UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETINGS

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

MARCH 5, 2026
1:00 P.M.

* Revision

AUDIT COMMITTEE MEETING – STEVE STOKES, M.D., CHAIR

1 Roll Call
2 Approve: Minutes
3 Report: KPMG Audit Reports, Year Ended September 30, 2025
- 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, University of South Alabama Health Care Authority

4 Report: KPMG Report on Intercollegiate Athletics
5 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE MEETING – MIKE WINDOM, CHAIR

6 Roll Call
* **6.A** Approve: Revised Agenda
7 Approve: Minutes
8 Report: Endowment and Investment Performance
* **9** Recommendation to Approve: Revisions to the University's Endowment Fund Investment Policy Statement
10 Recommendation to Approve: Commendation of Drs. John and Sally Steadman
11 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE MEETING – JIMMY SHUMOCK, CHAIR

12 Roll Call
13 Approve: Minutes
14 Recommendation to Approve: USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2025 and January 2026
15 Report: USA Health

ACADEMIC EXCELLENCE AND STUDENT SUCCESS COMMITTEE MEETING – CHANDRA BROWN STEWART, CHAIR

16 Roll Call
17 Approve: Minutes
18 Report: Academic Affairs
19 Report: Student Affairs
20 Report: Research and Economic Development
21 Report: Community Engagement

BUDGET AND FINANCE COMMITTEE MEETING – LENUS PERKINS, CHAIR

22 Roll Call
23 Approve: Minutes
24 Report: Quarterly Financial Statements for the Three Months Ended December 31, 2025
25 Recommendation to Approve: Issuance of Series 2026 Revenue Bonds and Potential Bridge Loan Obligations
26 Report: University Facilities

LONG-RANGE PLANNING COMMITTEE MEETING – RON GRAHAM, CHAIR

27 Roll Call
28 Approve: Minutes
29 Report: Institutional Planning and Assessment

COMMITTEE OF THE WHOLE MEETING – ALEXIS ATKINS, CHAIR

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

MARCH 6, 2026
9:30 A.M.

BOARD OF TRUSTEES MEETING – ALEXIS ATKINS, CHAIR PRO TEMPORE

1 Roll Call
* **1.A** Approve: Revised Agenda
2 Approve: Commendation of Drs. John and Sally Steadman
* **2.A** Approve: Commendation of the University of South Alabama Police Department
3 Approve: Minutes
4 Report: University President
5 Report: Faculty Senate President
6 Report: Student Government Association President
7 Approve: Consent Agenda Items:
- * Revisions to the University's Endowment Fund Investment Policy Statement
- USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2025 and January 2026

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 Report: Budget and Finance Committee
13 Approve: Issuance of Series 2026 Revenue Bonds and Potential Bridge Loan Obligations
14 Report: Long-Range Planning Committee

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING SCHEDULE

THURSDAY, MARCH 5, 2026:

1:00 pm	**Committee Meetings (consecutive)**	**Whiddon Administration Bldg.** **President's Office (Ste. 130), Board Room**

FRIDAY, MARCH 6, 2026:

9:30 am	**Board of Trustees Meeting**	**Whiddon Administration Bldg.** **President's Office (Ste. 130), Board Room**

UNIVERSITY OF SOUTH ALABAMA
FLAGSHIP OF THE GULF COAST.

BOARD OF TRUSTEES

STANDING COMMITTEES
2025-2028

EXECUTIVE COMMITTEE:

- Katherine Alexis Atkins, **Chair** ***pro tempore***
- Lenus M. Perkins, **Vice Chair**
- William Ronald Graham, **Secretary**
- Chandra Brown Stewart
- Arlene Mitchell
- James H. Shumock
- Michael P. Windom

ACADEMIC EXCELLENCE AND STUDENT SUCCESS CTE.:

- Chandra Brown Stewart, **Chair**
- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- Luis Gonzalez
- Robert D. Jenkins III
- Ronnie Stallworth, Sr.
- Michael P. Windom

AUDIT COMMITTEE:

- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- Meredith Mitchell Hamilton
- Lenus M. Perkins
- Ronnie Stallworth, Sr.
- Steven H. Stokes, M.D., **Chair**

BUDGET AND FINANCE COMMITTEE:

- Chandra Brown Stewart
- William Ronald Graham
- Meredith Mitchell Hamilton, **Vice Chair**
- Lenus M. Perkins, **Chair**
- James H. Shumock
- Steven H. Stokes, M.D.
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DEVELOPMENT, ENDOWMENT AND INVESTMENTS CTE.:

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

EVALUATION AND COMPENSATION COMMITTEE:

- Steven P. Furr, M.D.
- Luis Gonzalez, **Vice Chair**
- Robert D. Jenkins III, **Chair**
- Arlene Mitchell
- Lenus M. Perkins
- James H. Shumock
- Ronnie Stallworth, Sr.

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- Meredith Mitchell Hamilton
- Arlene Mitchell, **Vice Chair**
- James H. Shumock, **Chair**
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LONG-RANGE PLANNING COMMITTEE:

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- Ronnie Stallworth, Sr.
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UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

MEETING AGENDA
AND MINUTES

UNIVERSITY OF SOUTH ALABAMA
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9:30 A.M.

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14 Report: Long-Range Planning Committee

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

DATE: February 24, 2026

TO: USA Board of Trustees

FROM: Ron Graham Ron Graham
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 3 and 4, 2025, as well as for a Board of Trustees special meeting held on January 15, 2026. Please review these documents for amendment or approval at the meetings on March 5 and 6, 2026.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

January 15, 2026
4:33 p.m.

A special meeting of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Ms. Alexis Atkins, Chair *pro tempore*, on Thursday, January 15, 2026, at 4:33 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, Jimmy Shumock and Jim Yance were present and Scott Charlton, Steve Furr, Luis Gonzalez, Lenus Perkins and Steve Stokes participated remotely.
Members Absent:	Ron Graham, Meredith Hamilton, Kay Ivey, Ron Jenkins, Arlene Mitchell and Mike Windom.
Administration & Guests:	Jim Berscheidt, Jo Bonner, Natalie Fox, Andi Kent, Buck Kelley, Spence Larche, Kristen Roberts and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 1**, Chair Atkins thanked everyone for participating in the meeting and called on Provost Kent, who made introductory remarks and called on Ms. Roberts for an overview on **Item 2** following. (To view additional documents authorized, refer to Appendix A). On motion by Mr. Yance, seconded by Mr. Shumock, the Board voted unanimously to approve the resolution. President Bonner thanked the Board for supporting this acquisition:

A RESOLUTION AUTHORIZING THE PURCHASE OF AN AMBULATORY SURGERY BUILDING, A LOAN TO PAY THE COSTS OF SUCH PURCHASE, AND A PROMISSORY NOTE, LOAN AGREEMENT, ASSIGNMENT OF RENTS AND LEASES AND OTHER RELATED DOCUMENTS, AGREEMENTS AND ACTIONS

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 that the following facts are true and correct:

(a) the University leases from Fairhope Single Tax Corporation ("***FSTC***") certain real property located in Baldwin County, Alabama commonly referred to as the "MAPP Property" (the "***MAPP Property***") for a term of 99 years under and pursuant to a Lease dated September 8, 2020, between the University and FSTC;

(b) under a Sublease dated October 7, 2021, between the University and the University of South Alabama Health Care Authority ("***USAHCA***"), the University has subleased the MAPP Property to USAHCA for the creation of a medical park to be used in connection with the health care education and related mission of the University (the "***Medical Park***");

(c) as a part of developing the Medical Park, USAHCA subleased a portion of the MAPP Property (such portion, the "***Project Site***") to HHRE USA FAIRHOPE ASC, LLC, a Florida limited liability company, as tenant (the "***Company***") under that certain ASC Ground Lease and Development Agreement dated March 24, 2022 (the "***Development Agreement***"), between USAHCA and the Company, and the Company agreed to develop, own and operate an approximately 24,020 square foot ambulatory surgery center building (the "***Facility***");

(d) physicians and other health care professionals, including among others those employed by and acting on behalf of the University and/or USAHCA, utilize the Facility in providing health care and other patient services;

(e) pursuant to Section 13.4 of the Development Agreement, USAHCA has a "Right of First Offer" (the "***ROFO***") whereby it may acquire the Facility, the Company's rights in the Development Agreement, and various related property rights (collectively, the "***Project***") upon the Company's delivery of a notice expressing its intent to sell the Facility (the "***ROFO Notice***");

(f) the Company has submitted the ROFO Notice as required under the Development Agreement to USAHCA (which such Development Agreement, including the ROFO, will be assigned by USAHCA to the University immediately prior to the consummation of the transactions herein authorized), and because the Project is located on the campus of the University and is within a site used in the health care education and related mission the University, the Board has determined it to be necessary, desirable and in the best interest of the University to purchase and acquire the Project per the terms and as more particularly set forth in the Purchase and Sale Agreement hereinbelow authorized;

(g) the purchase price for the Project has been calculated in accordance with the terms of the Development Agreement to be $15,100,000 (the "***Purchase Price***"), and the University has determined to obtain a short-term "bridge" loan in the amount of $15,100,000 (the "***Loan***") from Renasant Bank (the "***Lender***") to pay the said Purchase Price; and

(h) the terms of the Loan will be memorialized and evidenced by a Loan Agreement and a Promissory Note (each hereinafter defined), and the payment and performance obligations of the University shall be secured by an Assignment of Rents and Leases (as defined below) under which the University will assign its rights to receipt of rents and certain other rights of the University respecting the Project to the Lender.

Section 2. Authorization of Purchase of the Project; Authorization of Purchase and Sale Agreement and Related Agreements and Instruments. (a) The Board does hereby authorize the purchase and acquisition of the Project as more particularly described, and pursuant to the terms of, an Agreement of Purchase and Sale between the Company, as seller, and the University, as buyer, the form of which is attached as ***Exhibit I*** hereto and with such changes as shall be determined by the President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University (the "***Purchase and Sale Agreement***"). The Board does hereby authorize and direct the President of the University and the Vice President of Finance of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, the Purchase and Sale Agreement.

(b) The Board does hereby further authorize such agreements, instruments, notices, directives, and other documents as shall be necessary or desirable in connection with the transactions contemplated by the Purchase and Sale Agreement or that shall be necessary or desirable in order for the University to acquire the Project (collectively, "***Ancillary Project Documents***"), and the Board does hereby authorize and direct the President of the University and the Vice President of Finance of the University, or either of them, to execute and deliver, for and in the name and behalf of the University, such Ancillary Project Documents. Without limiting the foregoing, the Board does hereby further authorize the University to accept the assignment of the Development Agreement from USAHCA, and the President of the University and the Vice President of Finance of the University, or either of them, are hereby authorized to execute such documents or agreements, by and on behalf of the University, as shall be necessary or desirable to memorialize the same (which such documents or agreements shall be included within the meaning of "Ancillary Project Documents" for purposes of this resolution).

(c) 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 to the Purchase and Sale Agreement and to any Ancillary Project Documents the corporate seal of the University and to attest the same.

Section 3. Authorization of Loan; Authorization of Loan Agreement, Promissory Note, and Other Loan Documents. (a) The Board does hereby authorize the Loan and, as evidence thereof, that there be issued and delivered by the University a Promissory Note in the principal amount of $15,100,000, the form of which is attached as ***Exhibit II*** hereto and with such changes as shall be determined by the President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University (the "***Promissory Note")***. Obligations of the University under the Promissory Note shall be payable from all funds lawfully available to the University for such purpose and as shall otherwise be set forth in the Promissory Note and the Loan Agreement defined below. The Promissory Note shall bear interest, and principal and interest thereunder shall be due and payable in the amounts and at the times, as more particularly described and set forth in the Promissory Note and in the Loan Agreement. The President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University, are authorized to execute the Promissory Note and deliver the same to the Lender.

(b) The Board does hereby authorize and approve (1) a Loan Agreement between the University and the Lender in the form set forth on ***Exhibit III*** hereto and with such changes as shall be determined by the President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University (the "***Loan Agreement")***, and (2) a Collateral Assignment of Leases, Rents and Income between the University and the Lender, in the form set forth on ***Exhibit IV*** hereto and with such changes as shall be determined by the President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University (the "***Assignment of Rents and Leases***"). The President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University, are authorized to execute the Loan Agreement and the Assignment of Rents and Leases.

(c) The Board does hereby further authorize such agreements, amendments, instruments, notices, directives, and other documents as shall be necessary or desirable in connection with the transactions contemplated by the Promissory Note, the Loan Agreement and the Assignment of Rents and Leases or that shall be necessary or desirable in connection with the Loan (collectively, "***Ancillary Loan Documents***"), and the Board does

hereby authorize and direct the President of the University and the Vice President of Finance of the University, or either of them, acting on behalf of the University, to execute and deliver, for and in the name and behalf of the University, such Ancillary Loan Documents.

(d) 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 to the Promissory Note, the Loan Agreement, and the Assignment of Rents and Leases, the corporate seal of the University and to attest the same.

Section 4. Application of Proceeds of the Loan. Proceeds from the Loan shall be applied for payment of the Purchase Price for the Facility.

Section 5. 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 6. General Authorization. The President of the University, the Vice President of Finance of the University, the Secretary of the Board, the Chair Pro Tempore of the Board, and the Vice Chair of the Board, or any of them, are hereby authorized to execute such other agreements, certifications, instruments, notices, consents, acknowledgments, or other documents, containing such terms as such officer or officers executing the same shall approve, and to take such other actions as any of them may deem necessary, desirable or appropriate, for the consummation of the transactions covered by this resolution and the various agreements, documents, and actions herein authorized.

There being no further business, the meeting was adjourned at 4:44 p.m.

Attest to: Respectfully submitted:

Lenus M. Perkins, Vice Chair Katherine Alexis Atkins, Chair *pro tempore*

On behalf of:

William Ronald Graham, Secretary

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

December 4, 2025
10:30 a.m.

A meeting of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Ms. Alexis Atkins, Chair *pro tempore*, on Thursday, December 4, 2025, at 10:32 a.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Alexis Atkins, Meredith Hamilton, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes, Mike Windom and Jim Yance were present and Luis Gonzalez participated remotely.
Members Absent:	Chandra Brown Stewart, Scott Charlton, Steve Furr, Bill Lewis and Kay Ivey.
Administration & Guests:	Genie and Owen Bailey, Angela Barlow, Jim Berscheidt, Joél Billingsley, Jo Bonner, Robert Brown, Deborah Browning, Mike Chang, KC Crusoe, Joel Erdmann, Monica Ezell, Natalie Fox, Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, James Lawrence (BSU), Tom Myers, Mike Mitchell, Amy O'Hara, Allen Parrish, Justin Renfroe, Kristen Roberts, Sadie Sease, Luke Sparkman, Carol and Jim Statter, Margaret Sullivan, Peter Susman and Laura Vrana and Christina Wassenaar (Faculty Senate).

Upon calling the meeting to order and following the attendance roll call, **Item 1**, Chair Atkins thanked everyone for being present and called for a moment of silence in remembrance of the late Mr. Jim Nix, Trustee Emeritus. She also mentioned that former Trustees may be in attendance as part of an annual reunion and would be recognized later in the meeting. She called for consideration of the minutes for a Board of Trustees meeting held on September 5, 2025, **Item 2**. On motion by Mr. Perkins, seconded by Ms. Mitchell, the Board voted unanimously to adopt the minutes.

Chair Atkins called on President Bonner to deliver the President's Report, **Item 3**. President Bonner recognized Mr. James Lawrence III, Black Student Union ("BSU") President, as well as Ms. Sadie Sease, Mr. Justin Renfroe and Mr. Luke Sparkman, Southerner ambassadors, and introduced Ms. Delaney Ashmore, new staff member in the President's Office.

President Bonner noted that new USA fact cards and USA Health magazines were on the table. He said the next edition of the award-winning *South* magazine would soon be mailed and credited the Marketing and Communications and Development and Alumni Relations teams for their efforts with the publications.

President Bonner mentioned that Mr. Ken Kvalheim and Mr. Herman Thomas, former members of the Board, had planned to attend the meeting, and he recognized their contributions to and continued support for the University.

President Bonner thanked the members of the Board for their leadership to advance University initiatives, like the Whiddon College of Medicine project. He reported on several topics, including record fundraising for a third straight year and the *Alumni and Friends* nationwide engagement program, both for which he credited Ms. Sullivan and her team; the annual *Wall of Honor* ceremony recognizing new lifetime members of the USA National Alumni Association; expanded recruitment activities and marketing; the new partnership with Airbus North America to relocate its Mobile Engineering Center to USA's Technology & Research Park; 2025 Fall Commencement featuring U.S. Senator Katie Britt as keynote speaker; and the Holiday Concert among other holiday celebrations.

