Fall 2021	Fall 2020	Fall 2019	Fall 2018
Number matriculated(1)	1,596	1,749	1,544	1,600	1,888
Number returned	1,217	1,203	1,096	1,223	1,399
Retention rate	76.3%	68.8%	71.0%	76.4%	74.1%

(1) Includes first-time freshmen that started in the fall semester indicated, plus first-time freshmen that started in the immediately preceding summer semester and reenrolled in the fall semester indicated.

Graduation Rates

Cumulative Graduation Rate:

Fall	Number	Four Years		Five Years		Six Years	
Class	Matriculated	Number	Percent	Number	Percent	Number	Percent
2022	1,596	N/A	N/A	N/A	N/A	N/A	N/A
2021	1,749	N/A	N/A	N/A	N/A	N/A	N/A
2020	1,544	N/A	N/A	N/A	N/A	N/A	N/A
2019	1,600	612	38%	N/A	N/A	N/A	N/A

2018	1,888	693	37%	926	49%	N/A	N/A
2017	1,868	621	33%	884	47%	972	52%
2016	1,955	620	32%	853	44%	922	47%
2015	2,082	581	28%	894	43%	980	47%

Test Scores

Average ACT scores of matriculated students for years shown:

Fall 2023	Fall 2022	Fall 2021	Fall 2020	Fall 2019
22.9	23.1	22.8	23.9	23.9

Geographic Concentrations of Students

	Fall 2023	Fall 2022	Fall 2021	Fall 2020	Fall 2019
Mobile County	4,878	4,783	5,005	5,038	5,099
Baldwin County	1,352	1,245	1,250	1,243	1,288
Other Alabama counties	2,444	2,458	2,645	2,850	3,128
Florida	929	928	1,001	1,028	975
Mississippi	1,294	1,257	1,286	1,306	1,231
Other states in the U.S.A.	2,584	2,517	2,589	2,526	2,364
International	287	275	216	233	312
Total	13,768	13,463	13,992	14,224	14,397

Main Schools in Competitive Group and Listed Tuition – 2023-2024 Academic Year:

	Undergraduate		Graduate	
	Resident	Non-Resident	Resident	Non-Resident
University of South Alabama	$11,220	$22,440	$11,520	$23,040
In-state reference group:				
Alabama A & M University	8,610	17,220	10,128	20,160
Alabama State University	8,328	16,656	9,888	19,776
Athens State University	7,530	15,060	8,688	15,072
Auburn University	10,704	32,112	10,692	32,076
Auburn University at Montgomery	10,710	24,030	10,824	24,336
Jacksonville State University	10,290	20,580	10,128	16,464
Troy University	12,240	24,480	11,400	22,800
University of Alabama	11,100	32,400	11,100	32,400
University of Alabama at Birmingham	11,040	27,330	11,232	27,408
University of Alabama in Huntsville	10,120	23,702	11,058	26,170
University of Montevallo	12,090	25,110	10,512	25,128
University of North Alabama	10,200	20,400	11,880	23,760
University of West Alabama	9,100	18,200	8,904	17,808
Mean of in-state reference group	9,590	21,403	9,803	22,305
Regional reference group:				
University of Southern Mississippi	8,786	10,786	8,786	10,786
University of New Orleans	8,772	13,608	9,108	13,678
University of West Florida	6,360	19,238	4,536	12,444
Mean of regional reference group	7,973	14,544	7,477	12,203

In-State Reference Group Source: Alabama Commission on Higher Education Annual Tuition Schedule

Certain Fees and Charges

The following shows the fee schedule for Undergraduate and graduate Arts and Sciences majors for the periods shown. The course fees for other majors are slightly higher. Except as otherwise indicated, course fees are per semester hour. Graduate School does not include the College of Medicine.

	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Application fee	$35	$35	$35	$35	$35
Registration fee (charged only if enrolled in less than 15 semester hours)	150	150	150	150	150
Late registration fee	100	100	100	100	100
In-state course fee, per semester hour					
Undergraduate	374	359	344	329	329
Graduate	480	468	457	442	442
Out-of-state course fee, per semester hour					
Undergraduate	748	718	688	658	658
Graduate	960	936	914	884	884

College of Medicine

Fees and certain charges for the College of Medicine were as follows for the periods indicated:

	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Application fee	$110	$110	$110	$110	$110
Resource fee	508	508	508	472	472
Course fee, academic year					
In-state	34,207	33,211	31,934	31,004	31,004
Out-of-state	68,414	66,422	63,868	62,008	62,008

Degrees Awarded

The University awarded the following degrees for the academic years ending May 31 for the years shown below:

	2022-23	2021-22	2020-21	2019-20	2018-19
Baccalaureate	1,809	1,868	1,954	2,109	1,902
Masters	1,266	1,205	1,233	1,067	1,126
Para-professional certificates	225	259	263	216	207
Professional:					
M.D.	74	75	69	66	80
Ph.D.	50	37	35	37	33
Au.D.	11	10	9	9	13
D.P.T.	38	40	40	38	39
D.N.P.	166	148	134	166	157
Ed.D.	4	7	4	6	16
Total (degrees only)[(1)]	3,418	3,390	3,741	3,498	3,366

[(1)] Excludes Para-professional certificates.

Student Financial Aid

The University awarded and paid financial aid at the following levels for the following academic years, as follows:

	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
Federal government:					
Student Loans	$110,033,582	$115,373,460	$120,701,783	$127,943,857	$128,987,195
Grants	18,739,184	18,728,734	18,094,936	19,780,863	21,951,792
Student employment	286,947	203,537	189,351	275,438	341,437
University:					
Loans	137,052	140,128	184,905	200,627	173,022
Scholarships	28,161,021	31,767,379	31,017,998	27,357,552	29,944,597
Total	$157,357,786	$166,213,238	$170,188,973	$175,558,337	$181,398,043

GOVERNING BODY

State law provides for a Board of Trustees as the governing body of the University with all of the rights, privileges and authority necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a state university in Mobile County, Alabama. The Board of Trustees consists of sixteen members. The Governor is the ex officio President of the Board of Trustees. Three members of the Board of Trustees are appointed from Mobile County. Five members are appointed from the State at large. Two members are appointed from the United States at large. One member is appointed from each of the following state senatorial districts, or combinations thereof, as those districts were designated at the time the University was organized: (1) Sixteenth and Seventeenth Districts; (2) Nineteenth and Twentieth Districts; (3) Twenty-first District; (4) Twenty-third, Twenty-fifth, and Thirtieth Districts; and (5) Thirty-fifth District. All Trustees, except ex officio members, are appointed by the Governor by and with the advice and consent of the State Senate, and hold office for a term of six years and until their successors shall be appointed and qualified. The present members of the Board of Trustees are as follows:

Name of Trustee	Occupation	Current Term Expires
Katherine Alexis Atkins	Business Administration	September 30, 2025
Dr. Scott A. Charlton	Physician	September 30, 2027
Mr. E. Thomas Corcoran	Business Administration	September 30, 2027
Dr. Steven P. Furr	Physician	September 30, 2029
Mr. Louis Gonzalez	Business Administration	September 30, 2029
William Ronald Graham	Business Administration	September 30, 2029
Mr. Robert D. Jenkins, III	Business Administration	September 30, 2025
The Honorable Bill W. Lewis, II	Circuit Court Judge	September 30, 2025
Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer	September 30, 2027
Lenus M. Perkins	Business Administration	September 30, 2029
Mr. James H. Shumock	Business Administration	September 30, 2027
Mrs. Chandra Brown Stewart	Business Administration	September 30, 2025
Dr. Steven H. Stokes	Physician	September 30, 2029
The Honorable Michael P. Windom	Circuit Court Judge	September 30, 2025
Mr. James A. Yance	Attorney, Retired	September 30, 2027

The organization below the Board of Trustees is composed of the President and six Vice Presidents: Executive Vice President & Provost (the Chief Financial Officer, Chief Administrative Officer, and Chief Facilities Management Officer fall under the Executive Vice President & Provost); Vice President of Student Affairs and Dean of Students; Vice President of Development & Alumni Relations; Vice President of Research & Economic Development; Vice President for Marketing & Communications; Vice President for Medical Affairs and Dean of the College of Medicine.

The Board of Trustees appoints the President of the University. Josiah (Jo) Robins Bonner, Jr. has served as President of the University since November 2021. President Bonner is the fourth President in the history of the University. Previously, President Bonner served as chief of staff to Alabama Governor Kay Ivey.

For more than a decade, he represented Alabama's first District in the U.S. House of Representatives, where he was a member of the House Appropriations Committee and served as chair of the House Ethics Committee.