President Bonner turned to Provost Kent, who discussed the 2025 Research and Technology Showcase and the faculty honored; Phi Kappa Phi's recognition of Dr. Sean Powers, Chair of the Stokes School of Marine and Environmental Sciences, and of Dr. Peter Wood, Department of Music Professor, as *Scholar of the Year* and *Artist of the Year*, respectively; programming and recruitment for the Honors College, from which she noted three students were named *Goldwater Scholars*; the participation of more than 700 students from 136 high schools across seven states in the *Jaguar Marching Honors Band* during the USA vs. Southern Mississippi football game and special plans ahead involving the new Jaguar Marching Band Complex; the *Passage USA* program and dedication of the *Buckley J. Kelley Passage USA Garden*; USA being ranked 86 among 357 institutions by *Military Times* in its 2025 *Best for Vets* college rankings; and the annual *A Night Honoring Healers* benefit that spotlights the lifesaving work of USA Health team members.

Provost Kent turned to Dr. Erdmann, who gave an update on the women's soccer, volleyball and basketball programs, as well as on the football and men's basketball programs. He stated that Hancock Whitney Stadium would host three Alabama High School Athletic Association championship games in 2026 and addressed the evolution of college athletics relative to *NIL* (Name, Image and Likeness) and revenue-sharing. He added that new details regarding the *Loyal, Strong and Faithful Fund* would be released in the months ahead and thanked the members of the Board for their support and service. Judge Windom conveyed gratitude to Dr. Erdmann and others responsible for the *Military Appreciation* gameday promotion in conjunction with the USA vs. Southern Mississippi game.

Provost Kent joined President Bonner for his introduction of *Employee of the Quarter* Ms. Amy O'Hara, Property and Inventory Control Specialist. President Bonner invited Mr. Robert Brown, Director of Purchasing, to join them and read an excerpt from Mr. Brown's nomination of Ms. O'Hara. Ms. O'Hara received a certificate commemorating the award, as well as a round of applause, and made brief remarks.

Chair Atkins called for a report from the President of the Faculty Senate (the "Senate"), **Item 4**. Dr. Christina Wassenaar, 2025-2026 Senate President, thanked the Board, President Bonner and Provost Kent for the tangible expression of appreciation for the faculty demonstrated via the recent salary supplement and impending salary increase. She provided an overview on the Senate's work,

discussing plans for the next faculty survey; a review of the Senate's governance structure under way that would inform bylaws revisions; the engagement of Whiddon College of Medicine colleagues in Senate activities; and plans to host faculty senate leaders from the state's public and private institutions in the spring to exchange ideas on such topics as shared governance, faculty wellness and the evolving faculty experience.

Chair Atkins called for a report from the Student Government Association ("SGA") President, **Item 5**. Mr. KC Crusoe, 2025-2026 SGA President, detailed SGA appropriations supporting a variety of needs, projects and events across organizations and academic units. He touched on the priority of raising SGA awareness on campus, particularly among commuter and international students and within the areas of Housing, Military Services and Global USA, and credited Mr. Lawrence, SGA Director of Community Engagement, for spearheading projects in these fields. He conveyed appreciation for opportunities to connect with prospective students and community partners and thanked the Board for being supportive of student leadership.

Chair Atkins called for consideration of the consent agenda resolutions following, **Item 6**, all of which she noted were unanimously recommended for Board approval by the respective committees that met December 3, 2025. (To view additional documents authorized, refer to Appendix A.) On motion by Dr. Stokes, seconded by Capt. Jenkins, the Board voted unanimously to approve the resolutions:

RESOLUTION
EVALUATION OF THE UNIVERSITY'S ENDOWMENT FUND AND NON-ENDOWMENT FUND INVESTMENT POLICY STATEMENTS

WHEREAS, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) requires that investment policy statements be evaluated regularly, and

WHEREAS, the University of South Alabama (the "University") Board of Trustees has previously approved the University's endowment fund and non-endowment fund investment policy statements,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby acknowledges the annual evaluation of both policy statements for the current year by the Development, Endowment and Investments Committee (the "Committee") and affirms the Committee's recommendation that revision of the endowment fund investment policy statement and non-endowment fund investment policy statement is not needed at this time.

RESOLUTION
APPOINTMENT AND REAPPOINTMENT OF OFFICERS AND DIRECTORS FOR THE JAGUAR ATHLETIC FUND, INC.

WHEREAS, pursuant to the amended bylaws of the Jaguar Athletic Fund, Inc. (the "JAF"), the Board of Trustees of the University of South Alabama (the "University") shall approve the JAF slate of officers and directors, and

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

WHEREAS, the JAF Board of Directors, through its Nominating Committee, is authorized to nominate officers and directors consistent with the aforesaid for consideration and approval by the University's Board of Trustees, and

WHEREAS, the Nominating Committee of the JAF Board of Directors has nominated the following individuals to serve as JAF officers or directors for the calendar-year terms as specified:

OFFICERS - Reappointment for 2026

• J.H. "Jimmy" Shumock	Corporation President
• C.L. "Skipper" Walters	Corporation Vice President

DIRECTORS - Reappointment for Three-Year Terms, 2026-2028

• Shirley Brown	Women's Golf
• Wes Hinkle	At-Large
• Alex Pastore	Baseball

DIRECTORS - New Appointment for Three-Year Terms, 2026-2028

• Alan Chow	Tennis
• George Davis	Volleyball
• Patrick Johns	At-Large
• Todd Martin	Men's Basketball

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby authorize the appointment and reappointment of the officers and directors of the Jaguar Athletic Fund, Inc., as set forth.

RESOLUTION
USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2025

WHEREAS, the USA Health Hospitals medical staff appointments and reappointments for August, September and October 2025 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 OFFICERS FOR 2026 AND 2027

WHEREAS, the following USA Health Hospitals slate of officers, approved by the active Medical Staff via electronic vote on September 19, 2025, is recommended for approval by the Medical Executive Committees and the Executive Committee:

USA Health Children's & Women's Hospital
- Chair, Medical Executive Committee — Benjamin Estrada, M.D.
- Chair-Elect/Secretary, Medical Executive Committee — Jennifer Pierce, M.D.

USA Health University Hospital
- Chair, Medical Executive Committee — Judy Blair-Elortegui, M.D.
- Chair-Elect/Secretary, Medical Executive Committee — Payton Statkewicz, M.D.,

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

RESOLUTION
APPOINTMENT OF DIRECTORS
FOR THE SOUTH ALABAMA MEDICAL SCIENCE FOUNDATION

WHEREAS, Article III, Section 3.2(a) of the Amended and Restated Bylaws (the "Bylaws") of the South Alabama Medical Science Foundation ("SAMSF"), dated October 7, 2025, calls for the appointment by the University of South Alabama ("USA," the "University") Board of Trustees of five (5) directors who are not officers, employees or trustees of the University ("non-affiliated directors"), and

WHEREAS, Article III, Section 3.2(b) of the Bylaws states that the USA Board of Trustees shall elect such non-affiliated directors from a slate provided by the SAMSF Board of Directors (the "Board"), and

WHEREAS, the SAMSF Board has provided the following slate of non-affiliated directors, each to serve a term expiring as set forth hereinbelow:

- William Blaylock, MD — September 30, 2027
- Elizabeth Freeman — September 30, 2027
- Mark Hoffman — September 30, 2029
- Russell Hudgens, MD — September 30, 2029
- Amy Morris, MD — September 30, 2029,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees does hereby appoint the aforementioned individuals to serve as SAMSF directors as set forth.

RESOLUTION
SABBATICAL AWARDS

WHEREAS, in accordance with University of South Alabama policy, proposals for sabbatical awards for the faculty following have been reviewed and recommended by the respective faculty committees, departmental chair and college dean; the Executive Vice President and Provost; and by the President:

- Treena Finney, Ph.D., Professor, Department of Management
- Zach Finney, Ph.D., Professor, Department of Marketing, Supply Chain & Analytics
- Jeremiah Henning, Ph.D., Associate Professor, Department of Biology
- Kern Jackson, Ph.D. Associate Professor, Department of English
- Mara Kozelsky, Ph.D., Professor, Department of History
- Phillip Smith, Ph.D., Professor, Department of Psychology
- Jason Strickland, Ph.D., Assistant Professor, Department of Biology,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves said sabbatical awards for Fall 2026 – Spring 2027.

RESOLUTION
FACULTY EMERITUS

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

ACADEMIC AFFAIRS:
- J. Reid Cummings, Ph.D., Professor of Finance and Real Estate
- Peggy M. Delmas, Ph.D., Associate Professor of Educational Leadership
- Jeffrey P. Landry, Ph.D., Professor of Information Systems and Technology
- Cornelius Pillen, Ph.D., Professor of Mathematics and Statistics
- Alvin J. Williams, Ph.D., Professor of Marketing

WHIDDON COLLEGE OF MEDICINE:
- Elias G. Chalhub, M.D., Professor of Pediatrics
- Jack A. Di Palma, M.D., Professor of Internal 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 peer review committee, department chair and college dean, the Executive Vice President and Provost, and the President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus, Associate Professor Emeritus, or Senior Instructor Emeritus,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby appoints these individuals to the rank of Professor Emeritus, Associate Professor Emeritus, or Senior Instructor Emeritus 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.

RESOLUTION
HONORARY DOCTORATE DEGREE FOR THE HONORABLE KATIE BOYD BRITT

WHEREAS, the University of South Alabama (the "University," "USA") seeks to honor exceptional individuals who have devoted a substantial part of their lives to the service of others and who have distinguished themselves throughout their professional careers, and

WHEREAS, The Honorable Katie Boyd Britt is an Alabama native and the daughter of two small business owners from Enterprise, and

WHEREAS, Senator Britt graduated from the University of Alabama in 2004 with a degree in political science and later attended the University of Alabama School of Law, finishing in 2013 with a Juris Doctor degree, and

WHEREAS, Senator Britt married her husband, Wesley, in 2008, and together they have two children, Bennett and Ridgeway, and

WHEREAS, in 2022, Katie Britt became the first female from Alabama to be elected as a United States Senator, and

WHEREAS, in 2023, Senator Britt was sworn in as the youngest female Republican ever elected to the U.S. Senate, and

WHEREAS, Senator Britt is proud to advocate for hardworking families and fight effectively for Alabama's people, interests and values as she continues to identify and achieve solutions to the pressing challenges facing the state and nation, and

WHEREAS, Senator Britt is a true partner to the University of South Alabama and a champion for its substantial role in the region's prosperity, as one of Mobile's largest economic drivers and employers, which supports nearly 12,000 employees and connects more than 100,000 alumni, and

WHEREAS, Senator Britt served previously as Senator Richard Shelby's Chief of Staff and was instrumental in securing a $60 million allocation for USA in the Spring of 2022 – the first congressional appropriation of this magnitude and significance in University history – to assist with construction of the Whiddon College of Medicine facility, a project that will increase the availability of medical services and physicians for the citizens of Mobile, the state of Alabama and the Gulf Coast region,

THEREFORE, BE IT RESOLVED, for her dedication and many contributions to the state of Alabama and support for the University, the Board of Trustees of the University of South Alabama is proud to bestow upon The Honorable Katie Boyd Britt the degree of Doctor of Humane Letters (L.H.D.), honoris causa.

RESOLUTION
BANKING AND TREASURY SERVICES AUTHORITY

BE IT RESOLVED, the President or the Vice President of Finance of the University of South Alabama (the "University," "USA"), or equivalent senior financial officer, acting together with either the Executive Vice President or the Head of the Treasury Department of the University are authorized to:

1. open and close bank, brokerage, custody, safekeeping, treasury management or other accounts in the name of the University,
2. sell, transfer, and endorse for sale or transfer any and all securities on behalf of the University,
3. buy securities for the account of the University,
4. order the transfer or delivery of University securities to any other person,

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

and

BE IT FURTHER RESOLVED, this resolution supersedes previous such resolutions of the University of South Alabama Board of Trustees authorizing the University's banking activities, and

BE IT ADDITIONALLY RESOLVED, as the individuals holding the positions of President, Executive Vice President, Vice President of Finance (or equivalent senior financial officer), and the Treasury Department Head change from time to time, the secretary of the USA Board of Trustees is authorized to certify, under the corporate seal of the corporation, the names and signatures of the individuals succeeding to those positions, and

FINALLY, BE IT RESOLVED that the secretary of the USA Board of Trustees is hereby authorized to certify, under the corporate seal of the corporation, copies of this resolution with the names and specimen signatures of the persons authorized to act on behalf of the University.

Chair Atkins called for a report from the Audit Committee, **Item 7**. Dr. Stokes, Committee Chair, stated that a Committee meeting was held on December 3, 2025, and he briefed the Board on the proceedings.

Chair Atkins called for a report from the Development, Endowment and Investments Committee, **Item 8**. Judge Windom, Committee Chair, advised of a Committee meeting held on December 3, 2025, and he provided an overview on the business that occurred.

Chair Atkins called for a report from the Health Affairs Committee, **Item 9**. Mr. Shumock, Committee Chair, noted that a Committee meeting took place on December 3, 2025, and presented a summary on the work that took place. He added that the Committee voted unanimously to recommend Board approval of **Item 10** following and made a motion for its approval. Mr. Yance seconded, and the Board voted unanimously to approve the resolution:

RESOLUTION
FORMATION OF A HEALTHCARE AUTHORITY

WHEREAS, the University of South Alabama (the "University") is a public body corporate and institution of higher learning that operates a college of medicine as a part of its academic medical center enterprise, which also includes a physician faculty practice, three acute care hospitals, and USA Health Mitchell Cancer Institute, these three endeavors being collectively known as USA Health and USA HealthCare Management, LLC, and

WHEREAS, pursuant to Alabama Code Sections 16-17A-2 to 24 (the "Enabling Law"), public universities operating schools of medicine are authorized to form a type of public corporation known as a University Authority if it is found by the board of trustees of the sponsoring university that such formation is necessary, desirable, and in the best interests of the sponsoring university, and

WHEREAS, the formation of a University Authority for the purposes of facilitating the provision of healthcare in South Alabama, particularly in rural areas, would enhance the University's delivery of patient care by providing it with a corporate structure that allows for greater flexibility and options with the exercise of the powers and privileges granted under the Enabling Law to achieve this goal consistent with the public health mission of the University,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby declares that it is necessary, desirable, and in the best interest of the University of South Alabama that the proposed USA Rural Healthcare Authority, a University Authority, be incorporated, and

RESOLVED FURTHER that the Board of Trustees hereby authorizes the formation of the USA Rural Healthcare Authority; approves the Articles of Incorporation of the USA Rural Healthcare Authority on **Exhibit A**; and authorizes the University of South Alabama to proceed to form the USA Rural Healthcare Authority by filing the articles of incorporation in accordance with Alabama Code Section 16-17A-4, and

RESOLVED FURTHER that the Board of Trustees hereby approves the Bylaws of the USA Rural Healthcare Authority as set forth on **Exhibit B**, and

RESOLVED FURTHER that the Board of Trustees hereby appoints the individuals listed on **Exhibit C** to serve on the Board of Directors of the USA Rural Health Care Authority for the terms indicated in accordance with the provisions of the Articles of Incorporation of the USA Rural Health Care Authority, and

RESOLVED FURTHER that the Board of Trustees hereby authorizes any other action necessary for the establishment of the USA Rural Healthcare Authority, and

RESOLVED FURTHER that the Board of Trustees ratifies any actions taken by officers or employees of the University of South Alabama in connection with the establishment of the USA Rural Healthcare Authority.

Returning briefly to **Item 8**, a report from the Development, Endowment and Investments Committee, Judge Windom introduced the latest capital campaign video which featured Mr. Gonzalez.

Chair Atkins called for a report from the Academic Excellence and Student Success Committee, **Item 11**. On behalf of Ms. Brown Stewart, Committee Chair, Capt. Jenkins advised of a Committee meeting held on December 3, 2025, and provided a recap of the work accomplished.

Chair Atkins called for a report from the Budget and Finance Committee, **Item 12**. Mr. Perkins, Committee Chair, said that the Committee met on December 3, 2025, and reviewed the matters addressed.

Chair Atkins called for a report from the Long-Range Planning Committee, **Item 13**. Mr. Graham, Committee Chair, delivered a summation on the business that occurred at a Committee meeting held on December 3, 2025.