President Bonner received his Bachelor's Degree in Journalism from the University of Alabama in Tuscaloosa in 1982.

Kristen Roberts is the Chief Financial Officer of the University. Mrs. Roberts oversees the financial operations of the University, which is collectively responsible for developing and overseeing the budget process, treasury and accounting, financial planning and analysis for the University. Mrs. Roberts has been at the University since 2015, where she began as an assistant controller. Mrs. Roberts then served as Controller, Assistant Vice President for Finance & Admin., and in 2023 became the Chief Financial Officer. Mrs. Roberts is a CPA and holds a Bachelor's Degree in accounting and a Mastery of Accountancy from the University of Alabama in Tuscaloosa.

HEALTH CARE SYSTEM

General. The University's health care system is operated under two primary entities: (1) USA Health, a division of the University ("USAH"), which includes a series of hospitals, physician groups, and outpatient service locations, and (2) the University of South Alabama Health Care Authority ("USA HCA").[4]

Collectively, USAH and the USA HCA are referred to in this Official Statement as the "Health System". Included within the Health System are: (1) a tertiary teaching hospital with a level 1 trauma center hereinbelow further described and defined as "USAUH"; (2) USA Children's & Women's Hospital (a children's and women's hospital hereinbelow further described and defined as "USACW"); (3) an adult community hospital; (4) the USA Mitchell Cancer Institute, an academic cancer research and treatment institute (hereinbelow further described and defined as "USAMCI"); (5) three physician networks of faculty and community practices and clinics; and (6) other outpatient service centers including an Ambulatory Surgery Center ("ASC"), Freestanding Emergency Department ("FED"), and Industrial Medicine. The Health System has grown from 7 sites of care in 2016 to 44 locations in 2023, and now employs over 7,200 full and part-time associates.

USA Health University Hospital – "USAUH". USA Health University Hospital ("USAUH") is a 406-licensed bed tertiary care center with the region's only Level 1 trauma and burn center that supports the adult teaching and research missions of the USA Frederick P. Whiddon College of Medicine (the "USA Medical College"). Recognized as a top performer on key quality measures, USAUH offers advanced treatment of trauma, stroke, epilepsy, cardiovascular disease, and sickle cell disease. Patients treated at USAUH tend to require medically complex care and treatment that is offered only at this location throughout the region.

In fiscal year 2020, USAUH had 189 patient beds in service. Driven by a growing demand for inpatient services, USAUH has since renovated two floors, including the addition of 74 additional beds.

USAUH has experienced significant growth across its inpatient and outpatient services. In December 2020, USAUH opened a new 32,000 square foot trauma center. The new center replaced an 11,000 square foot emergency department and created three advanced trauma treatment bays that are directly connected to advanced imaging services, a four-bed behavioral health emergency unit, and 40 general purpose emergency room beds. Emergency room visits have grown from 23,197 in 2014 to 31,826 in 2023. Additionally, in April of 2022, USAUH opened a FED and the University Hospital Diagnostic Imaging Center in Mobile, Alabama, adding an additional 16 emergency room beds, as well as computer tomography scan, x-ray, magnetic resonance imaging (i.e., "MRI"), mammography, and ultrasound services. The imaging center processed 23,638 exams in fiscal year 2023.

Other outpatient procedural volume has grown as well. This includes gastroenterology cases which have grown by 91% over the last ten years. Combined inpatient and outpatient surgery volume grew from 5,341 cases in 2014 to 9,707 cases in 2023; an increase of approximately 81% since 2014. Inpatient volumes have

[4] This has been revised by Rod Kanter to be consistent with the terminology elsewhere in the POS, as well as to synthesize and clarify the section.

also grown consistently year over year, with total discharges of 6,447 in 2014 growing to 12,610 total discharges in 2023; representing a 96% increase since between 2014 and 2023.

In 2023, in an effort to meet growing service demand and enhance technology, USAUH opened four new state-of-the-art surgical suites and one hybrid surgical suite featuring both general surgical and heart catheterization capabilities.

Gross Revenues of USAUH for the last ten fiscal years were as follows:

Year	Gross Revenues
2023	$1,082,684,262
2022	970,316,050
2021	744,484,422
2020	662,620,142
2019	614,219,907
2018	474,193,133
2017	470,741,917
2016	406,528,233
2015	360,250,280
2014	348,119,160

USA Children's & Women's Hospital - "USACW". USA Children's & Women's Hospital ("USACW") is a 152-licensed bed hospital with an additional 35 newborn bassinets and serves as the only facility in the region dedicated to providing services to children and women. USACW provides the highest level of care in the region for neonatal and pediatric intensive care, 24/7 pediatric emergency services, and high-risk pregnancies. USACW features a Level III neonatal intensive care unit, which is the largest in the region, and a pediatric epilepsy monitoring unit, which is the only one of its kind along the upper Gulf coast. In 2023, a 20-bed mother-baby floor was opened to create a unique birthing experience. USACW is home to the region's largest group of pediatric specialists and obstetric providers.

With the recent recruitment of additional obstetrician and gynecologist providers, inpatient service volume at USACW is significant. Inpatient discharges are now more than 12,000, while delivery volume is now exceeding 3,000 annually. Partially driven by USACW's ongoing recruitment of pediatric surgical, procedural and anesthesia specialists, surgical volume has grown from 3,199 cases in 2014 to 5,521 cases in 2023, a growth rate of 73%. USACW is currently completing construction of its eighth surgical suite as a measure to meet increasing demand and enhance surgical technology. USACW provides the only dedicated pediatric emergency department in the region. Patient visits through the emergency department have grown to more than 34,000 annually. In January 2024, USACW completed a new state-of-the-art pediatric emergency department, featuring 30 treatment rooms and additional specialty rooms. The new department boasts 19,000 square feet, essentially doubling emergency capacity.

Gross Revenues of USACW for the last ten fiscal years were as follows:

Year	Gross Revenues
2023	$587,595,833
2022	549,046,849
2021	457,623,298
2020	393,098,849
2019	287,570,187
2018	249,122,847
2017	243,090,525
2016	248,819,071
2015	241,114,324
2014	219,808,672

USA Mitchell Cancer Institute – "USAMCI". The USA Mitchell Cancer Institute ("USAMCI") is the only academic cancer research and treatment center in the upper Gulf Coast corridor. Providing cancer care to a catchment area of over 4.5 million persons in a 150-mile radius, USAMCI brings state-of-the art, research-based cancer treatment to the region, serving over 4,500 new individual patients per year. Its capabilities span the entire continuum of cancer care, from prevention and early detection to treatment and survivorship. With a highly skilled and trained team of oncologists, USAMCI is improving cancer outcomes for patients, including the most vulnerable residents of the county, state and beyond. USAMCI provides cancer treatment in two Mobile, Alabama locations, as well as one in Fairhope, Alabama. For patients who are not candidates for traditional cancer therapy, USAMCI offers a host of clinical trials with over 127 patients enrolled in therapeutic clinical trials per year, approximately 35% of whom are minority patients.

USAMCI has eight Principal Investigators conducting research, funded through the National Institutes of Health, the Department of Defense, the American Cancer Society and other federal sources. As an integrated cancer treatment and research center, USAMCI provides innovative cancer care in a caring environment with 14 clinical faculty members, while accelerating research to enhance care delivery for future patients. USAMCI reported 3,613 new patient visits in fiscal year 2023, with 24,653 follow up visits.

In addition, USAMCI opened a specialty pharmacy in July 2018, filling 6,796 prescriptions in fiscal year 2022 and 6,536 in fiscal year 2023. USAMCI became provider-based with USACW in September 2019, and added state-of the-art Monarch robotic bronchoscopy services, with 245 treatments in fiscal year 2023 resulting in 228 lung cancer referrals. In addition to operational enhancements, the USAMCI implemented an oncology specific revenue cycle in fiscal year 2022. The new revenue cycle includes both industry specific software, as well as a dedicated team. The result of USAMCI's operational enhancements, growth, and dedicated revenue cycle have led to both improved throughput and operating margins.

Gross Revenues of USAMCI for the last ten fiscal years were as follows:

Year	**Gross Revenues**
2023	$95,810,195
2022	82,803,518
2021	74,496,956
2020	62,626,474
2019	51,099,476
2018	19,709,735
2017	19,933,067
2016	15,829,428
2015	18,048,802
2014	25,158,623

Physician Enterprise; Growth of Physicians at USAH. Through both acquisitions and organic growth, the Health System has experienced unprecedented growth in its employed physician enterprise over the past five years and currently employs over 700 medical providers (including the USA HCA and the recent Providence Hospital acquisition). The USA Health physician enterprise is comprised of both academic faculty physicians and community physicians providing high quality patient-centric medical care to patients across 35 outpatient clinic locations and four acute care hospitals.

The physician enterprise includes three large multi-specialty practice sites. Opened in 2017, the Strada Patient Care Center is located on the USACW campus. At more than 133,000 square feet, the building is the practice home for over 20 medical specialties including pediatric subspecialists and maternal high-risk care. The Mapp Family Campus physician office building opened in 2022 and has provided increased access to medical specialty care in Baldwin County, Alabama. The 50,000 square feet building is the medical home to both community and academic physicians.

The Hillcrest Physician Office Building opened in 2023 and serves as the practice home for the Health System's largest primary care group, as well as offering an opportunity to expand subspeciality services in West

Mobile, Alabama. At more than 90,000 square feet, the building is adjacent to the new FED and the University Hospital Diagnostic Imaging Center. During the last fiscal year, the physician enterprise saw more than 450,000 outpatient encounters and nearly 300,000 inpatient encounters.

Comprised of nearly 300 academic physicians on faculty at the USA Medical College, the physician faculty practice is the region's largest multi-specialty practice and the only academic physician's group along the central Gulf Coast. The collective mission of the faculty practice providers is the delivery of leading-edge care to patients and supporting the larger mission of the USA Medical College in the education and training of medical students and over 300 residents and fellows in the advancement of medical care through medical research.

Gross revenues of USAH’s physician enterprise for the last eight fiscal year were as follows:

Year	**Gross Revenues**
2023	$308,832,165
2022	274,868,078
2021	265,159,099
2020	249,409,682
2019	176,840,712
2018	120,488,250
2017	125,686,741
2016	136,470,653

The University of South Alabama Health Care Authority – "*USA HCA*". USA HCA was formed in May of 2017 pursuant to Section 16-17A-1 et seq. of the Code of Alabama 1975, as amended, as an Alabama public corporation to assist the University in certain administrative, personnel, and health care operational functions.

In addition to USAH’s physician enterprise, the USA HCA includes a network of physician practices. The USA HCA has grown to more than 100 providers, including more than 80 physicians providing community-based medical care to the people along the Gulf Coast. The USA HCA established an industrial medicine program in 2021. This growing program provides services to numerous employers across the region, including on-site 24/7 medical care.

On October 1, 2023, the University purchased the medical facilities comprising Providence Hospital ("USAPH"), a 349-licensed bed acute care community hospital located in Mobile, Alabama. Through the UASPH acquisition, the Health System added 125 providers, 78 of which are physicians, and the Health System began fiscal year 2024 with the addition of eight new areas of primary care patient access.

Gross revenues of the USA HCA for the last six fiscal years are as follows:

Year	**Gross Revenues**
2023	$104,459,997
2022	67,970,770
2021	49,447,176
2020	32,026,193
2019	35,128,988
2018	24,243,252

KPMG has audited the financial statements for USA HCA for the fiscal year ended September 30, 2023. *See* Pages 26-27 of Appendix A attached hereto.

ACADEMIC MEDICAL CENTERS

Academic Medical Centers ("AMCs") throughout the United States face a dynamic healthcare environment. These changes include potential funding reductions from governmental entities and insurance companies, as well as a transition from productivity to value-based reimbursements.

As a result, AMCs are evaluating their business models and restructuring themselves to respond to the current and future healthcare environments. Nationwide, AMCs are evaluating partnerships with other AMCs or even non-AMC healthcare providers. Consistent with this national trend, the University, although in the very early stage, is proactively addressing its structure and governance with respect to these issues.

USA TECHNOLOGY & RESEARCH CORPORATION

The USA Research and Technology Corporation ("USARTC") was incorporated in 2002 as a not-for-profit corporation under the laws of the State of Alabama. The mission of USARTC is to facilitate new and enhanced types of interaction between the University and the wider public and private sectors and to serve as a catalyst for regional development by furthering innovation and enterprise in a collaborative and principled fashion that respects and elevates the social and economic well-being of the community. The facilities of USARTC are located on approximately 160 acres adjacent to the main campus of the University, an area known as the USA Technology & Research Park (the "Park"). USARTC owns three buildings in the Park, which together comprise approximately 222,300 square feet of space available for lease, with approximately 200,000 square feet currently under lease.

Since USARTC's inception, total tenant employment (non-University) has grown to approximately 300, including approximately 70 University graduates.

FACILITIES

Current Facilities

The University has 4,199,457 gross square feet of inventory space presently in use, including the USA Baldwin County-Fairhope Campus, USA Health University Hospital, USA Health Mitchell Cancer Institute, and USA Children's & Women's Hospital. Existing main campus structures include the Administration Building; Instructional Laboratory Building; Library; Biomedical Library; Chemistry Building; Life Science Building; Health, Physical Education and Recreation Building; Student Center; Humanities Building; Medical Sciences Building; Multi-Purpose Arena; Performing Arts Building; Business Building; Student Services Building; Archaeology Building; Intramural Fieldhouse; Transportation Services Building; three Technology and Research buildings; Shelby Hall; Health Science; Dining Facility; Faculty Club; Academic Services; Business Resource Center; Innovation in Learning Center; Education Services Building; Education and Outreach Building, and a variety of residence halls. The Bethel Theater, Mobile Townhouse, and Alumni Hall, all located on the campus, are renovated buildings of great historic value.

Historical details of construction, acquisition and renovations at the University campus are as follows:

Years of construction or acquisition	Gross Square Feet Constructed or Acquired	Gross Square Feet Renovated
Prior to 1960	1,091,119	207,676
1960-1969	813,280	302,671
1970-1979	1,046,420	192,963
1980-1989	597,710	81,712
1990-1999	277,443	-
2000-2009	550,333	153,575

2010-2015	714,605	502,204
2016-2020	859,527	231,306
2021-2023	961,055	518,877
Total	6,911,492	2,190,984

The campus is served by water, gas and electric utilities supplied by public utilities serving the greater Mobile metropolitan area.

Insurance

Claims for damages to the University's campus property are covered by the State Insurance Fund of the State of Alabama's Division of Risk Management. All buildings and contents are covered by the State Insurance Fund policy. The University uses two self-insured trust funds to pay general liability and professional liability claims. Injuries from work-related incidents to those employees covered by the University's self-insured health plan are covered by that plan. Work-related injuries to employees not covered by the health plan are reviewed by the State Board of Adjustment for final resolution.

Student Housing

University Owned Housing. With respect to on-campus student housing, approximately 2,350 beds (with capacity to expand up to 2,500 beds, if needed) are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 91% as of the fall census date with the Fall 2023 semester at 98.6%, which includes an additional 81 bed-spaces leased from a nearby apartment complex for overflow housing due to demand. Approximately 17% of total headcount enrollment occupied student housing for the Fall 2023 semester.

For the Spring 2024 semester USA Housing maintained a 96.1% occupancy rate as of the spring census date, which includes an additional 81 bed-spaces leased from a nearby apartment complex. Approximately 18% of total headcount enrollment occupied student housing for the Spring 2024 semester.
Residence halls are scheduled to close May 3, 2024, for non-graduating residents, and May 4, 2024, for graduating residents.

Non-University Owned Housing. In addition to the approximately 2,350 University-owned beds, there are several apartment-style housing complexes not owned by the University but that focus on University students. One is located on campus and the rest are located off-campus. The on-campus complex was built on land leased by the University to a developer under a long-term lease, and the University is under no obligation to guarantee the financing relating to that complex, occupancy within that complex, or any other revenue or performance activity from the same. The off-campus complexes are built on land not owned by the University. These complexes offer approximately 3,000 beds.

SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING

State Appropriations

The University has received appropriations from the State of Alabama for certain of its operating costs and other non-operating cash requirements, including capital expenditures. State appropriations may not lawfully be used for the payment of debt service on the Bonds, including the Series 2024 Bonds. There can be no assurance that future Legislatures will continue to make such appropriations, or, if made, that they will be timely or sufficient when added to operating revenues and General Fees, Auxiliary Enterprise Revenues, and Children's & Women's Hospital Revenues remaining after the payment of debt service, to cover in full, operating expenses of the University.