Chair Atkins, Ms. Hamilton, Mr. Yance, President Bonner, Provost Kent, Ms. Sullivan, Dr. Erdmann and Dr. Angela Barlow, Dean of the College of Education and Professional Studies, gathered for the presentation of **Item 14** following, and President Bonner invited Mrs. Carol Statter and Mr. Jim Statter to join them. Ms. Hamilton read the resolution and made a motion for its approval. Mr. Yance seconded, and the Board voted unanimously to approve the resolution. Mr. and Mrs. Statter received a commemorative resolution, and Mr. Statter said it was their pleasure to give back to their alma mater:

RESOLUTION
COMMENDATION OF MRS. CAROL STATTER AND MR. JIM STATTER

WHEREAS, the University of South Alabama (the "University," "USA") is the Flagship of the Gulf Coast and is committed to its mission of making a difference in the lives of those it serves through promoting discovery, health and learning, and

WHEREAS, the mission of the College of Education and Professional Studies (the "College") is to transform the community and expand outreach through a commitment to excellence in education and human services, the advancement of innovative research and supporting the College's dedicated faculty, staff, students and alumni, and

WHEREAS, Jaguar Athletics is a charter member of the Sun Belt Conference with eight men's and nine women's sports teams participating in NCAA Division I competition, and the program upholds a history of excellence in academics as well as in competition, and

WHEREAS, Mrs. Carol Statter, a 1994 graduate of the Mitchell College of Business, and her husband, Mr. Jim Statter, a 1972 graduate of the College of Arts and Sciences, have had impactful careers in business, with Mrs. Statter working in human resources and workforce development positions, and Mr. Statter making his impact as a longtime business owner, and, together, they have demonstrated a deep commitment to supporting the University of South Alabama and education initiatives, and

WHEREAS, Mrs. Statter and Mr. Statter credit the University of South Alabama's athletics teams, especially the football team, for bringing the Jaguar community together through the shared bond of team spirit, and believe that literacy is the key that unlocks every child's potential to reach their dreams, and, with this in mind, the Statter family has made a legacy gift of $1,700,000 to the University to support the College of Education and Professional Studies' Literacy Center and USA's football program,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby recognizes and commends Mrs. Carol Statter and Mr. Jim Statter for their extraordinary generosity and commitment and joins the University President, faculty, staff, students and alumni in extending sincere gratitude to the Statter family for their transformative gift to the University.

For the presentation of **Item 15** following, President Bonner invited Mr. Owen Bailey and Mrs. Genie Bailey to join him, Chair Atkins, Mr. Shumock, Provost Kent and Dr. Fox, along with USA Health team members with whom Mr. Bailey worked: Ms. Deborah Browning, USA Health Children's & Women's Hospital Chief Executive Officer; Dr. Mike Chang, USA Health Chief Physician Executive/Chief Medical Officer; and Mr. Tom Myers, USA Health Chief Transformation Officer. President Bonner discussed Mr. Bailey's impact as the leader of USA Health over the decade and turned to Mr. Shumock, who read the resolution and made a motion for its approval. Ms. Mitchell seconded, and the Board voted unanimously to approve the resolution. Upon receiving a commemorative resolution, Mr. Bailey conveyed heartfelt gratitude for the opportunity to serve and the bonds forged with the people of USA Health and the University of South Alabama:

RESOLUTION
COMMENDATION OF MR. G. OWEN BAILEY

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

WHEREAS, Mr. G. Owen Bailey began his journey with the University in 2011 as Administrator of USA Health Children's & Women's Hospital, where he led construction of a new $72 million children's tower that doubled the size of the facility, and

WHEREAS, Mr. Bailey was named to a dual appointment of Chief Executive Officer of USA Health and Senior Associate Vice President for Medical Affairs in 2016, and

WHEREAS, Mr. Bailey has been a driving force behind USA Health's expansive growth from seven facilities in 2016 to more than 40 care-delivery sites in 2025, and

WHEREAS, Mr. Bailey was part of the executive team that led the 2023 acquisition of Ascension Providence Hospital, negotiating an agreement that brought on an additional 1,800 employees and 14 clinics in two states, making USA Health the largest public health system in the region with an annual impact on the Gulf Coast economy of more than $1 billion, and

WHEREAS, Mr. Bailey oversaw numerous initiatives, including the expansion of the Fanny Meisler Trauma Center at University Hospital; implementation of community health efforts during the global pandemic; development of USA Health's Industrial Medicine Program, Pediatric Emergency Center at Children's & Women's Hospital, Mapp Family Campus in Baldwin County, and free-standing emergency department in West Mobile; and expansion of patient services in rural Southwest Alabama, and

WHEREAS, Mr. Bailey established USA Health's Spiritual Care and Counseling Department staffed with chaplains and counselors to help employees, patients and families in need of encouragement, and

WHEREAS, Mr. Bailey was awarded the Alabama Hospital Association's highest honor, the *Gold Medal of Excellence*, for his record of exceptional service and lasting influence as a leader who has shaped the future of healthcare in Alabama, and

WHEREAS, Mr. Bailey has made a profound difference in the lives of countless patients by increasing access to healthcare in our community and fostering a servant culture at USA Health, and

WHEREAS, Mr. Bailey is recognized for his charitable spirit, as demonstrated when he dressed as Woody from Toy Story to bring joy to patients at Children's and Women's Hospital, and, along with the elaborate and entertaining impersonations he has mastered to a tee, such as Elwood of the Blues Brothers, Mr. Bailey is also affectionately known by the nickname *Pappa Giorgio* for his love of the lobster giorgio dish served at USA's annual elected officials dinner,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby extends heartfelt appreciation to Mr. G. Owen Bailey for his voluminous contributions to the University of South Alabama and USA Health spanning 14 years and offers best wishes to Mr. Bailey and his wife, Mrs. Genie Bailey, in all their future endeavors.

In closing, President Bonner reminded everyone about the Holiday Concert scheduled that evening, and Chair Atkins wished everyone a pleasant holiday season.

There being no further business, the meeting was adjourned at 12:16 p.m.

Attest to: Respectfully submitted:

William Ronald Graham, Secretary Katherine Alexis Atkins, Chair *pro tempore*

APPENDIX A

UNIVERSITY OF SOUTH ALABAMA

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

PROPERTY ADDRESS:

6703 Providence Hospital Drive
Mobile, AL 36608

Parcel Number: 2804204000107.001

APPRAISAL INFORMATION:

Appraised by: Cushman-Wakefield
Date: 02/10/2025
Appraised Value: $884,000.00

CONTRACTS RELATED TO THE PURCHASE:

Attached hereto

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

OFFICE OF REAL ESTATE SERVICES AND ASSET MANAGEMENT
775 N. University Blvd. | Suite 150 | Mobile, Alabama 36608-4548
TEL: (251) 460-6100 | FAX: (251) 461-1765 | SouthAlabama.edu

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made and entered as of the Effective Date (hereinafter defined) by and between **DAUGHTERS OF CHARITY MINISTRIES, INC.**, a Missouri non-profit corporation ("**Seller**"), and **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate of the State of Alabama ("**Buyer**") Seller and Buyer are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS:

WHEREAS, Seller is the owner of the Property (hereafter defined); and

WHEREAS, Buyer desires to purchase and acquire from Seller, and Seller desires to sell and transfer to Buyer, the Property, subject to the terms and conditions set forth below.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises, mutual covenants, agreements, representations and warranties hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Sale of Property. Seller agrees to sell and convey to Buyer and Buyer agrees to purchase and acquire from Seller, on the terms hereinafter stated:

1.1. fee simple interest in that certain real property located at 6703 Providence Hospital Drive, Mobile, Alabama, being Parcel ID No 2804204000107.001 consisting of approximately two (2) acres, and more particularly described on **Exhibit A** attached hereto, together with all easements, rights of way, licenses, privileges, hereditaments and appurtenances, if any, inuring to the benefit of such real property, including, without limitation, all abutter's rights and title to all land underlying roadways adjacent to such real property (collectively, the "**Real Property**");

1.2. all buildings, structures and other improvements of any and every nature located on the Real Property and all fixtures attached or affixed, to the Real Property or to any such buildings, structures or other improvements, located on the Real Property (collectively, the "**Improvements**");

1.3. all machinery, equipment, furniture, furnishings, appliances and other personal property located in, or attached to, the Real Property and identified by Buyer during the Inspection Period (hereinafter defined) ("**Personal Property**"); and

1.4. all surveys, plans and specifications, warranties, guaranties, certificates, licenses, permits, authorizations, consents and approvals with respect to the use, occupancy, possession and operation of the Real Property and Improvements (the "**Permits**");

The Real Property, the Improvements, the Personal Property, and the Permits, are collectively referred to herein as the "**Property**".

2. Excluded Assets. The Property shall not include, and Buyer shall not acquire any right, title or interest in, the assets of Seller listed on the attached **Schedule 2.**

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3. Seller and Buyer acknowledge and agree that (i) Daughters of Charity of St. Vincent de Paul of Indiana, Inc., a nonprofit corporation ("**DOC Indiana**") purchased the Property from Providence Hospital, an Alabama nonprofit corporation ("**Providence Hospital**") by Statutory Warranty Deed, dated November 17, 1986, and recorded in Book 3020 at Page 252 in the office of the Judge of Probate of Mobile County, Alabama (the "**DOC Deed**"), (ii) that the DOC Deed contains a reservation by Providence Hospital of the right to repurchase the Property, (iii) Buyer is the successor in interest to Providence Hospital and has exercised the right to repurchase, (iv) Seller is the successor in interest to DOC Indiana, and (iv) this Agreement and the sale and purchase of the Property are the result of such exercise by Buyer.

4. Independent Contract Consideration. Concurrent with the Effective Date, Buyer has paid to Seller the amount of One Hundred and No/100 Dollars ($100.00) (the "**Independent Contract Consideration**"), the receipt of which is hereby acknowledged by Seller, which amount the Parties have bargained and agreed to as the consideration for Buyer's exclusive option to purchase the Property in accordance herewith, and Seller's execution, delivery and performance of this Agreement. The Independent Contract Consideration is in addition to and independent of any other consideration or payment provided for in this Agreement, is nonrefundable, and shall be retained by Seller, notwithstanding any other provision of this Agreement.

5. Purchase Price. Subject to the adjustments and prorations hereinafter described, the purchase price to be paid by Buyer to Seller for the purchase of the Property is the sum of Three Hundred Forty-Nine Thousand Seventy-Four and 23/100 Dollars ($349,074.23) (the "**Purchase Price**"). The Purchase Price will be paid in the following manner:

5.1. Earnest Money Deposit. On or before the date that is ten (10) Business Days (hereinafter defined) following the Effective Date, Buyer shall deposit Five Thousand and No/100 Dollars ($5,000.00) (the "**Deposit**") with The Guarantee Title Company, LLC, located at 4300 Downtowner Loop N. Mobile, Alabama 36609, Attn: Lauren Brandon Email: lauren@guaranteetitle.com (the "**Escrow Agent**" or "**Title Company**"), as earnest money to be held by the Escrow Agent in a non-interest bearing escrow account and applied to the Purchase Price at Closing or as otherwise provided in this Agreement. Escrow Agent acknowledges, consents and agrees that it is serving in a fiduciary capacity for and on behalf of Seller and Buyer, and as such, shall not release the Deposit except upon joint written instruction of Seller and Buyer, or in the event of a dispute between Seller and Buyer, by interpleading the Deposit into a court of appropriate jurisdiction; provided, however, that if Buyer delivers a written termination of this Agreement to Seller pursuant to and in accordance with the terms and conditions of this Agreement, the Escrow Agent shall return the Deposit to Buyer without Seller's consent.

5.2. Cash at Closing. At Closing, Buyer shall pay the Purchase Price to Seller in cash or other certified funds, with the Deposit being applied to the Purchase Price, subject to the prorations, costs and adjustments as provided herein.

6. Buyer's Diligence.

6.1. Property Condition. Commencing upon the Effective Date and continuing through the occurrence of Closing, Buyer shall, at Buyer's expense, have the right to access and make reasonable examinations and inspections of the Property and the contracts, books, records, plans, reports and inspections, including site plan analyses, engineering analyses, geotechnical analyses, soil borings, Phase I and Phase II relating to the environmental and physical condition of the Property, survey, zoning, and notices to or from third parties, and accounts of Seller regarding the Property to the extent Seller possesses same. Buyer's access as aforementioned shall be provided upon reasonable request to Seller for same, and all documentation requested by Buyer shall be made available at the Property or at some other mutually agreed location during normal business hours. Buyer agrees to promptly repair at Buyer's expense any

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material damage to the Property caused by Buyer. If, on or before the date that is thirty (30) days following the Effective Date (the "**Inspection Period**"), Buyer determines in its sole and absolute discretion that the condition of the Property is unsatisfactory for any reason or no reason or that Buyer is no longer interested in pursuing the Property, the determination of which shall be in Buyer's sole and absolute discretion, Buyer will have the option, for and in consideration of the Independent Contract Consideration, to terminate this Agreement by serving written notice of termination to Seller, and the Deposit will be returned to Buyer upon such termination and this Agreement and the rights, duties and obligations of the Parties hereunder shall terminate and be of no further force or effect. If Buyer does not terminate this Agreement prior to the expiration of the Inspection Period, the Deposit shall become non-refundable except in the event of a default by Seller or as otherwise specifically provided for herein.

6.2. Title. On or before the date that is twenty (20) days following the Effective Date, Buyer shall obtain: (a) a commitment for title insurance (the "**Title Commitment**") for issuance of an owner's title insurance policy in form and substance satisfactory to Buyer in its sole and absolute discretion (the "**Title Policy**") issued by the Title Company containing the requirements and exceptions to coverage described therein, offering to issue title insurance to the Property for the benefit of Buyer, subject to the requirements and exceptions demonstrated by the Exception Documents (hereinafter defined), and (b) legible copies of all instruments creating title exceptions described in the Title Commitment (the "**Exception Documents**"). Buyer will have ten (10) days after receipt of the Title Commitment (or any update thereto reflecting requirements or exceptions not reflected on the Title Commitment) and all of the Exception Documents and Survey (hereinafter defined) to provide to Seller a written notice setting forth all of Buyer's objections to Seller's title to the Property as reflected in the Title Commitment and the Exception Documents (the "**Title Objection**"). Upon receipt of the Title Objection, Seller shall use Seller's commercially reasonable efforts to correct the defects in title objected to by Buyer in the Title Objection and cause a revised version of the Title Commitment to be issued to Buyer. If, after using commercially reasonable efforts, Seller is unable to correct any such defect(s) within ten (10) days of Seller's receipt of the Title Objection (the "**Title Defect Period**"), Buyer will have the option, in the exercise of its sole and absolute discretion for and in consideration of the Independent Contract Consideration, to waive such defect(s) or to terminate this Agreement by written notice to Seller and obtain a refund of the Deposit, at which time this Agreement and the rights, duties and obligations of the Parties shall terminate and be of no further force and effect. All title exceptions reflected in the Title Commitment and the Exception Documents not objected to, or objected to and waived, shall be deemed "**Permitted Exceptions**". In no event shall Buyer be deemed to have elected to waive any of the defect(s), less and until, Buyer shall provide written notice of such waiver to Seller. Notwithstanding the foregoing, Seller shall satisfy and release any and all assessments, liens, security interests, mortgages or deeds of trust and other monetary encumbrances affecting the Property ("**Monetary Encumbrances**"), excluding those caused by Buyer at or before Closing and Buyer shall not be required to object to any Monetary Encumbrances and in no event shall any Monetary Encumbrances be a Permitted Exception.

6.3. Survey. Buyer may, at any time prior to Closing, have the Property surveyed by a surveyor registered in the State of Alabama (the "**Survey**"). If the Survey shows any encroachment on the Property, that any Improvement on the Property encroaches on the lands of others or any other matter that Buyer objects to in the exercise of its sole discretion, Buyer may submit a written objection to same at any time prior to the expiration of the Inspection Period (a "**Survey Objection**"). Seller shall use Seller's commercially reasonable efforts to correct the defects referenced in the Survey Objection and, if applicable, cause a revised version of the Title Commitment to be issued to Buyer reflecting resolution of the defects referenced in the Survey Objection. If, after using commercially reasonable efforts, Seller is unable to correct any such defect(s) within ten (10) days of Seller's receipt of the Survey Objection (the "**Survey Defect Period**"), Buyer will have the option, in the exercise of its sole and absolute discretion for an in consideration of the Independent Contract Consideration, to waive such defect(s) or to terminate this Agreement by serving written notice of termination to Seller, and the Deposit will be returned to Buyer

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upon such termination and this Agreement and the right, duties and obligations of the Parties hereunder shall terminate and be of no further force or effect. In no event shall Buyer be deemed to have elected to waive any of the survey defect(s), less and until, Buyer shall provide written notice of such waiver to Seller. Notwithstanding anything contained herein to the contrary, the legal description for the Property for purposes of the Deed (hereinafter defined) shall be the legal description set forth in the Survey.

6.4. Seller Deliverables. On or before the date that is five (5) Business Days following the Effective Date, Seller shall deliver to Buyer any and all contracts, title policies, surveys, books, records, leasing files, plans, reports and inspections relating to the environmental and physical condition of the Property, notices to or from third parties, and leases and accounts of Seller regarding the Property in Seller actual possession or otherwise control, including without limitation any and all of the materials listed in **Exhibit B** attached hereto (collectively, "**Seller Deliverables**"). The Inspection Period shall be extended for a period equal to the number of days that the Seller delays in providing the Seller Deliverables, beyond the fifth (5th) Business Day following the Effective Date.

7. Conditions Precedent to Closing. The obligations of Buyer to consummate Closing shall be subject to the fulfillment on or before the Closing Date (hereinafter defined) (or such earlier time as otherwise required hereby) of all of the following conditions (the "**Buyer Closing Conditions**"), any or all which may be waived by Buyer in its sole and absolute discretion by the provision of written notice by Buyer to Seller specifying any such waivers:

7.1. Title Policy. Receipt by Buyer and/or its assignee of a Proforma Title Commitment for the issuance of a Title Policy in form and content satisfactory to Buyer in its sole and absolute discretion;

7.2. Survey. Receipt by Buyer and/or its assignee of an ALTA survey in form and content acceptable to Buyer in its sole and absolute discretion;

7.3. Representations and Warranties. The representations and warranties of Seller in this Agreement shall be true and correct, and certified by Seller to Buyer as such, on and as of the Closing Date.

7.4. Seller Default. Seller not being in default under the terms and conditions of this Agreement;

7.5. Buyer Termination. Buyer shall not have terminated this Agreement pursuant to an express right to terminate set forth in this Agreement.

In the event any of the Buyer Closing Conditions have not been satisfied by the Closing Date, Buyer will have the option for and in consideration of the Independent Contract Consideration to: (i) proceed forward with Closing; or (ii) terminate this Agreement by written notice to Seller on the Closing Date, in which event this Agreement shall terminate, the Deposit shall be returned to Buyer and the Parties shall have no further rights, duties and/or obligations hereunder, other than those which are expressly provided to survive the termination of this Agreement.

8. Closing. Buyer and Seller agree that the purchase and sale of the Property contemplated hereby will be consummated as follows:

8.1. Closing Date. Closing of the purchase and sale of the Property contemplated hereby ("**Closing**") will occur on or before the thirtieth (30th) day following the last to occur of (a) expiration of the Inspection Period, or (b) the satisfaction and/or waiver of each of the Buyer Closing Conditions by

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Buyer (the "**Closing Date**"); provided, however, that Buyer shall have the right to cause Closing to occur on any particular Business Day that is no later than what is otherwise permitted hereunder by the giving of written notice to Seller of the Business Day on which Buyer intends to conduct the Closing, which date shall be at least five (5) Business Days after the date of such notice. Notwithstanding the foregoing, Buyer may elect to extend the Closing Date for a period of (30) days in the event that Buyer has been unable to secure all necessary approvals to complete the transaction contemplated by this Agreement, by providing written notice to Seller no later than five (5) days prior to the Closing Date. Closing will take place at the office of the Title Company; provided, however, Buyer and Seller shall use commercially reasonable efforts to cause Closing to occur without either Party having to be physically present at such office of the Title Company.

8.2. Seller's Instruments. On the Closing Date, Seller will deliver or cause to be delivered to Buyer the following items (all documents will be duly executed and acknowledged where required):

8.2.1. Statutory Warranty Deed. A statutory warranty deed in form and substance reasonably acceptable to Buyer (the "**Deed**") executed by Seller conveying the Property to Buyer, subject only to the Permitted Exceptions;

8.2.2. Title Affidavits. Such affidavits and other documents as may be reasonably requested by the Title Company in order to issue the Title Policy in accordance with the terms of the Title Commitment;

8.2.3. Nonforeign Affidavit. An affidavit in the form prescribed by Treasury Regulation §1.1445-2 stating Seller's taxpayer identification number and confirming that the Seller is not a foreign person within the purview of 26 U.S.C. §1445 and the regulations issued thereunder; and

8.2.4. Assignment and Bill of Sale. A counterpart of an assignment and bill of sale, conveying the Permits and Personal Property in form and substance acceptable to Buyer in Buyer's sole discretion ("**Assignment and Bill of Sale**");

8.2.5. Closing Statement. A counterpart of the closing statement prepared by the Title Company with respect to Closing (the "**Closing Statement**");

8.2.6. Permits. Executed original Permits, and copies of all related documents;

8.2.7. Documents; Keys. All keys and combinations to locks and other security devices located on the Property and all other items reasonably requested by Buyer relating to the Property;

8.2.8. Evidence of Authority. Authorizing resolutions of Seller authorizing the sale of the Property to Buyer, together with such other evidence of the authority of the person or persons executing the documents contemplated by this Agreement on behalf of Seller as Buyer and the Title Company might reasonably request;

8.2.9. Representations and Warranties Certification. A certificate in form and substance satisfactory to counsel for Buyer that the representations and warranties of Seller in this Agreement are true and correct on and as of the Closing Date;

8.2.10. Additional Documents. Such additional documents as may be reasonably requested by Buyer to consummate the sale of the Property to Buyer.

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The foregoing documents are sometimes hereinafter collectively referred to as "**Seller's Closing Documents**".

8.3. Buyer's Instruments. On the Closing Date, Buyer will deliver to Seller the following items (all documents will be duly executed and acknowledged where required):

8.3.1. Payment. Payment of the Purchase Price in accordance with Section 5 of this Agreement;

8.3.2. Reimbursement of Seller's Appraisal Cost. Reimbursement to Seller of its appraisal cost in the amount of One Thousand Eight Hundred Fifty and No/100 Dollars ($1,850.00);

8.3.3. Title Affidavits. Such affidavits and other documents as might be reasonably requested to issue the Title Policy in accordance with the terms of the Title Commitment;

8.3.4. Assignment and Bill of Sale. A counterpart of the Assignment and Bill of Sale;

8.3.5. Closing Statement. A counterpart of the Closing Statement;

8.3.6. Evidence of Authority. Such corporate resolutions, certificates of good standing and incumbency certificates and other evidence of authority with respect to Buyer and the person or persons acting on behalf of Buyer as might be reasonably requested by the Title Company;

8.3.7. Additional Documents. Such additional documents as might be reasonably requested by Seller to consummate the sale of the Property to Buyer.

The foregoing documents are sometimes hereinafter referred to as "**Buyer's Closing Documents**".

8.4. Possession. Possession of the Property will be delivered by Seller to Buyer at the time of Closing free and clear of (i) the Excluded Assets, and (ii) any and all tenancies and parties claiming rights to possession of or having claims against the Property. Effective on the delivery of the Deed, beneficial ownership and the risk of loss of the Property will pass from Seller to Buyer.

8.5. Closing Costs.

8.5.1. Seller Costs. Seller shall pay for the following costs and expenses: (a) the cost of the preparation of Seller's Closing Documents; and (b) Seller's attorneys' fees.

8.5.2. Buyer Costs. Buyer shall pay for the following costs and expenses: (a) all costs of abstracting, title examination and other costs relating to the issuance of the Title Policy in form and content acceptable to Buyer in its sole and absolute discretion and the premium expense for the Title Policy in the amount of the Purchase Price; (b) the cost of the Survey; (c) the cost of any endorsements to the Title Policy; (d) all state, county and municipal transfer taxes, documentary stamps taxes, surtax, recording charges and taxes, and all other impositions on the conveyance, and the recording fee of the Deed; (e) Buyer's attorneys' fees; and (f) the cost of the preparation of Buyer's Closing Documents.

8.5.3. Shared Costs. Seller and Buyer shall each pay one-half (1/2) of the following costs and expenses: (a) the fees and charges, if any, charged by the Escrow Agent for its services as the escrow agent hereunder; and (b) any closing fee charged by the Title Company for purposes of handling Closing.

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9. Adjustments; Prorations. All receipts and disbursements of the Property will be prorated between Seller and Buyer as of 11:59 p.m. on the Closing Date and the Purchase Price will be adjusted on the following basis:

9.1. Disbursements. All sums due for accounts payable which were owing or incurred in connection with the Property on or prior to the Closing Date will be paid by Seller. Buyer will promptly furnish to Seller any bills for such period received after the Closing Date for payment, and Buyer will have no further obligation with respect thereto.

9.2. Property Taxes. All real and personal property ad valorem taxes, if any, for the calendar years preceding the year in which the Closing Date occurs will be paid by Seller. Seller shall be responsible for any special assessments assessed against the Property on or prior to the Closing Date, even if such special assessments are to be paid in installments. All real and personal property ad valorem taxes for the calendar year in which the Closing Date occurs will be prorated to the Closing Date. If the actual amounts to be pro-rated are not known as of Closing, the pro-ration shall be made at Closing on the basis of the best evidence then available without subsequent adjustment. If for any reason ad valorem property taxes for the then-current tax year have not been assessed on the Property, such pro-ration shall be estimated based upon the property taxes for the immediately preceding tax year, and Seller and Buyer shall subsequently make a cash adjustment when exact amounts are available. Notwithstanding the foregoing, Seller shall be responsible for the payment of any "roll-back" or similar assessment or tax as a result of Seller's assessment of the Property as "current use" or "agricultural use" or other property designation which triggers the recapture of taxes upon change of use.

9.3. Utility Charges. All utility charges for the Property (including, without limitation, telephone, water, storm and sanitary sewer, electricity, gas, garbage and waste removal) shall be prorated as of the Closing Date, transfer fees required with respect to any such utility shall be paid by or charged to Buyer, and Seller shall be credited with any deposits transferred to the account of Buyer; provided, however, that at either Party's election any one or more of such utility accounts shall be closed as of the Closing Date, in which event Seller shall be liable and responsible for all charges for service through the Closing Date and shall be entitled to all deposits theretofore made by Seller with respect to such utility, and Buyer shall be responsible for reopening and reinstituting such service in Buyer's name, and shall be responsible for any fees, charges and deposits required in connection with such new account.

9.4. Insurance. Seller will terminate all existing insurance policies on the Closing Date, and Buyer will be responsible for placing all insurance coverage desired by Buyer. Any prepaid insurance premiums will be retained by Seller.

9.5. Other Items. Any other items which are customarily prorated in connection with the purchase and sale of properties similar to the Property shall be prorated as of the Closing Date.

10. Condemnation; Casualty. In the event of casualty loss or condemnation occurring prior to Closing, Buyer may elect to terminate this Agreement, in which event Escrow Agent shall immediately return the Deposit to Buyer and this Agreement and the rights, duties and obligations of the Parties hereunder shall terminate and be of no further force or effect. In the event Buyer elects to proceed with Closing despite any such casualty or condemnation, the obligations of the Parties shall remain in full force and effect as if such casualty or condemnation had not occurred. In the event Seller receives any condemnation awards or proceeds collected under policies of insurance pertaining to the Property, Seller shall pay to Buyer any and all sums of money received as condemnation awards or insurance proceeds and shall assign, transfer and set over to Buyer all of Seller's right, title and interest in and to said awards and proceeds and any further sums payable thereunder or by reason thereof.

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11. Representations, Warranties, and Covenants

11.1. Representations, Warranties, and Covenants of Seller. In order to induce Buyer to enter into this Agreement and to complete Closing, Seller represents, warrants and agrees with Buyer as follows:

11.1.1. Seller Subsistence; Power; Authority.

(a) Seller is the entity identified in the first paragraph of this Agreement, and is duly organized, validly subsisting and in good standing under the laws of the state of formation, and duly qualified and with full power and authority generally to do business in the state where the Property is located, with all legal power and authority to undertake, observe and perform all of Seller's agreements and obligations hereunder and under Seller's Closing Documents.

(b) Seller's entry into this Agreement, and the observance and performance of Seller's agreements and obligations hereunder, have been duly approved by all necessary action of the directors, shareholders, members and/or partners (as applicable) of Seller. This Agreement constitutes and Seller's Closing Documents will, when executed and delivered, constitute the valid and binding obligations of Seller, enforceable in accordance with their terms.

(c) Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

(d) All the persons who have any legal or equitable interest in the Property, or whose joinder in any Seller's Closing Document would be necessary to convey to Buyer title to all the Property, as required by this Agreement, are named above as **"Seller"**.

(e) Seller's execution and delivery of this Agreement and Seller's Closing Documents and Seller's compliance with the provisions thereof will not conflict with or constitute a breach of, or a default under, any of the provisions of any applicable law, rule, regulation or order of any court, administrative agency, bureau, board, commission, office, authority, department or other governmental entity.

(f) Seller is not a party to or bound by any agreement or obligation or subject to any restriction or to any applicable law, rule, regulation or order of any court, administrative agency, bureau, board, commission, office, authority, department or other governmental entity, which might result in a material impairment of the rights or abilities of Seller to perform its obligations hereunder or under Seller's Closing Documents.

11.1.2. Litigation. To Seller's knowledge and belief, there are no judgments, orders, suits, actions, garnishments, attachments or proceedings of any nature by or before any court, commission, board or other governmental body pending, or to the knowledge of Seller threatened, which involve or affect, or could involve or affect: (a) the Property, or any part thereof, (b) the validity or enforceability of this Agreement or Seller's Closing Documents, (c) any risk of any judgment or liability being imposed upon Seller which could materially adversely affect the financial condition of Seller or Seller's ability to observe or perform fully its agreements and obligations hereunder or under Seller's Closing Documents.

11.1.3. Bankruptcy Matters. The consummation of the transactions contemplated hereby will not render Seller insolvent or constitute a fraudulent conveyance or fraudulent transfer under any applicable law. Seller has not made any general assignment for the benefit of Seller's creditors. No

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proceeding seeking (a) relief for Seller under any bankruptcy or insolvency law, (b) the rearrangement or readjustment of Seller's debt, (c) the appointment of a receiver, custodian, liquidator or trustee to take possession of substantially all of the assets of Seller, or (d) the liquidation of Seller, has been commenced or is planned by Seller or has been threatened by any other third party.

11.1.4. No Default. To Seller's knowledge and belief, Seller is not in default under any license, permit, lease, lease guaranty, contract, or other agreement or instrument relating to the Property to which Seller is a party or by which Seller or the Property is bound. There exists no condition or state of facts which, but for the giving of notice or the expiration of time (or both), would constitute such a default. The observance and performance of Seller's obligations hereunder and under Seller's Closing Documents will not conflict with or result in the breach of any license, permit, lease, lease guaranty, contract or other such agreement or other instrument.

11.1.5. Environmental.

(a) To Seller's knowledge and belief, Seller has not received any complaint, order, summons, citation, notice of violation, directive, letter or other communication from any governmental authority with regard to air emissions, water discharges, noise emissions or Hazardous Substances, or any other environmental, health or safety matters affecting the Property, or any portion thereof.

(b) For purposes of this Agreement, the term "**Hazardous Substance**" shall mean materials, wastes or substances that are (i) included within the definition of any one or more of the terms "hazardous substances," "hazardous materials," "toxic substances," "toxic pollutants" and "hazardous waste" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.), the Clean Water Act (33 U.S.C. Section 1251, et seq.), the Safe Drinking Water Act (14 U.S.C. Section 1401, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), and the Toxic Substance Control Act (15 U.S.C. Section 2601, et seq.) and the regulations promulgated pursuant to such laws, (ii) regulated or classified as hazardous or toxic, under federal, state or local environmental laws or regulations, (iii) petroleum, (iv) asbestos or asbestos-containing materials, (v) polychlorinated biphenyls, (vi) flammable explosives or (vii) radioactive materials.

11.1.6. Mechanics' Liens. No work has been or will be performed at, and no materials have been or will be furnished to, the Property, or any part thereof, which might give rise to any mechanics', materialmen's or other lien against the Property, or any part thereof. If any lien for such work is filed, Seller shall discharge the same promptly and in any event prior to Closing.

11.1.7. Compliance with Laws. To Seller's knowledge and belief, no notice or communication of any kind has been issued by any public authority relating to the Property, or any business or activity conducted thereon, including, but not limited to, notice of violation under zoning, building, health, or fire codes.

11.1.8. Condemnation. To Seller's knowledge and belief, as of the Effective Date, Seller has not received any written notice of any pending or threatened condemnation of all or any portion of the Property.

11.1.9. Quality of Title. (a) Seller now has, and at Closing will have, full legal and equitable fee simple absolute title to the Property subject to the Permitted Exceptions, of the quality and insurability called for by this Agreement. (b) Other than as set forth in Section 3 of this Agreement, there is no existing agreement, commitment, right of first refusal, right of first offer, option or right with, in or to any person to acquire the Property or any interest therein. (c) To Seller's knowledge and belief, no

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default or breach exists under any recorded easement, covenant, agreement or restriction affecting the Property.

11.1.10. Representations and Warranties. Seller will not cause or permit any action to be taken which will cause any of the foregoing representations, warranties or covenants to be untrue or not to be performed on the Closing Date.

11.1.11. Seller Closing Documents. Seller will deliver on the Closing Date all documents and instruments required by this Agreement and perform all acts necessary or appropriate for the consummation of the purchase and sale of the Property as contemplated by and provided for in this Agreement.