The following tabulation compiled by the University staff from University accounting records shows State appropriations to the University for the fiscal years ended September 30, 2019, through September 30, 2023:

Fiscal year ended	Total Appropriations	
September 30	Authorized	Received
2023	$181,177,000	$181,177,000
2022	140,709,000	140,709,000
2021	126,481,000	126,481,000
2020	123,063,000	123,063,000
2019	115,209,000	115,209,000

Although not pledged for payment of debt service on the Bonds or otherwise subject to the lien of the Indenture, the University relies on State appropriations to fund basic operations, student services and other costs of the University. The Alabama State Legislature is considering the implementation of an outcomes-based funding model for a portion of state appropriations paid to State of Alabama universities, such as the University. In theory, an outcomes-based formula increases or reduces appropriations to a particular university based upon its success or failure, respectively, against certain established performance measures. This initiative is in the early phase, and, as such, it is not possible at this time to determine whether this initiative will be adopted and become part of the State appropriation process for public university funding or how the University's funding would be impacted.

Endowment Assets

Endowment assets for the University are deposited both in the University and in the Foundation (described below). Net endowment assets in the accounts of the University at September 30, 2023, were $233,792,690. Of the net endowment assets, $79,728,000 are classified as restricted, nonexpendable, $79,728,000 are classified as restricted, expendable, and $66,249,000 are classified as unrestricted. The Board of Trustees has an approved endowment management and investment policy that includes an established spending rate of 4.5% based on the 5-year moving average of net assets of endowments. In maintaining its endowment, it is the goal of the University to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes. Net assets of endowments are allocated as follows at September 30, 2023:

Equities, Pooled direct investments and mutual funds	$91,948,901
Fixed income, pooled direct investments and mutual funds	32,988,174
Alternative investments	59,345,884
Other	49,509,731
Total	$233,792,690

The University of South Alabama Foundation

The University of South Alabama Foundation (the "Foundation"), a legally separate entity, exists for the primary purpose of advancing the purpose of the University in furthering, improving and expanding its properties, services, facilities and activities. Its total assets at June 30, 2023, its most recent audited fiscal year-end, were $416,733,000, and its net assets were $416,733,000 at the same date. Assets are primarily invested in marketable securities (54%), timber and mineral properties (42%) and real estate (2%). Cash and non-cash distributions to the University over the past nine fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2015, through June 30, 2023, as follows:

Fiscal Year Ended June 30,	Distributions
2023	$13,260,154
2022	32,671,350
2021	10,862,630
2020	10,597,000
2019	9,755,000
2018	9,703,000
2017	9,603,000
2016[1]	10,561,000
2015	4,731,000

[1] In fiscal year 2010, the University and the Foundation executed a purchase and sale agreement calling for the University to sell approximately 327 acres on Mobile Bay, known as the Brookley campus, to the Foundation. The terms of the agreement required the Foundation to pay the University $20,000,000 - $4,000,000 at closing and $4,000,000 annually thereafter through fiscal year 2015. The distribution for the Foundation's fiscal year ended June 30, 2016 reflects the Foundation's completion of its obligations under the purchase and sale agreement and corresponding increase in annual distributions to the University.

Alabama Public School and College Authority Funding

On November 4, 2020, the Alabama Public School and College Authority, a public corporation under the laws of the State of Alabama ("APSCA"), issued a series of limited obligation bonds pursuant to Act No. 2020-167 enacted at the 2020 Regular Session of the Legislature of Alabama (the "2020 APSCA Act"). Pursuant to the 2020 APSCA Act, the University was allocated $18,159,466 in grant funding from APSCA out of proceeds from such bonds for payment of capital improvements on the campus of the University.

On November 19, 2020 Governor Ivey announced additional funding from the APSCA totaling $50,000,000 for application towards a new medical school building.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, as heretofore amended and supplemented and as further amended and supplemented by the Eighteenth Supplemental Indenture, to which Indenture and Eighteenth Supplemental Indenture in their entirety reference is made for the detailed provisions thereof. Unless the context clearly indicates otherwise, all references herein shall be deemed to include the Series 2024 Bonds, the Outstanding Bonds, and any Additional Bonds hereafter issued under the Indenture.

As used in the following summary, the following definitions shall have the following respective meanings.

"*Annual Debt Service Requirement*" means, as of any date of determination, the amount of principal and interest maturing with respect to the then outstanding Bonds in such Bond Year; provided, (i) that the principal amount of any Bonds subject to a Mandatory Redemption Provision during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs; (ii) in the case of Bonds (whether outstanding or proposed to be issued) that bear interest at a variable or adjustable rate, the interest payable on such Bonds shall be calculated on the assumption that such Bonds bear interest at a fixed rate of interest estimated by a professional consulting firm or investment banking firm acceptable to the Trustee by reference to bonds of similar credit rating maturity and tax characteristics on the date such calculation is made; and (iii) for purposes of the foregoing formula, Bonds that are "deemed paid" under the Indenture shall not be deemed outstanding.

"*Bond Year*" means the period beginning November 2 in each calendar year and ending on November 1 of the next succeeding calendar year.

"*Interest Payment Date*" means (a) with respect to the Series 2024 Bonds, each April 1 and October 1, commencing [______________], and (b) with respect to any series of Additional Bonds, such date or dates as shall be specified in the Supplemental Indenture pertaining to such Additional Bonds as the dates for payment of interest of such Additional Bonds.

"*Mandatory Redemption Provision*" means any provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a redemption price equal to the principal amount thereof.

"*Principal Payment Date*" means (a) with respect to the Series 2024 Bonds, each April 1 commencing April 1, [_____], and (b) with respect to any series of Additional Bonds, a date (which shall in every case be the first day of a Month) specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"*Supplemental Indenture*" means an agreement supplemental to the Indenture.

Special Funds

Bond Fund. The Indenture provides for the creation of a special trust fund called the "Bond Principal and Interest Fund." The University is required to pay into the Bond Fund, in addition to all other amounts required by the Indenture, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the University (or the Trustee on behalf of the University) is required to pay into the Bond Fund such part of the proceeds from the sale as is allocable to premium (if any) and accrued interest.

(b) On or before the Business Day next preceding each Interest Payment Date until the principal and the interest on the Bonds is paid in full, the University is required to pay into the Bond Fund, out of the Pledged Revenues, an amount equal to the sum of (i) the semiannual installment of interest that will mature on the Bonds on the then next succeeding semiannual Interest Payment Date with respect thereto, plus (ii) the principal that will become due on the Bonds on the then next succeeding Principal Payment Date, plus (iii) the principal required to be redeemed on the next succeeding Principal Payment Date pursuant to any Mandatory Redemption Provision.

All moneys paid into the Bond Fund are required to be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Provision. If at the final maturity of the Bonds, however, such Bonds may mature, there are in the Bond Fund moneys in excess of what is required to pay in full the principal of and the interest on the Bonds, then any such excess will be returned to the University.

Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing a provision that the semiannual payments into the Bond Fund be adjusted to provide for such additional amounts as may be necessary to pay the principal of and interest on such Additional Bonds; provided, however, that in making such adjustment the principal amount of any such Additional Bonds required by the terms of the Supplemental Indenture to be redeemed during any Bond Year shall be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs.

Additional Bonds

The Indenture authorizes the issuance of Additional Bonds, subject to the provisions of the Indenture. Among the conditions to the issuance of any Additional Bonds are the following:

(a) Supplemental Indenture. Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount, the series designation, the denomination or denominations, the interest rate or rates (or provisions for determining the same), the maturity or maturities, the form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; and (iii) any other provisions that do not conflict with the provisions of the Indenture.

(b) Certificate as to Pledged Revenues. The item or items required by either of the following subparagraphs (i) or (ii):

(i) A certificate by the Chief Financial Officer (previously the Vice President for Finance and Administration) of the University certifying that the amount of Pledged Revenues received during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current or any then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds, which certificate shall set forth the figures on which it is based and shall recite that the Pledged Revenues for such Fiscal Year specified therein were taken from the annual audit of the University for such Fiscal Year or, if such audit shall not have been completed for the most recent Fiscal year at the date of such certificate, were taken from the official records of the University, or

(ii) A Resolution or Resolutions adopted by the University after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds either (i) increasing the General Fees, or (ii) levying new fees and charges of a type or kind different from the General Fees, or (iii) a combination thereof, accompanied by a certificate of the Chief Financial Officer stating that if the increased General Fees or the new fees set forth in the said Resolution or Resolutions had been in effect throughout the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds, the amount of Pledged Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds would have been not less than 125% of the maximum Annual Debt Service Require1nent during the then current or any then succeeding Bond Year with respect to Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; and

(c) Opinion of Independent Counsel. An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel acceptable to the Trustee, approving the forms of all documents required above to be delivered to the Trustee and reciting that they comply with the applicable requirements set out above.

Maintenance of Pledged Revenues

The University has covenanted in the Indenture that, so long as any of the Bonds remain outstanding and unpaid, the University will fix, levy and collect General Fees and Auxiliary Enterprises Revenues from all students attending the University during each Fiscal Year in such amounts and at such times as shall be required to produce revenues sufficient to pay the principal of, unamortized premium, if any, and interest on the Bonds during the same Fiscal Year. No covenant with respect to the Children's & Women's Hospital Revenues has been made.

Supplemental Indentures

Supplemental Indentures Without Bondholder Consent. The University and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for in the Indenture) as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed and performed by the University, provided that such other covenants and agreements may not either expressly or impliedly limit or restrict any of the obligations of the University contained in the Indenture;

(b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the holders of the Bonds;

(c) to subject to the pledge contained in the Indenture additional revenues or to identify more precisely any of the revenues of the University subject to the Indenture;

(d) to cause the Indenture to comply with the provisions of the Trust Indenture Act of 1939 or such other federal securities laws as may hereafter be applicable to the Indenture; or

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture.

Any such Supplemental Indenture will not require the consent of any bondholders.

Supplemental Indentures Requiring Bondholders Consent. In addition to those Supplemental Indentures described above, the Indenture provides that the University and the Trustee may, at any time and from time to time, with the written consent of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the University and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the term or provisions contained in the Indenture or in any Supplemental Indenture; provided that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted:

(a) an extension of the maturity of any installment of principal of or interest on any Bond;

(b) any change in any Mandatory Redemption Provision;

(c) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained in the Indenture;

(d) the establishment of preferences or priorities as between the Bonds (but only with respect to the security provided for all Bonds); or

(e) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

Any Supplemental Indenture that requires the consent of holders of the Insured Series 2024 Bonds or adversely affects the rights or interests of BAM shall also be subject to the prior written consent of BAM.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions described above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the University, the Trustee and all holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Defaults and Remedies

Events of Default under the Indenture include the following:

(a) failure by the University to pay principal of, the interest on or the premium (if any) on any Bond as and when the same shall become due, as provided therein and in the Indenture (whether such shall become due pursuant to any Mandatory Redemption Provisions or otherwise);

(b) failure by the University to perform and observe any of the agreements and covenants on its part contained in the Indenture (other than in the manner described in (a) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the University by the Trustee or by the holders of not less than twenty-five percent (25%) in outstanding amount of Bonds, unless during such period or any extension thereof the University has commenced and is diligently pursuing appropriate corrective action; or

(c) determination by a court having jurisdiction that the University is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the University or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the University or rearrangement or readjustment of the obligations of the University under any provisions of the bankruptcy laws of the United States of America or the State of Alabama.

Upon the occurrence of an Event of Default the Trustee shall have the following rights and remedies:

(a) Acceleration. The Trustee may, by written notice to the University and with the consent of the bond insurer respecting any Bonds then outstanding and insured thereby, declare the principal of all the Bonds (including, without limitation, consent of BAM respecting acceleration of the Insured Series 2024 Bonds) forthwith due and payable, and such principal shall thereupon become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. If, however, the University makes good that default and every other default under the Indenture (except for those installments of principal declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and made reimbursement of all of the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the University, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) Mandamus and Other Remedies. The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the University and any officers, agents or employees of the University, including but not limited to the right to require the University and its officers, agents or employees to perform and observe all of its or their duties under Section 16-3-28 of the Code of Alabama 1975, as amended.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of a default or an Event of Default, BAM shall be deemed the sole holder of the Insured Series 2024 Bonds and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2024 Bonds under the Indenture, and no default or Event of Default may be waived without the prior written consent of BAM.

Concerning the Trustee

The Trustee shall be under no obligation to institute suit or to take any proceedings under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant or to take steps in the execution of trust created or in the enforcement of any rights or powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expense, outlays and counsel fees and other reasonable disbursements and against all liability.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its gross negligence or willful misconduct.

The University has agreed to pay to the Trustee from time to time reasonable compensation for all services rendered by it under the Indenture, including the services of bond registrar and paying agent and also all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys and employees incurred in and about the performance of its powers and duties under the Indenture prior to the Bonds. Nothing contained in the Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that the repayment of such funds or the making whole in respect of such liability is not reasonably assured to it.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. ("S&P"), have given the Series 2024 Bonds an underlying rating of ["___"] and ["___"], respectively. [_____ is expected to assign the Insured Series 2024 Bonds a rating of "___" with the understanding that, upon delivery of the Insured Series 2024 Bonds, ____ will deliver the Policy to the Trustee].

The [underlying] rating provided by each of [Moody's and S&P] (collectively, the "Rating Agencies") reflects that agency's rating of the creditworthiness of the University with respect to obligations payable from the Pledged Revenues. [The rating provided by S&P of the Insured Series 2024 Bonds reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance.]

Any further explanation of the significance of such ratings may be obtained only from the appropriate Rating Agency. The University furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the University and the Series 2024 Bonds. Generally, rating agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the cover page are not recommendations to buy, sell or hold the Series 2024 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2024 Bonds. Neither the University nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2024 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

LITIGATION

To the best of the University's knowledge, there is no litigation pending or threatened (i) restraining or enjoining the issuance or delivery of the Series 2024 Bonds, (ii) contesting or affecting the validity of the Series 2024 Bonds or the proceedings or authority under which they are to be issued, (iii) contesting the creation, organization or existence of the University or the title of any of its present officials to their respective offices, or (iv) contesting the right of the University to enter into the financing documents to which it is a party or to secure the Series 2024 Bonds in accordance with the Indenture.

The University and its hospitals are immune from suit in medical malpractice matters; however, such claims may still be brought against healthcare providers employed to provide such services on behalf of the University. These providers are insured by the University's Professional Liability Trust Fund. If a final judgment were entered in any professional liability action in an amount in excess of its insurance coverage, the University would not be liable for the excess.

The University has been notified by the Equal Employment Opportunity Office ("EEOC") of charges filed with the EEOC against the University or its employees. The charges arise from alleged employment practices or policies. Should a lawsuit arise out of such charges, they would be covered by the University's General Liability Trust Fund.

Finally, the University has been notified of claims filed against it in the State Board of Adjustment. None of the aforementioned charges or claims involve any significant sums in excess of the sums otherwise provided for and would not have an impact upon the collection of the Pledged Revenues. In the opinion of the University's General Counsel, the aggregate exposure of the University with respect to all pending claims and suits would not be material to the University's financial position.

LEGAL MATTERS

The Series 2024 Bonds will be issued subject to the approving opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University. It is anticipated that the opinion of Bond Counsel to the University will be in substantially the form set forth in Appendix B.

The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the authoring firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the University, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2024-A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2024-A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel to the University has relied on certain representations, certifications of fact and statements of reasonable expectations made by the University and others in connection with the Series 2024-A Bonds, and Bond Counsel to the University has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2024-A Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2024-A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2024-A Bonds.

Interest on the Series 2024-B Bonds is not excluded from federal income taxation.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2020 Bonds in order that interest on the Series 2024-A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2024-A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2024-A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply under the Indenture with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2024-A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2024-A Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of any Series 2024-A Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of Series 2024-A Bonds.

Prospective owners of the Series 2024-A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2024-A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Premium. The initial public offering price to be paid for certain of the Series 2024-A Bonds (such Series 2024-A Bonds, the "Original Issue Premium Series 2024-A Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Series 2024-A Bond in the initial public offering of the Series 2024-A Bonds is required to reduce his basis in such Original Issue Premium Series 2024-A Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Series 2024-A Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Series 2024-A Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Series 2024-A Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Series 2024-A Bond.

Original Issue Discount. The initial public offering price to be paid for certain of the Series 2024-A Bonds (the "Original Issue Discount Series 2024-A Bonds") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2024-A Bond, and (ii) the initial offering price to the public of such Original Issue Discount Series 2024-A Bond constitutes original issue discount with respect to such Original Issue Discount Series 2024-A Bond in the hands of any owner who has purchased such Original Issue Discount Series 2024-A Bond in the initial public offering of the Series 2024-A Bonds. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Series 2024-A Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Series 2024-A Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Series 2024-A Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Series 2024-A Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Series 2024-A Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Series 2024-A Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Series 2024 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2024-A Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such warrants.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2024-A Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Series 2024-A Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2024-A Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Series 2024-A Bonds.