11.2. Representations, Warranties, and Covenants of Buyer. Buyer represents, warrants, and covenants to Seller that:

11.2.1. Existence, Good Standing. Buyer is validly existing and in compliance under the laws of the state of Alabama.

11.2.2. Enforceability. This Agreement and all other agreements to be executed by Buyer in connection herewith have been (or upon execution will have been) duly executed and delivered by Buyer, and constitute (or upon execution will constitute) legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

11.2.3. Buyer Closing Documents. Subject to the terms and conditions of this Agreement, Buyer will deliver on the Closing Date all documents and instruments required by this Agreement for the consummation of the purchase and sale of the Property.

11.3. Continuing Nature; Survival. Each of the representations and warranties of Seller and Buyer contained in this Agreement: (a) is made as of the Effective Date, and (b) shall be deemed remade by Seller and Buyer, as applicable, and shall be true and correct in all respects, as of the Closing Date. If, after the execution of this Agreement, any event occurs or condition exists which renders any of Seller's or Buyer's, as applicable, representations or warranties untrue or misleading, then Seller or Buyer, respectively, shall promptly notify the other Party. The terms, conditions and provisions of this Agreement shall survive Closing for a period of one year.

11.4. Disclaimer. Except as expressly set forth in this Agreement and/or in any of the documents delivered by Seller at Closing, including but not limited to Seller's Closing Documents (collectively, "**Seller Documents**"), Buyer acknowledges and agrees that Seller has not made, does not make and specifically negates and disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to (a) the value, nature, quality or condition of the Property, including, without limitation, the water, soil and geology, (b) the income to be derived from the Property, (c) the suitability of the Property for any and all activities and uses which Buyer may conduct thereon, (d) the compliance of or by the Property or its operations with any legal requirements of any applicable governmental authority or body, (e) the compliance of its operations with any covenants, conditions, restrictions or easements which are binding on the Property, (f) the habitability, merchantability, profitability or fitness for a particular use or purpose of the Property, (g) the manner, quality, state of repair or lack of repair of the Property, or (h) any other matter with respect to the Property. Buyer further acknowledges and agrees that having been given the opportunity to inspect the Property, Buyer is relying solely on its own investigation of the Property and not on any information provided or to be provided by Seller except as expressly set forth in this Agreement and/or any Seller Documents. Buyer further

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acknowledges and agrees that any information provided or to be provided by Seller with respect to the Property that Seller has not made any independent investigation or verification of such information and makes no representations as to the accuracy, truthfulness or completeness of such information except as expressly set forth in this Agreement and/or the Seller Documents. Except as expressly set forth in this Agreement and the Seller Documents, Buyer acknowledges and agrees that to the maximum extent permitted by law, the sale of the Property as provided for herein is made on an "AS IS," "WHERE IS" condition and basis and with all faults.

12. Default; Remedy. If Buyer fails or refuses to consummate the purchase of the Property pursuant to this Agreement at Closing or fails to perform any of Buyer's other obligations hereunder either prior to or at Closing for any reason other than termination of this Agreement by Buyer pursuant to a right so to terminate expressly set forth in this Agreement or Seller's failure to perform Seller's obligations under this Agreement, then Seller may terminate this Agreement at Seller's election by giving written notice thereof to Buyer prior to or at Closing, whereupon Escrow Agent shall pay the Deposit to Seller and Seller shall be entitled to retain the Deposit as liquidated damages hereunder, as its sole and exclusive remedy, it being agreed by the Parties that actual damages would be difficult to ascertain and that the Deposit shall constitute reasonable liquidated damages under the circumstances. If Seller fails to perform any of its obligations hereunder or otherwise breaches any of the terms and conditions hereof, Buyer may terminate this Agreement at Buyer's election by giving written notice thereof to Seller whereupon Escrow Agent shall return the Deposit to Buyer. Each Party's rights and/or obligations under this Section shall survive Closing.

13. Miscellaneous. It is further agreed as follows:

13.1. Time. Time is of the essence of each provision of this Agreement.

13.2. Business Day. As used herein, the capitalized term "Business Day" shall mean and refer to any day other than a Saturday, a Sunday, or a federally recognized holiday. Wherever herein there is a day or time period established for performance and such day or the expiration of such time period is not a Business Day, then such time for performance shall be automatically extended to the next following Business Day.

13.3. Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given (a) when delivered personally to the Party designated to receive such notice, (b) when sent by e-mail transmission, (c) on the first Business Day following the day sent by overnight courier, or (d) on the third (3rd) Business Day after the same is sent by United States mail, postage and charges prepaid, directed to the following addresses or to such other or additional addresses as any Party might designate by written notice to the other Party:

To Seller:	Daughters of Charity Ministries Attn: George Brenton Provincial Director of Facilities 4330 Olive Street St. Louis, MO 63108 E-Mail: george.brenton@doc.org	To Buyer:	University of South Alabama Attn: Harry Brislin, IV Real Estate Services and Asset Management 775 N. University Blvd, Suite 150 Mobile, AL 36608-4548 hbrislin@southalabama.edu

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With Copy To: USA Health Legal Department
Attn: Yanya O'Hara
207 N. Catherine St., Suite 103
Mobile, Alabama 36604
USAHealthLegal@health.southalabama.edu

13.4. Brokerage. Both Buyer and Seller agree and understand that USA Properties is acting as an agent of the Buyer in this transaction and is solely assisting Seller as a transaction broker. Seller understands that Seller is under no obligation to pay a commission to USA Properties with respect to this transaction. Seller represents and warrants that it has not engaged or retained the services of any real estate broker or agent in connection with the negotiation or consummation of this transaction.

13.5. Governing Law. This Agreement and all the transactions contemplated hereby shall be governed and construed in accordance with the laws of the State of Alabama without regards to conflict of law principles.

13.6. **VENUE. THE PARTIES HERETO WAIVE TRIAL BY JURY AND AGREE TO SUBMIT TO THE PERSONAL JURISDICTION AND VENUE OF STATE AND/OR FEDERAL COURTS HAVING SUBJECT MATTER JURISDICTION LOCATED IN MOBILE COUNTY, ALABAMA, AS THE SOLE FORUM FOR THE RESOLUTION OF ANY DISPUTES CONCERNING THIS AGREEMENT AND WAIVE ANY OBJECTIONS RELATING THERETO, INCLUDING FORUM NON CONVENIENS.**

13.7. Assignment. This Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the Parties. Buyer may assign this Agreement. Upon such assignment, the assignee shall succeed to all rights, and shall assume all obligations, of Buyer under this Agreement, and thereafter Buyer shall have no further obligations under this Agreement. Except as otherwise permitted by this Section, neither Seller nor Buyer may assign this Agreement or any of their respective rights, duties or obligations hereunder without the prior written consent of the non-assigning Party.

13.8. Amendment. Neither this Agreement nor any of the provisions hereof can be changed, waived, discharged or terminated, except by an instrument in writing signed by the Party against whom enforcement of the change, waiver, discharge or termination is sought.

13.9. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original document, but all of which taken together will constitute one agreement. This Agreement will not be binding on or constitute evidence of a contract between the Parties until such time as a counterpart of this Agreement has been executed by each Party and a copy thereof delivered (by hand, mail, facsimile and/or electronic mail) to the other Party to this Agreement.

13.10. Severability. If any clause or provision of this Agreement is illegal, invalid or unenforceable under any present or future law, the remainder of this Agreement will not be affected thereby. It is the intention of the Parties that if any such provision is held to be illegal, invalid or unenforceable, a similar provision will be added in lieu thereof where possible and be legal, valid and enforceable.

13.11. Waiver. Failure of any Party hereto to insist upon the strict performance of any of the covenants or conditions of this Agreement or to exercise any right or option conferred herein in one or more instances shall not be construed as a waiver or relinquishment of any such covenant or condition, right or option, but the same shall remain in full force and effect. The committing by either Party of any act or

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thing which it is not obligated to do hereunder shall not be deemed to impose an obligation upon it to do any such act or thing in the future or in any way change or alter any provision of this Agreement.

13.12. Entire Agreement. This Agreement constitutes the entire agreement between Buyer and Seller relating to the purchase and sale of the Property. This Agreement supersedes, in all respects, all prior written or oral agreements, if any, between the Parties relating to the sale of the Property and there are no agreements, understandings, warranties or representations between Buyer and Seller except as set forth herein.

13.13. Effective Date. As used herein, the term "**Effective Date**" shall mean and refer to the date on which the last of Seller and Buyer, as applicable, executes this Agreement so that this Agreement has been fully executed by the Parties hereto, as evidenced by the dates set forth below the respective signature blocks of Seller and Buyer set forth hereinbelow.

13.14. Further Actions. Buyer and Seller each covenant and agree to sign, execute and deliver, or cause to be signed, executed and delivered, and to do or make, or cause to be done or made, upon the written request of the other Party, any and all agreements, instruments, papers, acts of things supplemental, confirmatory or otherwise as may be reasonably required by the Party hereto. Each Party's rights and/or obligations under this Section shall survive Closing.

14. Excluded Liabilities. Buyer shall neither assume nor pay for nor be liable for any of Seller's agreements, liabilities, debts, responsibilities or obligations with respect to the Property, the Excluded Assets, or otherwise, whether direct, fixed or contingent, and whether existing or arising at any time prior or subsequent to the Closing Date ("**Excluded Liabilities**"). Any and all such Excluded Liabilities shall be retained by Seller.

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IN WITNESS WHEREOF, this instrument has been executed by the Parties on the dates hereafter.

SELLER:

DAUGHTERS OF CHARITY MINISTRIES, INC., a Missouri non-profit corporation

DocuSigned by:
By: Thomas M Beck
2BC81C1CCA9E482...
Name: Thomas Beck
As Its: Chief Financial Officer
Date of Execution: 11/10/2025

BUYER:

UNIVERSITY OF SOUTH ALABAMA, a public body corporate of the State of Alabama

By: Kristen Roberts
Name: Kristen Roberts
As Its: Vice President of Finance
Date of Execution: 11/18, 2025

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RECEIPT

The undersigned acknowledges receipt of a fully-executed copy of this Purchase and Sale Agreement and Deposit in the amount of Five Thousand and No/100 Dollars ($5,000.00) to be held and applied in accordance with the foregoing.

Receipt of fully-executed Agreement – November 20, 2025

Receipt of Deposit – November 24, 2025

THE GUARANTEE TITLE COMPANY, LLC

By: LG Brandon

Name: Lauren Brandon

As Its: Closing Agent

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Schedule 2
Excluded Assets

NONE

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EXHIBIT A

LEGAL DESCRIPTION

That certain real property located in Mobile County, Alabama and more particularly described as follows:

Commencing at the Southeast corner of Section 20, T4S-R2W, Mobile County, Alabama, run S 89° 03' 55" W along the South line of said Section 20, a distance of 1705.0 feet to the point of beginning of the property herein described; thence continuing S 89° 03' 55" W along said South line of Section 20, run 307.0 feet to a point; thence run N 00° 25' 33" E 270.0 feet to a point; thence run N 89° 03' 55" E 307.0 feet to a point; thence run S 00° 25' 33" W 270.0 feet to the point of beginning. Containing 82,867 Square Feet or 1.9024 Acres, more or less.

Docusign Envelope ID: 1AD4D50B-0984-438D-970A-3D704534804B

EXHIBIT B

SELLER DELIVERABLES

Originals or legible copies of any of the following property-related information in Seller's actual possession or control:

(a) Surveys, plats and legal descriptions of the Real Property.

(b) A detailed listing of all capital expenditures on the Property made during the last three years.

(c) Utility bills for the Property for the past twelve months, which will be made available on site.

(d) All plans, specifications, engineering and mechanical data relating to the Property which are in Seller's possession.

(e) Copies of any plans or specifications including site plans and floor plans for the building in Seller's possession.

(f) Copies of all Permits.

(g) Such other items in Seller's possession that Buyer may reasonably request in connection with its inspection of the Property.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Audit Committee

December 3, 2025
1:38 p.m.

A meeting of the Audit Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Dr. Steve Stokes, Chair, on Wednesday, December 3, 2025, at 1:38 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Steve Furr, Meredith Hamilton, Lenus Perkins and Steve Stokes were present.
Members Absent:	Scott Charlton and Bill Lewis.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Luis Gonzalez, Ron Graham, Ron Jenkins, Arlene Mitchell, Jimmy Shumock and Jim Yance.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Joel Erdmann, Monica Ezell, Natalie Fox, Melinda Gratwick (KPMG), Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, Sarah Beth Magette (Warren Averett), Mike Mitchell, Allen Parrish, Amanda Price (KPMG), Kristen Roberts, Margaret Sullivan, Peter Susman, Christina Wassenaar (Faculty Senate) and Ashlie Willson and Lauren Herzog Wray (KPMG).

Following the attendance roll call, **Item 1**, Dr. Stokes called for consideration of the minutes for a meeting held on September 4, 2025, **Item 2**. On motion by Ms. Hamilton, seconded by Dr. Furr, the Committee voted unanimously to adopt the minutes.

Dr. Stokes called on Ms. Roberts for a report on the KPMG audit reports for the fiscal year ended September 30, 2025, **Item 3**. Ms. Roberts introduced Ms. Ashlie Willson, KPMG lead engagement partner, who, along with KPMG colleagues – Ms. Melinda Gratwick, Ms. Amanda Price and Ms. Lauren Herzog Wray – delivered the required communications. Ms. Willson indicated that KPMG planned to issue an unmodified auditor's report on the University's basic financial statements within the week.

Dr. Stokes called on Mr. Susman to address **Item 4**, a report on the activities of the Office of Internal Audit (OIA). Mr. Susman introduced Ms. Sarah Beth Magette of Warren Averett, OIA Acting Director, who discussed the status of engagements as outlined in the fiscal years 2025 and 2026 audit plans and shared an overview on the fiscal year 2025 OIA Annual Report, addressing annual disclosures as are required by the Institute of Internal Auditors. She introduced **Item 5** as follows and, on motion by Mr. Perkins, seconded by Dr. Furr, the Committee approved the resolution. (To view documents authorized, refer to Appendix A):

RESOLUTION
REVISED INTERNAL AUDIT CHARTER FOR THE UNIVERSITY OF SOUTH ALABAMA

WHEREAS, the *Internal Audit Charter for the University of South Alabama* (the "Charter") documents the mandate, organizational position, reporting relationships, scope of work, types of services and other specifications for the Office of Internal Audit, and

WHEREAS, the University of South Alabama has updated the title of the position formerly known as *Chief Administrative Officer* to *Vice President of Administration*, and

WHEREAS, this change reflects the current organizational structure and responsibilities of the role, and

WHEREAS, a revised Charter that incorporates the correct title as set forth herein is recommended for approval,

THEREFORE, BE IT RESOLVED, the Audit Committee of the University of South Alabama Board of Trustees hereby approves the revised *Internal Audit Charter for the University of South Alabama*.

There being no further business, the meeting was adjourned at 2:02 p.m.

Respectfully submitted:

Steven H. Stokes, M.D., Chair

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Basic Financial Statements

September 30, 2025

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Basic Financial Statements
September 30, 2025

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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Basic Financial Statements
September 30, 2025

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UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2025

Introduction

The following discussion presents an overview of the financial position and financial activities of University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 2025 and 2024, 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, Jaguar Athletic Fund, University of South Alabama Foundation for Research and Commercialization (FRAC), Providence Medical Network IPA, LLC (Providence IPA), and various billing entities are reported as blended component units. The University of South Alabama Foundation, USA Research and Technology Corporation, University of South Alabama Health Care Authority, South Alabama Medical Science Foundation, Providence Foundation, and Gulf Coast TotalCare are discretely presented.

Financial Highlights

At September 30, 2025 and 2024, the University had total assets and deferred outflows of approximately $2,702,621,000 and $2,361,597,000, respectively; total liabilities and deferred inflows of approximately $1,917,024,000 and $1,676,936,000, respectively; and net position of approximately $785,597,000 and $684,661,000, respectively.

There was an overall increase in both restricted and unrestricted cash balances between 2024 and 2025 of approximately $39,424,000, or 15%, to $309,618,000. There was an increase in investment balances between 2024 and 2025 of approximately $3,256,000, or 1%, to $442,558,000 at September 30, 2025. The University experienced a decrease in patient service revenues of approximately $13,013,000, or 1%, between 2024 and 2025.