Bank Qualification. The Series 2024-A Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

Post-Issuance Matters. The tax-exempt status of the Series 2024-A Bonds could be affected by post-issuance events. *See* "SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2024-A BONDS – Tax-Exempt Status of Series 2024-A Bonds" herein. The Indenture does not provide for mandatory redemption of the Series 2024-A Bonds or payment of any additional interest or penalty if a determination is made that the Series 2024-A Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2024-A Bonds or the economic benefit of investing in the Series 2024-A Bonds or if any other event or occurrence takes place that impacts the tax status of the Series 2024-A Bonds.

CONTINUING DISCLOSURE

General

Under a Continuing Disclosure Agreement, dated the date of the Series 2024 Bonds (the "Continuing Disclosure Agreement"), the University has agreed to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") using its electronic municipal market access system (referred to as "EMMA"), certain updated financial information and operating data annually, and timely notice of specified events for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

See Appendix C for a form of the Continuing Disclosure Agreement relating to the Series 2024 Bonds.

A failure by the University to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture. Beneficial owners of the Series 2024 Bonds are limited to the remedies described in the Continuing Disclosure Agreement. A failure by the University to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2024 Bonds in the secondary market.

Compliance with Prior Continuing Disclosure Agreements

In connection with the prior issuance of certain of the Outstanding Bonds, the University has entered into other continuing disclosure agreements under the Rule. The University did not file notice of the incurrence of a financial obligation it had entered on January 14, 2021, until February 17, 2021.

Effective August 2016, the University adopted new procedures intended to improve timeliness of its required filings under the Rule. The University also prepared a template into which all financial and operating data can be compiled into a single document for future filings.

STATE NOT LIABLE ON SERIES 2024 BONDS

The Series 2024 Bonds are limited obligations of the University payable solely out of, and secured by a pledge of, the Pledged Revenues. Neither the principal of nor the interest on the Series 2024 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2024 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama.

FINANCIAL INFORMATION

Appendix A contains audited financial statements of the University for the fiscal year ended September 30, 2020. KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the University or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The University and the Underwriters disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

THE UNIVERSITY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD LOOKING STATEMENT AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHER INFORMATION.

SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2024 BONDS

General

An investment in the Series 2024 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of Pledged Revenues to pay debt service on the Series 2024 Bonds may be affected by events and conditions relating to, among other things, general economic conditions, population in the University's basic service area, the demand for higher education and legislative and administrative requirements on the University's operations.

Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2024 Bonds are an appropriate investment for them.

Holders of the Series 2024 Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

Limitations on Source of Payment, Security and Remedies

Limited Source of Payment. The Series 2024 Bonds will be limited obligations of the University, payable solely from, and secured by a pledge of, the Pledged Revenues. *See* "SECURITY AND SOURCE OF PAYMENT."

The Series 2024 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2024 Bonds will not be payable out of any money provided or appropriated to the University by the State of Alabama. Holders of the Series 2024 Bonds shall never have the right to demand payment of the Series 2024 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Additional Debt. All Bonds are secured on a parity by the lien on Pledged Revenues. If the University incurs additional debt secured by the Indenture, the security interest in Pledged Revenues for the benefit of Bondholders will in effect be diluted.

Hospitals Are Limited Use Facilities. The hospitals and other health care facilities of the University, which are operating assets of the University, are limited use facilities, suitable primarily for hospital or health care purposes. Consequently, the market for sale or other disposition of such facilities is limited. In the event of a sale of such facilities, whether in a bankruptcy proceeding or otherwise, the number of potential purchasers and the sale price may be affected by the limited possible use.

Limitation on Remedies Upon Default. The Indenture does not constitute a mortgage on or security interest in any properties of the University, and no foreclosure or sale proceedings with respect to any property of the University may occur. The University is exempt from all suits under the doctrine of sovereign immunity, but state law provides that agents and employees of the University may, by mandamus, be compelled to apply the Pledged Revenues to the payment of the Series 2024 Bonds in accordance with the terms of the Indenture.

The remedies available to the registered holders of the Series 2024 Bonds upon the occurrence of a default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Indenture may not be readily available or may be limited, and no assurance can be given that a mandamus or other legal action to enforce payment under the Indenture would be successful. The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally.

Health Care Industry Factors

The health care industry is subject to a number of factors that could adversely affect the business prospects of the University. Among those factors are the following:

The Health Care Industry is Highly Regulated. The health care industry is highly regulated by the federal and state governments. These regulations relate to areas such as the required delivery of care whether or not patients have the resources for payment, the quality of care and outcomes of health care services provided, excessive re-admission of patients, accuracy of billing and collecting for services rendered, privacy of patients and their health care information, and the relationship between providers and physicians who refer patients to the provider's health care facilities. For providers organized as charitable organizations under Section 501(c)(3) of the Internal Revenue Code there are additional regulations that must be satisfied to preserve tax-exempt status. The cost of compliance with these regulations is significant.

Payment Systems. USA Health derives most of its revenues from Medicare, Medicaid, Blue Cross and other third party payor programs. Such programs may provide payment for services rendered to their beneficiaries in an amount that is less than actual patient charges. These payment systems are complex, subject to periodic change, and require a high degree of accuracy in the billing and collecting process. Failure to submit accurate billing may result in large financial penalties or claims or disqualification from the programs. Penalties or claims may be from governmental authorities, such as the Justice Department and the Office of Inspector General, independent auditing firms under contract with the government, or from private litigants under so-called "qui tam actions."

Alternate Payment Systems. The payment systems for health care services may be expanded to cover capitation or other coverage programs in which the providers assume the risk of health care services for a defined population. The University currently does not provide coverage on a capitated basis; however, the development of such coverage programs in the University's market could force the University to assume increased risk for the amount and cost of services it provides.

Health Care Reform. In 2010, Congress adopted extensive health reform legislation commonly referred to as the Affordable Care Act (the "ACA"). This legislation attempts to extend commercial insurance coverage and Medicaid coverage to many patients not previously covered. The State of Alabama declined the ACA option to expand the Medicaid coverage, which reduces the amount of reimbursement that might otherwise be available to the health care facilities operated by the University. This legislation also imposes numerous operating and reporting requirements on health care providers. Implementation of the various ACA initiatives will take several years and will require extensive time and expense. Implementation has been and continues to be uncertain. It is expected that governments will continue to consider various reform proposals in the health care industry. If adopted, such proposals may subject health care providers like the University to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination of such results.

Trend Toward Large-Deductible Insurance Policies. Coverage provided by insurance is trending toward large deductibles or self-insurance retention for patients, which reduces the required premiums but increases out-of-pocket expense for the insured. These large deductible policies can be expected to increase the challenge of collecting for services rendered and may result in an increase of bad debt expense for health care providers.

Budgetary Pressure for Medicare and Medicaid Funding. Medicare and Medicaid are government-sponsored programs. Funding for those programs is subject to the legislative process of federal and state governments. The spending policies or deficit reduction initiatives of those governments have resulted in significant reductions in reimbursement for health care services in the past and can be expected to apply pressure on reimbursement for the foreseeable future.

Competition from Other Providers. The health care industry is highly competitive. Other health care providers may develop competing facilities or services in the University's service area. Competing facilities or services may include, among others, new hospitals, specialty hospitals, outpatient facilities, and managed care or insurance products. Other forms of competition could also affect the University's ability to maintain or improve its market share, including increasing competition (1) between physicians who generally use hospitals and non-physician practitioners such as nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals, and (2) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, outpatient radiology centers, rehabilitation and therapy centers, physician group practices and other non-hospital providers of many services for which patients generally rely on hospitals currently.

Capital Investment and Technology. The technology for diagnosis and treatment of patients changes rapidly and requires large capital investment on an ongoing basis in order for a health system to meet the needs of its patients.

Other Factors Affecting the Health Care Industry. In addition to the factors discussed above, the following additional factors, among others, may adversely affect the operations of health care providers, including the University:

(a) Increased efforts by insurers, private employers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care.

(b) Termination of existing agreements between a provider and employed physicians who render services to the provider's patients or alteration of referral patterns by independent physicians and physician groups.

(c) The availability and cost of insurance or self-insurance to protect against malpractice and general liability claims.

(d) Environmental and hazardous waste disposal regulations.

(e) Future legislation and regulations affecting the tax-exempt status of governmental and 501(c)(3) hospitals or imposing additional requirements on qualification.

(f) The reduced need for hospitalization or other traditional health care services as a result of medical and other scientific advances.

(g) Imposition of wage and price controls for the health care industry.

(h) The availability of or cost of retaining nursing, technical or other health care personnel.

(i) The spread of any bacteria, virus or infectious disease that is resistant to existing drugs or medical treatment.

(j) Reduction in population, increased unemployment or other adverse economic conditions in the market.

Factors Affecting Academic Medical Centers

Academic medical center hospitals, like those operated by the University, are subject to certain negative credit factors that do not affect other not-for-profit hospitals. Among those factors are the following:

Special Revenue and Expense Challenges. The research and teaching divisions at academic medical centers often operate at break-even or deficit levels. Funding these missions sometimes requires organizational subsidies that can detrimentally affect the hospital's overall operating performance. Fundraising, endowment spending and excess cash generated from patient care can be used to support the non-clinical departments at an academic medical center, but these sources of funding may not be enough to offset the drag on operating funds.

Negative Reimbursement Pressure from Medicare and Medicaid. The federal government has proposed a reduction in graduate medical education funding from CMS as one way to address federal budget challenges. Although funding cuts would impact all teaching hospitals with medical residents, academic medical centers would be disproportionately impacted due to higher numbers of residents and greater indirect cost payments for high acuity services performed. In addition, securing federal funding for research has become increasingly competitive among research institutions, primarily due to federal budget constraints. Changes in federal funding patterns could adversely affect academic medical centers and their ability to make debt service payments.

Inordinately High Exposure to Medicaid Patients. Many academic medical centers provide a disproportionate amount of charity care in their communities, which results in high exposure to Medicaid patients and receipt of Disproportionate Share Funding ("DSH"). Medicaid reimbursement cuts in recent years have disproportionately impacted academic medical centers. Additionally, reductions in DSH payments were mandated by the ACA beginning in 2016.

Increased Financial Support for Sponsoring University. Academic medical centers are increasingly facing requests for financial transfers to their associated universities to support strategic investments, program development and educational activities. These financial transfers are typically negotiated between the university and the hospital on an annual basis, and immediate needs at the university level could lead to a growing financial subsidy. These payments could adversely affect the academic medical center's operating performance.

State Proration

The State of Alabama appropriates money each year to the University for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. The last fiscal year in which State appropriations were "prorated" was fiscal year 2011. It is possible that proration may be implemented from time to time in the future and, when proration does occur, the University may be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact the University's budget, the Series 2024 Bonds are not payable from State appropriations.

Certain Factors Affecting Pledged Revenues

No representation can be made and no assurance can be given that receipts from the Pledged Revenues will be sufficient to make the required payment of debt service on the Series 2024 Bonds and to pay necessary operating expenses. The amount of Pledged Revenues collected by the University will be subject to a variety of factors that could adversely affect debt service coverage on the Series 2024 Bonds, including general economic conditions, population in the University's basic service area, the demand for higher education, and the impact of legislative and administrative requirements on the University's operations.

Tax-Exempt Status of Series 2024-A Bonds

It is expected that the Series 2024-A Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. *See* "TAX MATTERS – General." It is anticipated that Bond Counsel to the University will render an opinion substantially in the form attached hereto as Appendix B, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2024-A Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2024-A Bonds in order for the Series 2024-A Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2024-A Bonds, use of the facilities financed by the Series 2024-A Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the University.

The Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2024-A Bonds, the University would be treated as the taxpayer, and the owners of the Series 2024-A Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2024-A Bonds could adversely affect the market value and liquidity of the Series 2024-A Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2024-A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2024-A Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2024-A Bonds could affect the tax-exempt status of the Series 2024-A Bonds or the effect of investing in the Series 2024-A Bonds. For example, the federal government is considering various proposals to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws. The exemption for interest on tax-exempt bonds is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would eliminate the exemption for interest on tax-exempt bonds. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on tax-exempt bonds. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption. Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt bonds already outstanding, including the Series 2024-A Bonds offered pursuant to this Official Statement, as well as bonds issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Series 2024-A Bonds. Investors should consult their own tax advisers about the prospects and possible effect of future legislation that could affect the exemption for interest on tax-exempt bonds.

The Indenture does not provide for mandatory redemption of the Series 2024-A Bonds or payment of any additional interest or penalty if a determination is made that the Series 2024-A Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2024-A Bonds or the economic benefit of investing in the Series 2024-A Bonds, or if any other event or occurrence takes place that impacts the tax status of the Series 2024-A Bonds.

The United States Bankruptcy Code

Chapter 9 of Title 11 of the United States Code, 11 U.S.C. 101, *et seq.* (the "Bankruptcy Code") permits a political subdivision, public agency or instrumentality of a State to file a petition for relief in federal bankruptcy courts if the subdivision, agency or instrumentality is insolvent within the meaning of Chapter 9 and is authorized under applicable state law to seek such relief. The University, as an instrumentality of the State of Alabama, meets the initial eligibility requirement for a debtor under Chapter 9 of the United States Bankruptcy Code, as set forth at 11 U.S.C. §109(c)(1), because it is a "municipality" as defined at 11 U.S.C. §101(40), but the

University is not expressly authorized by Article XIV, Section 266 of the Alabama Constitution of 1901 or by §16-48-1 *et seq.* of the Code of Alabama 1975, as amended, to initiate a Chapter 9 proceeding. Therefore, absent enactment of legislation by the Alabama Legislature that specifically authorizes a filing by the University, or by all instrumentalities of the State of Alabama, the University does not appear to be eligible to be a "debtor" under Chapter 9 of the United States Bankruptcy Code.

Nonetheless, Chapter 9 has been rarely used, and there is little precedent concerning its interpretation or the interpretation of related state laws, so there can be no definitive assurance that the University would be prevented from filing a petition for relief under Chapter 9, and if it did so, what relief would be provided. For example, Chapter 9 of the Bankruptcy Code provides certain protections to creditors whose debts are secured by pledged special revenues; however, because of the limited precedent available with respect to Chapter 9, it is possible that a federal bankruptcy court could reject or circumscribe certain of these provisions under the facts of a specific case.

It should be noted that Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a Chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of Pledged Revenues made by the University for the benefit of the Series 2024 Bonds would constitute "special revenues" as that term is defined in section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a Chapter 9 petition (if the University had such power under Alabama law) would affect application of Pledged Revenues for the payment of principal and interest on the Series 2024 Bonds. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Series 2024 Bonds with respect to the Pledged Revenues.

As a "municipality" within the meaning of the Bankruptcy Code, the University's eligibility to be a debtor is governed solely by 11 U.S.C. §109(c). A "municipality" within the meaning of Chapter 9 of the Bankruptcy Code cannot seek relief as a "debtor" under other chapters of the Bankruptcy Code, including without limitation Chapters 7 and 11.

The approving legal opinion of Bond Counsel to the University will contain the customary reservation that the rights of the holders of the Series 2024 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. *See* the proposed form of approving legal opinion set forth in <u>Appendix B</u> – "Proposed Form of Approval Opinion of Bond Counsel to the University."

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") is employed by the University to perform professional services in the capacity of financial advisor. In its role as financial advisor to the University, PFM has provided advice on the plan of financing and structure of the Series 2024 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the University and other sources and the University's certification as to the Official Statement.

UNDERWRITING

The Series 2024-A Bonds are being purchased for reoffering by JPMorgan Securities LLC, Raymond James & Associates, Inc., Truist Securities, Inc., and Piper Sandler & Co. (collectively, the "Underwriters") at an aggregate purchase price of $[________________] (representing the initial par amount of the Series 2024-

A Bonds, less an underwriting discount of $[________________], [plus/less] [net] original issue [premium/discount] of $[___________]). The public offering price of the Series 2024-A Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters, and the Underwriters may allow a concession from the public offering price to certain dealers.

The Series 2024-B Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of $[________________] (representing the initial par amount of the Series 2024-B Bonds, less an underwriting discount of $[________________]. The public offering price of the Series 2024-B Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters, and the Underwriters may allow a concession from the public offering price to certain dealers.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters for the Series 2024 Bonds, has entered into negotiated dealer agreements (each a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2024 Bonds from JPMS at the original price less a negotiated portion of the selling concession applicable to any Series 2024 Bonds that such firm sells.

Piper Sandler & Co. ("Piper Sandler"), one of the Underwriters for the Series 2024 Bonds, has entered into a distribution agreement (“Distribution Agreement”) with CS&Co for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2024 Bonds from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024 Bonds that CS&Co. sells.

MISCELLANEOUS

The references herein to statutory provisions, the Indenture and other documents and instruments are summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is hereby made to the specific statutory provision, document or instrument to which such summary relates.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2024 Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from sources believed to be reliable; however, the University makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice. Accordingly, neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that, since the date hereof, there has been no change in the affairs of the University or any other governmental agencies or entities discussed herein.

The distribution of this Official Statement and its use in the offering and sale of the Series 2024 Bonds have been approved by the governing body of the University.