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, 2025. 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, 2025 and 2024 follow (in thousands):

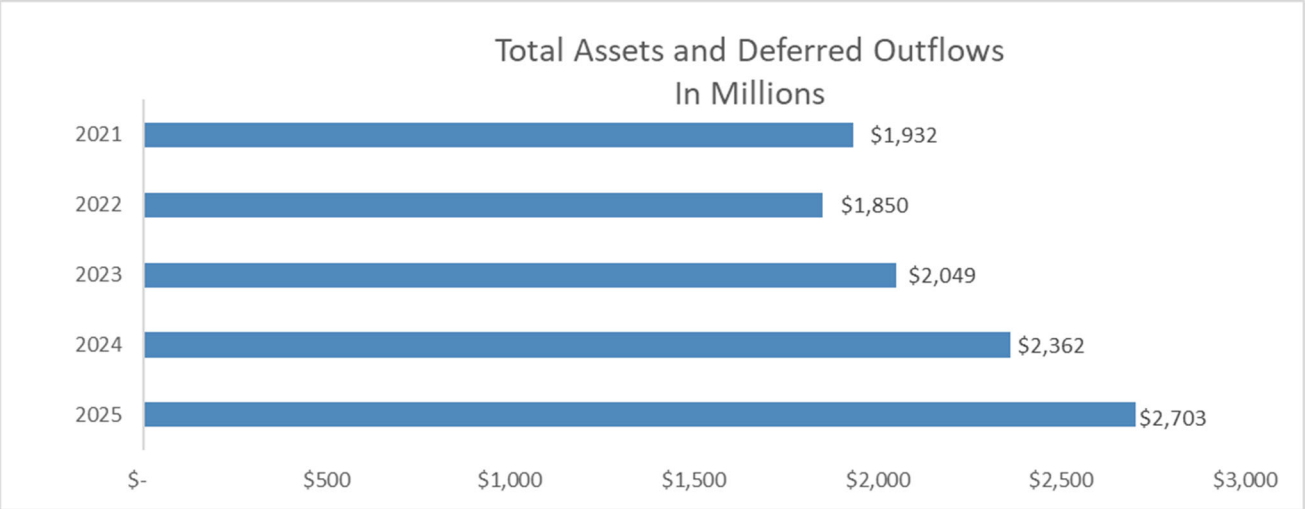
Condensed Schedules of Net Position

		2025	2024
Assets:			
Current	$	565,303	530,482
Capital assets, net		1,174,725	1,058,424
Other noncurrent		495,000	511,320
Total assets		2,235,028	2,100,226
Deferred outflows		467,593	261,371
Total assets and deferred outflows	$	2,702,621	2,361,597
Liabilities:			
Current	$	285,692	236,087
Noncurrent		1,266,509	1,032,984
Total liabilities		1,552,201	1,269,071
Deferred inflows		364,823	407,865
Total liabilities and deferred inflows	$	1,917,024	1,676,936
Net position:			
Net investment in capital assets	$	604,679	475,614
Restricted, nonexpendable		85,710	82,633
Restricted, expendable		139,482	121,306
Unrestricted (deficit)		(44,274)	5,108
Total net position	$	785,597	684,661

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, patient receivables, and accounts receivable, other. Of these amounts, restricted and unrestricted cash and cash equivalents, patient receivables, investments, and accounts receivable, other comprise approximately 55%, 17%, 14%, and 9% respectively, of current assets at September 30, 2025. Noncurrent assets consist primarily of restricted investments, lease receivables, and capital assets, net. The increase in total assets and deferred outflows is attributed to an increase in capital assets and deferred outflows related to other postemployment benefits.

(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:

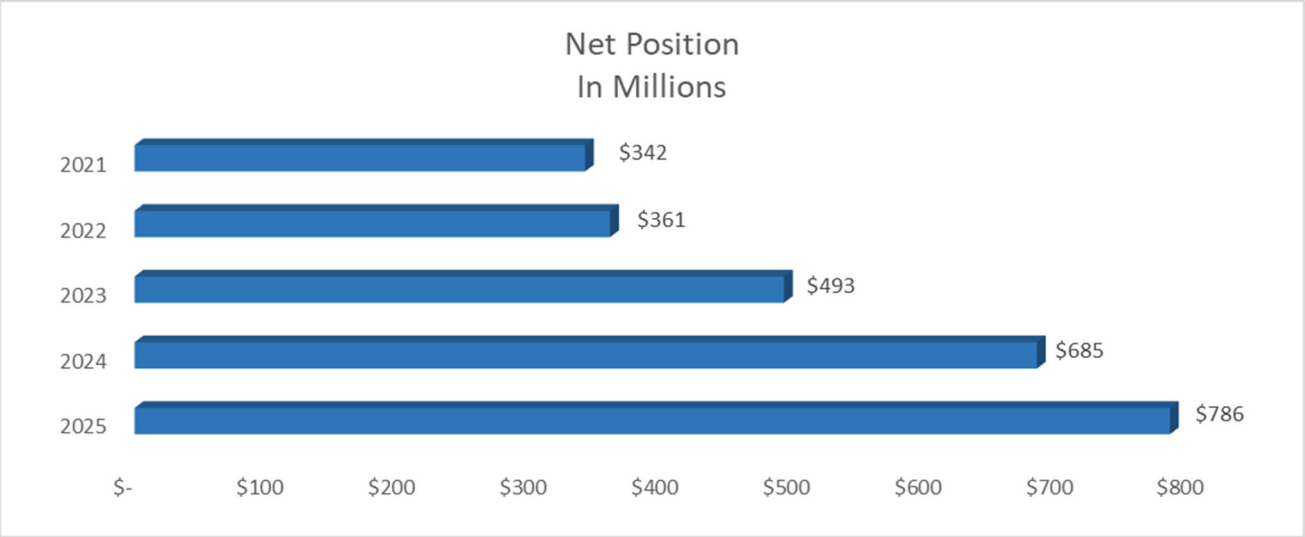
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

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 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, 2025 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions--an amendment of GASB Statement No. 27*, and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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



Restricted net position increased by approximately $21,253,000 between September 30, 2024 and 2025, primarily due to market increases on endowment investments and gifts to the University. Unrestricted net position (deficit) decreased from approximately $5,108,000 to $(44,274,000) between September 30, 2024 and 2025 due to a large increase in net other postemployment benefits. A summary of unrestricted net position (deficit) at September 30, 2025 and 2024 is summarized as follows (in thousands):

		2025	2024
Unrestricted deficit related to net pension liability	$	(279,777)	(349,710)
Unrestricted deficit related to net OPEB liability		(396,009)	(78,808)
Unrestricted net position related to other activity		631,512	433,626
Unrestricted net position (deficit)	$	(44,274)	5,108

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 tuition and fees (net of scholarship allowances), patient service revenues (net of provision for bad debts), most

noncapital grants and contracts, revenues from auxiliary enterprises, and sales and services of educational 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 state appropriations, net investment income, 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, and transfers to affiliates to fund operations.

The condensed schedules of revenues, expenses, and changes in net position for the year ended September 30, 2025 and 2024 follow (in thousands):

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

	2025	2024
Operating revenues:		
Tuition and fees, net	$ 130,842	135,733
Patient service revenues, net	913,243	926,256
Federal, state, and private grants and contracts	60,776	63,915
Auxiiliary, net and other	134,467	106,387
	1,239,328	1,232,291
Operating expenses:		
Salaries and benefits	817,747	739,331
Supplies and other services	506,789	461,047
Other	135,134	139,699
	1,459,670	1,340,077
Operating loss	(220,342)	(107,786)

(continued on next page)

Condensed Schedules of Revenues, Expenses, and Changes in Net Position (continued)

Nonoperating revenues (expenses):			
State appropriations	$	197,448	187,908
Net investment income		59,728	83,382
Other, net		(14,206)	(18,269)
Net nonoperating revenues		242,970	253,021
Income before capital appropriations, capital contributions and capital grants, and additions to endowment		22,628	145,235
Capital appropriations, capital contributions and grants, and capital additions to endowment		101,076	46,187
Increase in net position		123,704	191,422
Beginning net position		684,661	493,239
Cumulative effect of change in accounting principle and change to or within the financial reporting entity		(22,768)	—
Beginning balance, as adjusted		661,893	493,239
Ending net position	$	785,597	684,661

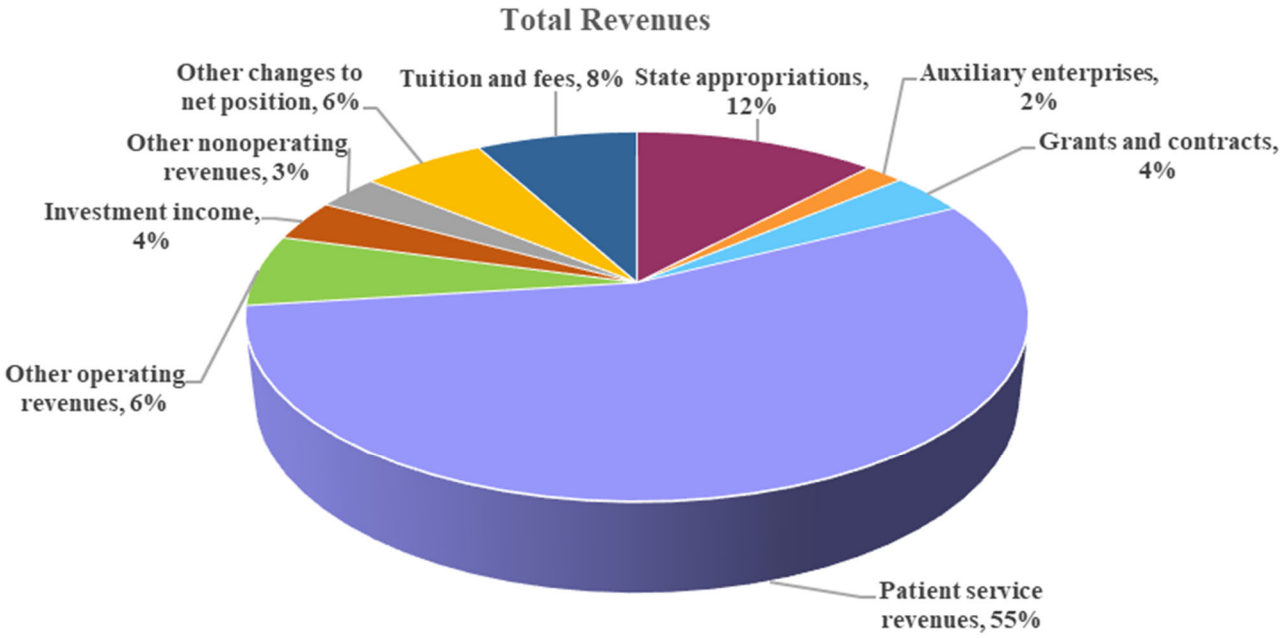
In 2025, the University adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The adoption of the provisions of GASB Statement No. 101 resulted in an increase to current portion of other long-term liabilities of approximately $3,145,000 and other long-term liabilities, less current portion of approximately $21,046,000. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62,* beginning unrestricted net position was restated by approximately ($24,191,000) for the impact related to the adoption of GASB Statement No. 101. See note 13 for further discussion.

Prior to 2025, the Jaguar Athletic Fund (JAF) and the USA Foundation for Research and Commercialization (FRAC) were not presented in the University's financial statements because they were not considered significant enough to warrant inclusion in the University's reporting entity. In 2025, the University determined both JAF and FRAC would be included in the University's reporting entity going forward resulting in the University recognizing a change to or within the financial reporting entity by restating beginning unrestricted net position by approximately $1,423,000 in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*.

For the year ended September 30, 2025, approximately 55% of total revenues of the University were patient service revenues, net. Excluding patient service revenues, tuition and fees charged to students and state

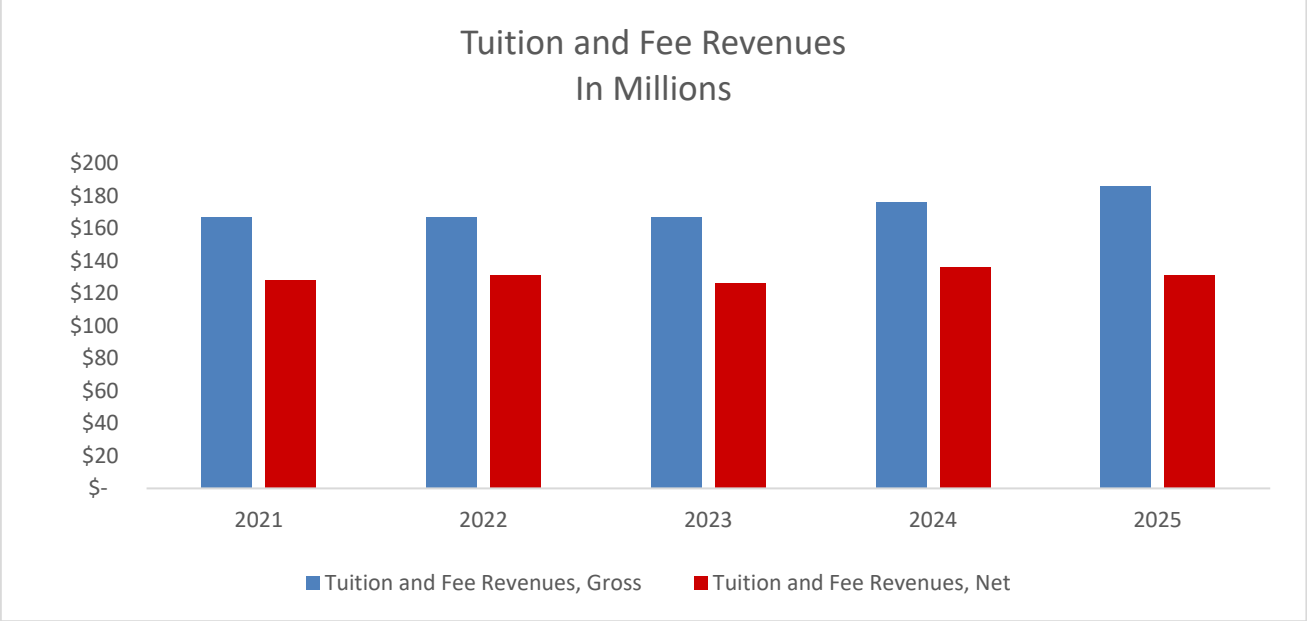
appropriations represent the largest component of total University revenues, approximately 8% and 12% of total revenues in 2025, respectively.

A summary of University revenues for the year ended September 30, 2025 is presented as follows:



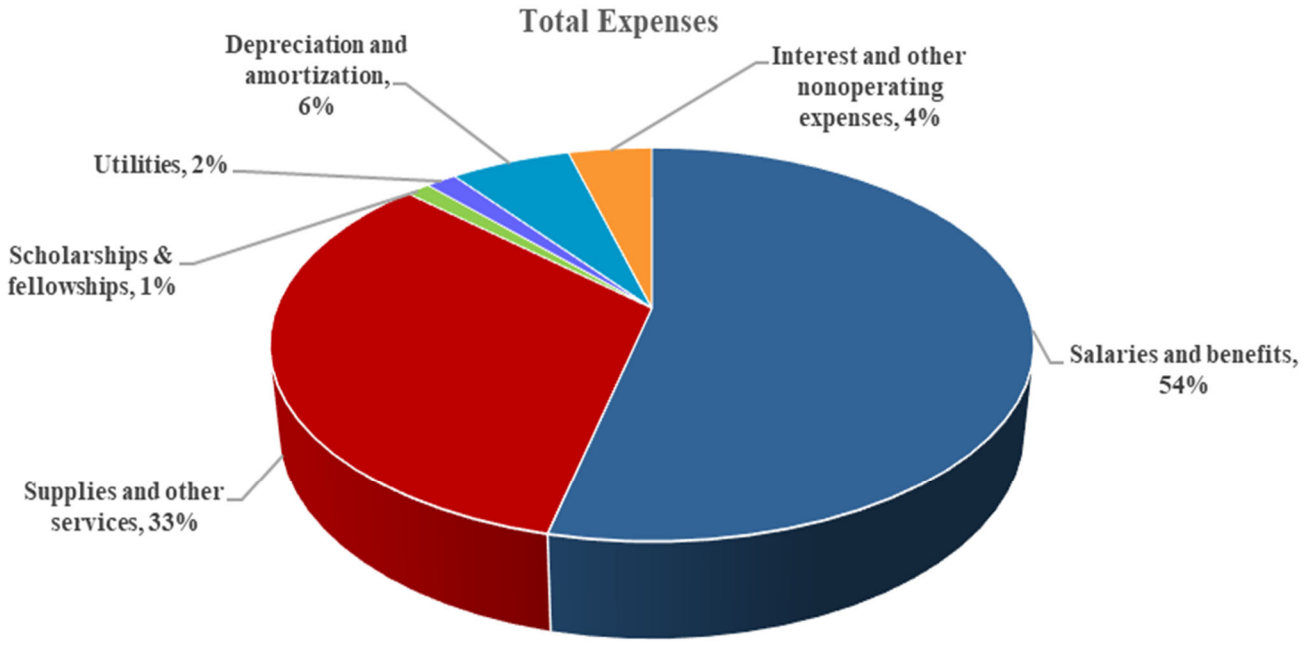
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Net tuition revenues have generally remained steady in recent years. Tuition and fees, gross and net of scholarship allowances, for the past five fiscal years are as follows:



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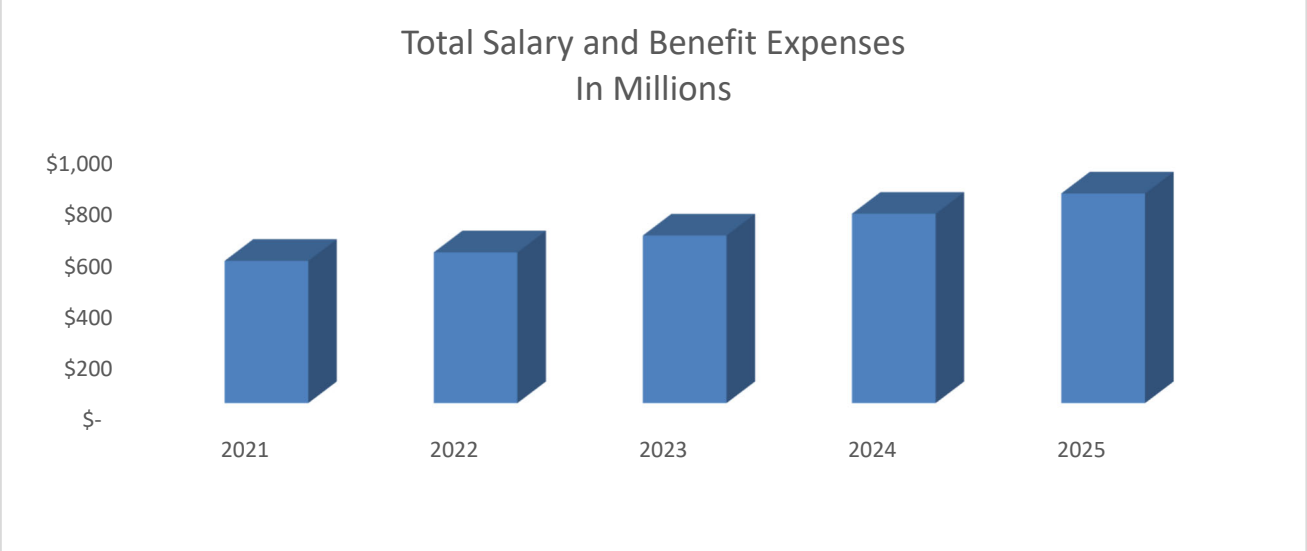
University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2025 is presented as follows:



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.

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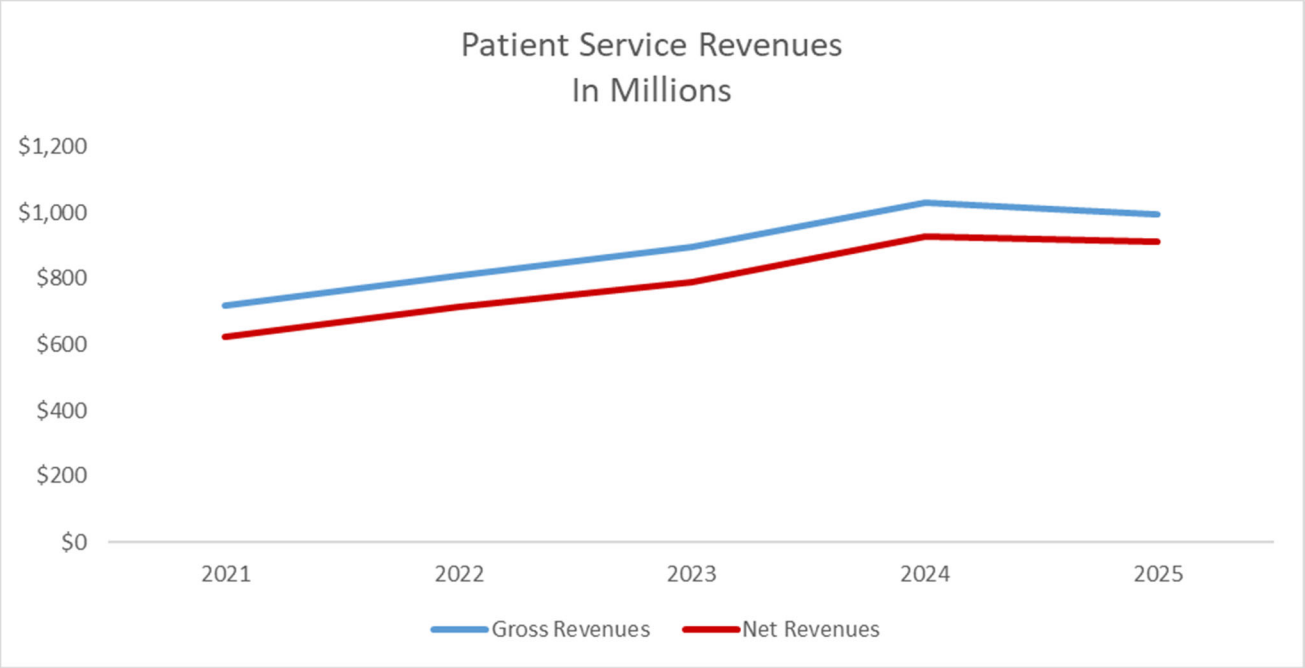
For the year ended September 30, 2025, approximately 54% of the University's total expenses were salaries and benefits.



For the year ended September 30, 2025, the University reported an operating loss of approximately $220,342,000. 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 $123,704,000 for the year ended September 30, 2025.

(Continued)

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

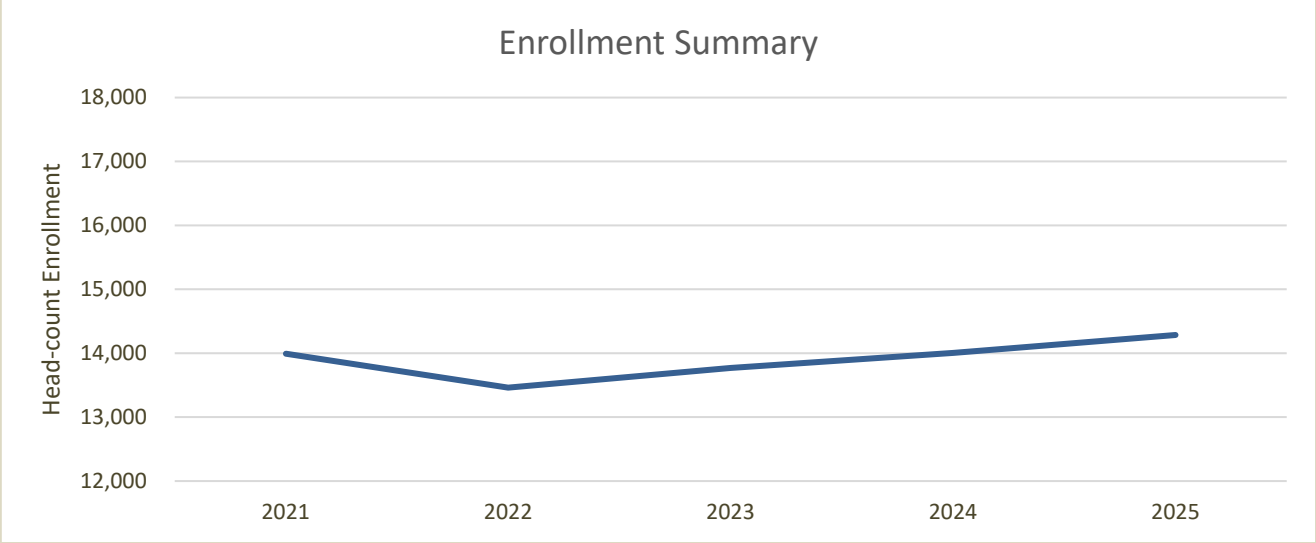
Total capital asset additions for the University were approximately $210,780,000 for the year ended September 30, 2025. Significant construction projects that remain in progress as of September 30, 2025 include the new Whiddon College of Medicine Building and related utility improvements, USA Health MRI vault renovation, Science Laboratory Building renovation, Traditions renovation, Jaguar Marching Band Building, Providence Medical Office Park renovation, the new Generator for University Hospital, and the Humanities Building reroof and elevator modernization. Major projects completed and placed into service in fiscal year 2025 include: the Children's and Women's Hospital Pediatric Emergency Department expansion, Children's and Women's Tower renovation, Providence Hospital IT system migration, University Hospital's Hybrid Operating Room renovation, and the Stanky Field turf replacement. At September 30, 2025, the University had outstanding commitments of approximately $129,920,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

The University's credit rating is A1 (Stable) 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 from negative to stable and affirmed its A1 issuer and revenue bond ratings in June 2024. Standard and Poor's Global Ratings affirmed the University's current rating in June 2024. Additional information regarding the University's debt is included in note 8.

Economic Outlook

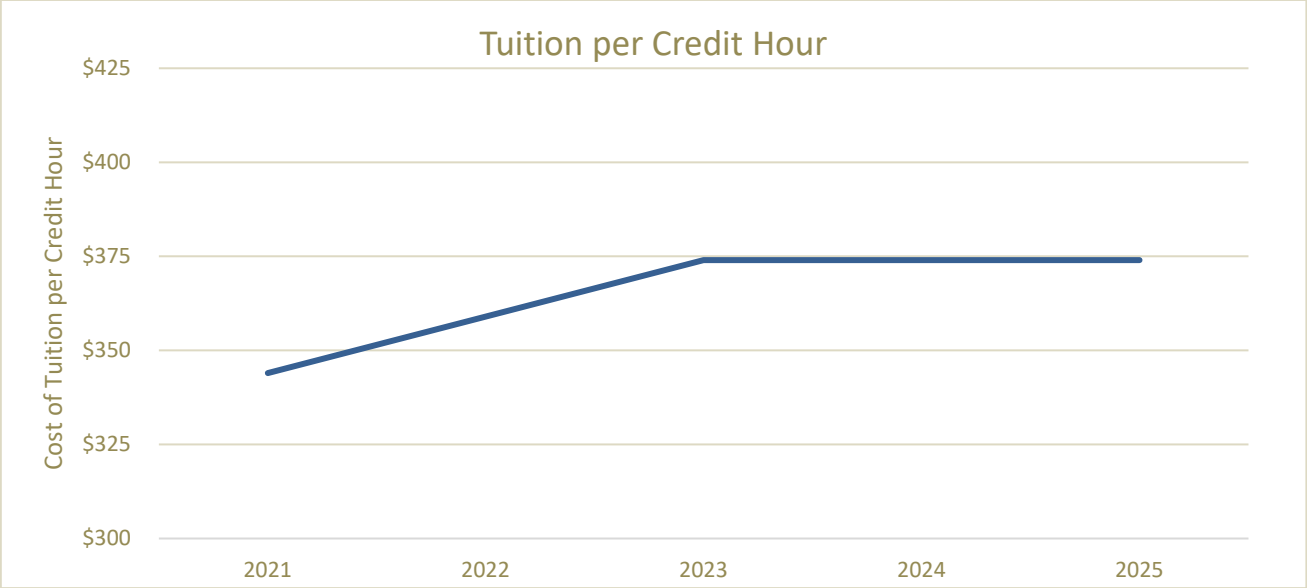
While tuition and fee rates per credit hour have increased over the past five years, there were declines in enrollment from Fall 2021 to 2022. The University experienced an increase in enrollment of approximately 2% annually each year beginning with 2022 through 2025. The rise in enrollment for Fall 2025 is due to the largest freshman class on record along with increased retention of upperclassmen.

The enrollment trend for the University between 2021 and 2025 is as follows:



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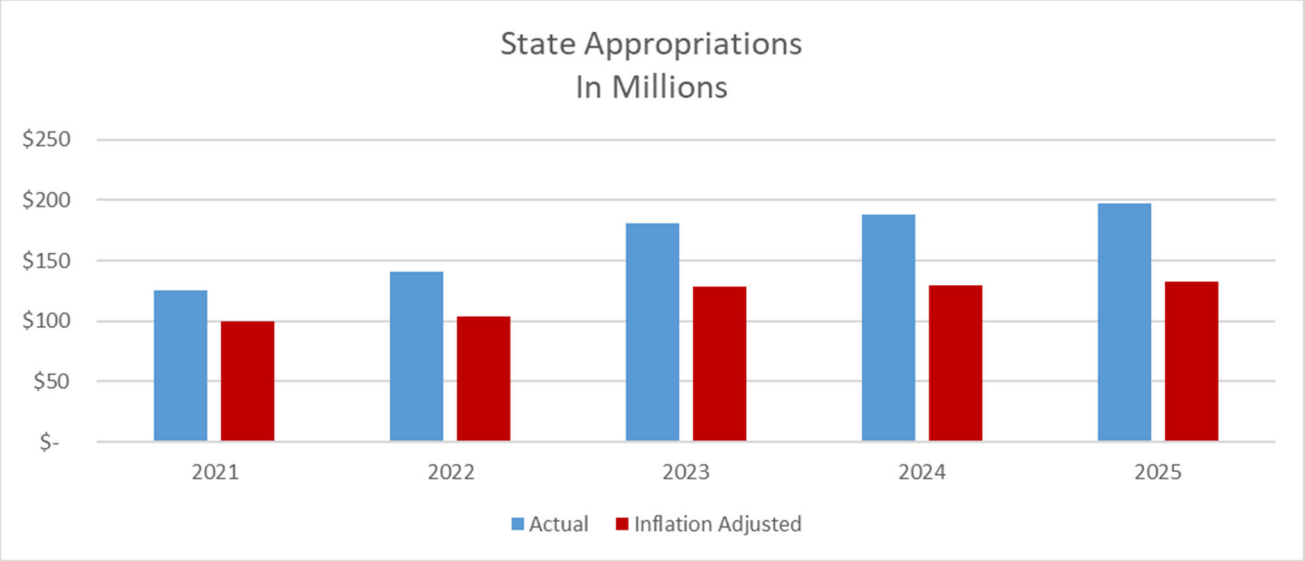
From 2021 to 2025, in-state tuition per credit hour for in-person classes increased by approximately 9%, with no increase from 2023 to 2025. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2021 and 2025 is as follows:



(Continued)

A state appropriation in the amount of approximately $161,458,000 and $150,375,000 was authorized for the years ended September 30, 2025 and 2024, respectively. Additional supplemental appropriations of approximately $35,990,000 and $37,533,000 were received in 2025 and 2024 for advancement and technology, capital project improvements, certain academic and healthcare initiatives, and equipment. A state appropriation in the amount of approximately $171,210,000, representing an increase of approximately 6%, has been authorized for the year ending September 30, 2026. While no announcement has been made, the University is aware that reductions in the 2026 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.