UNIVERSITY OF SOUTH ALABAMA

/s/ Kristen Roberts
Chief Financial Officer

APPENDIX A

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

APPENDIX B

PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE UNIVERSITY

Proposed Form of Approval Opinion of Bond Counsel

_____________, 2023

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

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alabama and certified copies of proceedings of the Board of Trustees of the University of South Alabama (herein called the "University") and other documents submitted to us pertaining to the authorization, issuance and validity of:

$______________	**$______________**
University of South Alabama	**University of South Alabama**
University Facilities Revenue Bonds	**Taxable University Facilities Revenue Bonds**
Series 2024-A	**Series 2024-B**

The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said constitution, laws, proceedings, and documents, which show as follows:

(1) that the above-referenced University Facility Revenue Bonds, Series 2024-A (the "Series 2024-A Bonds") and Taxable University Facility Revenue Bonds, Series 2024-B (the "Series 2024-B Bonds" and, together with the Series 2024-A Bonds, the "Series 2024 Bonds"), have been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented by a Twenty-Second Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2024 Bonds between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (said Indenture, as so supplemented and amended, herein called the "Indenture"), wherein there has been pledged for payment of all bonds issued thereunder so much as may be necessary therefor of (a) the proceeds of the general tuition fees levied against all students attending the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding $10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital (collectively herein called the "Pledged Revenues"); and

(2) that the University is authorized under the Indenture to issue, without express limit as to principal amount but only upon compliance with certain conditions precedent specified in the Indenture, Additional Bonds (as such term is defined in the Indenture) secured by a pledge of the Pledged Revenues on a parity with all other bonds issued under the Indenture and at any time outstanding.

We are of the following opinion: that the University is a public body corporate under the laws of the State of Alabama and has corporate power to issue the Series 2024 Bonds and to execute and deliver the Indenture; that the Series 2024 Bonds have been duly authorized, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and evidence valid and binding limited and special obligations of the University payable, as to principal and interest, solely out of the Pledged Revenues; that the payment of the principal of and the interest on the Series 2024 Bonds is secured on a parity with all Bonds (as such term is defined in the Indenture) previously issued under the Indenture and with any other Additional Bonds hereafter issued under the Indenture by a pledge of the Pledged Revenues pro rata and without preference or priority of the Bonds of one series over those of another; that the said pledge is valid, subject to all lawful prior charges on the Pledged Revenues; and that the Indenture has been duly authorized, executed and delivered on behalf of the University. We are of the opinion that the interest on the Series 2024 Bonds is, under existing statutes and regulations as presently construed, exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the University with its covenants pertaining to certain requirements of federal tax law that are set forth in the Indenture and the proceedings authorizing the issuance of the Series 2024-A Bonds, the interest on the Series 2024-A Bonds will be excludable from gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code and will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We express no opinion regarding tax consequences arising with respect to the Series 2024-A Bonds other than as expressly set forth herein.

We call to your attention that interest on the Series 2024-B Bonds is not exempt from federal income taxation.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement of the University relating to the Series 2024 Bonds. We express no opinion with respect to the federal tax consequences to the recipient of the interest on the Series 2024 Bonds under any provision of the Code not referred to above.

The rights of the holders of the Series 2024 Bonds and the enforceability of the Series 2024 Bonds and the Indenture are subject to all applicable bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and the exercise of judicial discretion in appropriate cases.

Neither the principal of nor the interest on the Series 2024 Bonds nor the aforesaid pledge or any other agreements contained in the Indenture constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2024 Bonds nor any obligation arising from said pledge or other agreements are payable out of any moneys appropriated to the University by the State of Alabama. The Indenture does not constitute a mortgage on any of the property of the University, and no foreclosure or sale proceedings with respect to any property of the University shall ever be had under its authority.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2024-A, in the aggregate principal amount of $_______________ (the "Series 2024-A Bonds") and its Taxable University Facilities Revenue Bonds, Series 2024-B, in the aggregate principal amount of $_______________ (the "Series 2024-B Bonds" and, together with the Series 2024-A Bonds, the "Bonds"). The University is the Obligated Person with respect to the Bonds.

Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by a Twenty-Second Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated _____________, 2024 (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

NOW, THEREFORE, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2024.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2024, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

(1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;

(2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;

(3) the schedule of undergraduate and graduate fees and College of Medicine fees;

(4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;

(5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

2. Event Notices. The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit enhancements reflecting financial difficulties.
5. substitution of credit or liquidity providers, or their failure to perform.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. modifications of the rights of holders of the Bonds, if material.
8. bond calls, if material, and tender offers.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Bonds, if material.
11. rating changes.
12. bankruptcy, insolvency, receivership, or similar event of the obligated person.
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. incurrence of a Financial Obligation of an Obligor, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligor, any of which affect security holders, if material.
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligor, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

3. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

5. Beneficiaries; Limitation of Remedies Hereunder. This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

6. Responsibility for Compliance.

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

8. Termination. The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

9. Contract Formed. This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

[Balance of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the ___ day of _______, 2024.

UNIVERSITY OF SOUTH ALABAMA

By:____

Its: ____

APPENDIX D

DTC PROCEDURES

DTC Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2024 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from University or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of University or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to University or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE UNIVERSITY, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2024 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2024 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2024 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE UNIVERSITY, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2024 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2024 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

EXHIBIT IV
FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series [2024-A]/[2025-A], in the aggregate principal amount of $___________ (the "Tax-Exempt Bonds") and its Taxable University Facilities Revenue Bonds, Series [2024-B]/[2025-B], in the aggregate principal amount of $___________ (together with the Tax-Exempt Bonds, the "Bonds"). The University is the Obligated Person with respect to the Bonds.

Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by a Twenty-[Second]/[Third] Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated _________, [2024]/[2025] (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

NOW, THEREFORE, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, [2024]/[2025].

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, [2024]/[2025], to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

(1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;

(2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;

(3) the schedule of undergraduate and graduate fees and Medical College fees;

(4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report; and

(5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

2. Event Notices. The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.

2. non-payment related defaults, if material.

3. unscheduled draws on debt service reserves reflecting financial difficulties.

4. unscheduled draws on credit enhancements reflecting financial difficulties.

5. substitution of credit or liquidity providers, or their failure to perform.

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. modifications of the rights of holders of the Bonds, if material.

8. bond calls, if material, and tender offers.

9. defeasances.

10. release, substitution or sale of property securing repayment of the Bonds, if material.

11. rating changes.

12. bankruptcy, insolvency, receivership, or similar event of the obligated person.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. incurrence of a Financial Obligation of the University, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the University, any of which affect security holders, if material.

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the University, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule

3. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

5. Beneficiaries; Limitation of Remedies Hereunder. This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

6. Responsibility for Compliance.

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

8. Termination. The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

9. Contract Formed. This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

IN WITNESS WHEREOF, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the ________ day of ________, [2024]/[2025].

UNIVERSITY OF SOUTH ALABAMA

By:____

Its: ____

EXHIBIT V
FORM OF CERTIFICATE OF COMPLIANCE

This Certificate of Compliance is being delivered by the undersigned member of The Board of Trustees (herein called the "Board") of The University of South Alabama (herein called the "University"), in such member's capacity as a Designated Board Member, and by the undersigned [President of the University]/[Chief Financial Officer of the University], in such officer's capacity as a Designated Officer, with respect to the issuance by the University of its $______________ University Facilities Revenue Bonds, Series [2024-A]/[Series 2025-A] (herein called the "Tax-Exempt Bonds") and its $_______________ Taxable University Facilities Revenue Bonds, Series [2024-B]/[2025-B] (herein called the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Refunding Bonds") under, pursuant to and in accordance with that certain resolution adopted on March 15, 2024, by the Board (herein called the "Authorizing Resolution"). The Plan of Finance for the Refunding Bonds is described in the Authorizing Resolution. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed thereto in the Authorizing Resolution.

Each of the undersigned does hereby declare, certify, establish, and order, as follows:

1. The undersigned is a Designated Board Member or a Designated Officer as described and set forth in the Authorizing Resolution.

2. Each of the undersigned confirms and verifies that the Refunding Bonds have been sold and are to be issued in accordance with the Authorizing Resolution and the Plan of Finance.

IN WITNESS WHEREOF, this certificate and order has been executed on behalf of the Board and the University.

Dated: ________, [2024]/[2025].

Designated Board Member	**Designated Officer**
By:______________________________	By:______________________________
Name:___________________________	Name:___________________________
Title:____________________________	Title:____________________________

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*