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; Vice President of Finance; University of South Alabama Administration Building Suite 353, Mobile, Alabama 36688. These basic financial statements can be obtained from our website at https://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), as of and for the year ended September 30, 2025, 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, 2025, 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 67% and 10%, respectively, of the assets and revenues, gains and other support of the aggregate discretely presented component units of the University as of September 30, 2025 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 and Providence 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.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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 22, 2025 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 22, 2025

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

Statement of Net Position

September 30, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	279,929
Restricted cash and cash equivalents		29,689
Investments		81,618
Patient receivables (net of allowance for doubtful accounts of $67,577)		95,876
Accounts receivable, other		50,638
Notes receivable, net		1,005
Prepaid expenses, inventories, and other		20,180
Lease receivable, current portion		6,368
Total current assets		565,303
Noncurrent assets:		
Restricted investments		291,266
Investments		69,674
Other noncurrent assets and accounts receivable		36,719
Lease receivable, less current portion		97,341
Capital assets, net		1,174,725
Total noncurrent assets		1,669,725
Total assets		2,235,028
Deferred outflows		467,593
Total assets and deferred outflows		2,702,621
Current liabilities:		
Accounts payable and accrued liabilities		148,898
Unrecognized revenues		67,781
Deposits		2,152
Current portion of other long-term liabilities		12,576
Current portion lease and subscription obligations		27,755
Current portion of long-term debt		26,530
Total current liabilities		285,692
Noncurrent liabilities:		
Long-term debt, less current portion		454,994
Lease and subscription obligations, less current portion		54,291
Net pension liability		279,777
Net other postemployment benefits liability		396,009
Other long-term liabilities, less current portion		81,438
Total noncurrent liabilities		1,266,509
Total liabilities		1,552,201
Deferred inflows		364,823
Total liabilities and deferred inflows		1,917,024
Net position:		
Net investment in capital assets		604,679
Restricted, nonexpendable:		
Scholarships		51,035
Other		34,675
Restricted, expendable:		
Scholarships		51,071
Other		88,411
Unrestricted deficit		(44,274)
Total net position	$	785,597

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, 2025

(In thousands)

Operating revenues:		
Tuition and fees (net of scholarship allowances of $54,801)	$	130,842
Patient service revenues (net of provision for bad debts of $82,650)		913,243
Federal grants and contracts		33,245
State grants and contracts		12,744
Private grants and contracts		14,787
Auxiliary enterprises (net of scholarship allowances of $1,695)		31,345
Other operating revenues		103,122
Total operating revenues		1,239,328
Operating expenses:		
Salaries and benefits		817,747
Supplies and other services		506,789
Scholarships and fellowships		18,909
Utilities		23,406
Depreciation and amortization		92,819
Total operating expenses		1,459,670
Operating loss		(220,342)
Nonoperating revenues (expenses):		
State appropriations		197,448
Net investment income		59,728
Interest expense		(21,008)
Other nonoperating revenues		50,261
Other nonoperating expenses		(43,459)
Net nonoperating revenues		242,970
Income before capital appropriations, capital contributions and grants, and additions to endowment		22,628
Other changes in net position		
Capital appropriations		22,349
Capital contributions and grants		73,327
Additions to endowment		5,400
Total other changes in net position		101,076
Increase in net position		123,704
Net position:		
Beginning of year		684,661
Cumulative effect of change in accounting principle and change to or within the financial reporting entity (note 1 (jj))		(22,768)
Beginning balance, as adjusted		661,893
End of year	$	785,597

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, 2025

(In thousands)

Cash flows from operating activities:		
Receipts related to tuition and fees	$	134,411
Receipts from and on behalf of patients and third-party payers		911,531
Receipts from grants and contracts		47,002
Receipts related to auxiliary enterprises		32,757
Payments to suppliers and vendors		(507,301)
Payments to employees and related benefits		(798,666)
Payments for scholarships and fellowships		(18,909)
Other operating receipts		113,182
Net cash used in operating activities		(85,993)
Cash flows from noncapital financing activities:		
State appropriations		197,468
Endowment gifts		5,400
Agency funds received		823
Agency funds disbursed		(689)
Student loan program disbursements		(146,611)
Student loan program receipts		146,828
Other nonoperating revenues		54,881
Other nonoperating expenses		(46,093)
Net cash provided by noncapital financing activities		212,007
Cash flows from capital and related financing activities:		
Capital contributions and grants		73,327
Purchases of capital assets		(148,487)
Proceeds from sales of capital assets		131
Principal payments on capital debt		(54,196)
Interest payments on capital debt		(21,191)
Proceeds from principal and interest payments on financing leases		12,053
Net cash used in capital and related financing activities		(138,363)
Cash flows from investing activities:		
Interest and dividends on investments		17,685
Purchases of investments		(157,717)
Proceeds from sales of investments		191,805
Net cash provided by investing activities		51,773
Net increase in cash and cash equivalents		39,424
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year		270,194
End of year	$	309,618

(Continued)

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

Statement of Cash Flows

Year Ended September 30, 2025

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(220,342)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		92,819
Changes in assets and liabilities, net:		
Student receivables		609
Net patient receivables		(3,774)
Grants and contracts receivables		(8,536)
Other receivables		(190,825)
Prepaid expenses, inventories, and other		692
Accounts payable, accrued liabilities and other liabilities		244,253
Unrecognized revenues		(889)
Net cash used in operating activities	$	(85,993)
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents classified as current assets	$	279,929
Restricted cash and cash equivalents classified as current assets		29,689
Total cash and cash equivalents	$	309,618
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of net investment income	$	28,375
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital assets		22,349
Net increase in lease and subscription obligations		29,969
Increase in accounts payable related to capital projects		6,761
Loss on disposals of capital assets		(277)

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, 2025

(In thousands)

Assets		
Cash and cash equivalents	$	1,147
Investments:		
Equity securities		276,295
Timber and mineral properties		179,692
Real estate		6,436
Other		5,822
Other assets		470
Total assets	$	469,862
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	100
Other liabilities		888
Total liabilities	$	988
Net assets:		
Without donor restrictions		60,408
With donor restrictions		408,466
Total net assets		468,874
Total liabilities and net assets	$	469,862

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, 2025

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses, and other support:			
Net realized and unrealized gains on investments	$ 4,680	28,509	33,189
Rents, royalties, and timber sales	3,372	163	3,535
Interest and dividends	1,195	2,112	3,307
Gifts	—	113	113
Interfund interest	(840)	840	—
Other income	37	—	37
Net assets released from program restrictions	15,981	(15,981)	—
Total revenues, gains, losses, and other support	24,425	15,756	40,181
Expenditures:			
Program services:			
Faculty support	3,735	—	3,735
Scholarships	1,259	—	1,259
Other academic programs	13,323	—	13,323
Total program service expenditures	18,317	—	18,317
Management and general	3,098	—	3,098
Other investment expense	1,191	—	1,191
Depreciation and depletion expense	3,244	—	3,244
Total expenditures	25,850	—	25,850
Change in net assets	(1,425)	15,756	14,331
Net assets – beginning of year	61,833	392,710	454,543
Net assets – end of year	$ 60,408	408,466	468,874

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, 2025

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	1,987
Lease receivable, current portion		3,273
Prepaid expenses and other current assets		112
Accrued interest receivable		59
Total current assets		5,431
Noncurrent assets:		
Capital assets, net		16,811
Lease receivable, less current portion		11,964
Total noncurrent assets		28,775
Deferred outflows		322
Total assets and deferred outflows		34,528
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		328
Unrecognized rent revenue		295
Notes payable, current portion		1,101
Total current liabilities		1,724
Noncurrent liabilities:		
Notes payable, less current portion		14,805
Total noncurrent liabilities		14,805
Deferred inflows		14,477
Total liabilities and deferred inflows	$	31,006
Net position:		
Net investment in capital assets	$	1,353
Unrestricted		2,169
Total net position	$	3,522

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, 2025

(In thousands)

Operating revenues	$	3,659
Operating expenses:		
Building management and operating expenses		1,269
Depreciation and amortization		1,224
Legal and administrative fees		413
Insurance		95
Total operating expenses		3,001
Operating income		658
Nonoperating revenues (expenses):		
Interest expense		(773)
Interest income		72
Other		434
Net nonoperating expenses		(267)
Increase in net position		391
Net position:		
Beginning of year		3,131
End of year	$	3,522

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 Net Position

September 30, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	222
Restricted cash and cash equivalents		437
Patient receivables (net of allowance for doubtful accounts of $27,315)		33,172
Accounts receivable, other		3,714
Inventories		2,314
Lease receivable, current portion		977
Other current assets		1,108
Total current assets		41,944
Noncurrent assets:		
Capital assets, net		134,741
Investments		406
Lease receivable, less current portion		3,387
Total noncurrent assets		138,534
Total assets	$	180,478
Current liabilities:		
Accounts payable and accrued liabilities	$	30,043
Accrued salaries and wages		6,647
Long-term debt, current portion		236
Lease and subscription obligations, current portion		6,998
Other current liabilities		1,944
Total current liabilities		45,868
Noncurrent liabilities:		
Long-term debt, less current portion		21,242
Lease and subscription obligations, less current portion		97,238
Other noncurrent liabilities		2,382
Total noncurrent liabilities		120,862
Deferred inflows		4,020
Total liabilities and deferred inflows	$	170,750
Net position:		
Net investment in capital assets	$	9,019
Restricted		437
Unrestricted		272
Total net position	$	9,728

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, 2025

(In thousands)

Operating revenues:		
Patient service revenues (net of provision for bad debts of $25,952)	$	277,115
Other operating revenues		32,017
Total operating revenues		309,132
Operating expenses:		
Salaries and benefits		164,506
Building and equipment expenses		20,063
Medical and surgical supplies		93,700
Other expenses		74,738
Depreciation and amortization		10,301
Total operating expenses		363,308
Operating loss		(54,176)
Nonoperating revenues (expenses):		
Investment loss		(264)
Support from University of South Alabama		42,396
Interest expense		(5,748)
Other nonoperating revenues		40
Other nonoperating expenses		(40)
Total nonoperating revenues, net		36,384
Decrease in net position		(17,792)
Net position at beginning of period		28,878
Cumulative effect of change in accounting principle (note 1 (i))		(1,358)
Beginning balance, as adjusted		27,520
Net position at end of year	$	9,728

See accompanying notes to basic financial statements.

PROVIDENCE FOUNDATION

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

Statement of Financial Position

June 30, 2025

(In thousands)

Assets		
Cash and cash equivalents	$	4,731
Investments		5,779
Capital assets, net		98
Total assets	$	10,608
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses	$	29
Total liabilities		29
Net assets:		
Without donor restrictions		9,617
With donor restrictions		962
Total net assets		10,579
Total liabilities and net assets	$	10,608

See accompanying notes to basic financial statements.

PROVIDENCE FOUNDATION

(A Component Unit of the University of South Alabama)

Statement of Activities

For the Year Ended June 30, 2025

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Contributions of cash and other financial assets	$ 5	131	136
Contributed nonfinancial assets	278	—	278
Net investment income	706	1	707
Net assets released from program restrictions	177	(177)	—
Total revenues and other support	1,166	(45)	1,121
Expenditures:			
Direct program services:			
Program services	177	—	177
Total program services	177	—	177
Supporting services:			
General and administrative	328	—	328
Fundraising	6	—	6
Total supporting services	334	—	334
Total expenditures	511	—	511
Change in net assets	655	(45)	610
Net assets at beginning of year	8,962	1,007	9,969
Net assets at end of year	$ 9,617	962	10,579

See accompanying notes to the financial statements.

GULF COAST TOTALCARE

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

Statement of Net Position

September 30, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	494
Certificate of deposit - restricted		250
Accounts receivable		727
Prepaid expenses		2
Total current assets		1,473
Total assets		1,473
Current liabilities:		
Accounts payable		787
Total liabilities		787
Net position:		
Restricted		250
Unrestricted		436
Total net position	$	686

See accompanying notes to basic financial statements.

GULF COAST TOTALCARE

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

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2025

(In thousands)

Operating revenues:		
Contract service revenue	$	9,114
Total operating revenues		9,114
Operating expenses:		
Third-party administrative fees		8,277
Management fees		734
Other		53
Total operating expenses		9,064
Operating income		50
Nonoperating revenues:		
Interest income		4
Total nonoperating revenues		4
Increase in net position		54
Net position:		
Beginning of year		632
End of year	$	686

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, 2025, the University reports University of South Alabama Foundation (USA Foundation), USA Research and Technology Corporation (the Corporation), the University of South Alabama Health Care Authority (HCA), Providence Foundation, and Gulf Coast TotalCare (Gulf Coast) as discretely presented component units. Gulf Coast was disclosed as a related party prior to fiscal year 2025, however, beginning with fiscal year 2025, Gulf Coast is discretely presented as a component unit due to meeting the criteria of GASB Statement No. 61, which amended GASB Statements No. 14 and No. 39. The University became the sole corporate member of the Providence Foundation in December 2024, and as a result, the Providence Foundation is discretely presented as a component unit due to meeting the criteria of GASB Statement No. 61, which amended GASB Statements No. 14 and No. 39. Each of these entities issue separate audited financial statements, which can be obtained by contacting Kristen Roberts, Vice President for Finance, University of South Alabama Administration Building, Suite 353, Mobile, Alabama 36688.

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; USA Jaguar Realty, LLC (Jaguar Realty); Jaguar Athletic Fund (JAF); USA Foundation for Research and

Commercialization (FRAC); 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; Providence Medical Network IPA, LLC (Providence IPA); USA Health Rehabilitation Services, LLC; and USA Health Community Providers, LLC as blended component units.

Prior to fiscal year 2025, the Jaguar Athletic Fund (JAF) and the USA Foundation for Research and Commercialization (FRAC) were not presented in the University's financial statements because they were not considered significant enough to warrant inclusion in the University's reporting entity. In fiscal year 2025, the University determined both JAF and FRAC would be included in the University's reporting entity as blended component units going forward resulting in the University recognizing a change to or within the financial reporting entity by restating beginning unrestricted net position by approximately $1,423,000 in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*.

All significant transactions between the University and its blended component units have been eliminated.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF) 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.

In October 2023, through the acquisition of Ascension Providence, the University obtained joint ownership of HighProv, LLC, and Providence Home Medical Services, LLC. HighProv, LLC and Providence Home Medical Services, LLC are currently included in investments in the basic financial statements in accordance with GASB Statement No. 14.

(b) 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.

(c) 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 is maintained and managed in its separate GLTF for which the University, HCM, SAMSF, the Corporation, and HCA are the only participants. 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.

(d) Jaguar Athletic Fund

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. JAF is a legally separate entity whose officers and directors are approved by the University's Board of Trustees. JAF is reported as a blended component unit.

(e) USA Jaguar Realty, LLC

Jaguar Realty, LLC (Jaguar Realty) was formed in July 2020 for the purpose of providing students a unique professional opportunity to complete their pre-real estate license education at the University and gain real estate sales experience. The University's Board of Trustees functions as the governing board of Jaguar Realty. As of September 30, 2025, Jaguar Realty has had no financial activity. If Jaguar Realty had activity, it would be reported as a blended component unit.

(f) Providence Medical Network IPA, LLC

Through the Ascension Providence acquisition in October 2023, the University became the sole member of the Providence Medical Network IPA, LLC (Providence IPA). The Providence IPA is a legally separate entity reported as a blended component unit and operates as an independent physician association. Revenues of approximately $6,866,000, excluding significant transactions between the University and the IPA, are included within other operating revenues on the statement of revenues, expenses, and changes in net position. Expenses of approximately $6,866,000, excluding significant transactions between the University and the IPA, are included within supplies and other services on the statement of revenues, expenses, and changes in net position. The Providence IPA has a calendar year-end, which differs from the University's September 30 year-end. In accordance with GASB Statement No. 14 and Statement No. 61, the University has included the Providence IPA's financial statements as of and for the year ended December 31, 2024 in the University's financial statements as of and for the year ended September 30, 2025.

(g) USA Foundation for Research and Commercialization

USA Foundation for Research and Commercialization (FRAC) is a not-for-profit corporation that was organized for the purpose of providing support to the University to foster research and educational initiatives for both students and faculty. FRAC is a legally separate entity whose officers and directors are approved by the University's Board of Trustees. FRAC has one wholly owned subsidiary, NovALtech, LLC. FRAC is reported as a blended component unit.

(h) 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; USA Health Community Providers, LLC; and USA Health Rehabilitation Services 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.

(i) 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 IPA, LLC; USA Health Daphne Family Practice, LLC; USA Mobile County ASC; USA Health HCA Providence Hospital, LLC; and USA Health Providence Retail Pharmacy, LLC. 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.

During fiscal year 2023, HCA obtained a 51% equity interest in 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. 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. The remaining 49% of USA BC ASC is owned by individual physician investors. USA BC ASC Holdco has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the September 30, 2025 statement of net position as a noncurrent investment.

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. 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, 2024 in HCA's financial statements as of September 30, 2025. Exclusive of transactions between HCA and the IPA totaling approximately $737,000, IPA revenues and expenses of approximately $6,110,000 and $6,110,000, respectively, are included within the statement of revenues, expenses, and changes in net position. For the year ended September 30, 2025, the IPA has paid approximately $814,000 in claims to HCA.

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. FPI has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the September 30, 2025 statement of net position as a noncurrent investment.

Since inception, HCA's operations have been partially funded by the University, with total support amounting to approximately $42,396,000 for the year ended September 30, 2025. 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, 2025 are discretely presented.

(j) 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. The USA Foundation has two wholly owned subsidiaries, Knollwood Development, Inc. and Shubuta Timber Services, Inc. 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, 2025 were approximately $14,820,000 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. 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 as of and for the year ended June 30, 2025 in the University's financial statements as of and for the year ended September 30, 2025. 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, 2025 are discretely presented.

(k) 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. Due to 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, 2025 are discretely presented.

During the year ended September 30, 2025, the Corporation engaged in several transactions with the University. The University was charged approximately $1,493,000 during the year ended

September 30,2025, for rental space as described in note 6. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged approximately $550,000 for such services during the year ended September 30, 2025. 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.

(l) Providence Foundation

The University became the sole corporate member of the Providence Foundation in December 2024. The Providence Foundation is a not-for-profit corporation whose purpose is to further promote, support and engage in any charitable, scientific, and educational activities established by the University. Total distributions received or accrued by the University for the year ended September 30, 2025 were approximately $666,000 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. Providence Foundation presents its financial statements in accordance with standards issued by the FASB. Providence Foundation is reported in separate financial statements because of the difference in the financial reporting framework since Providence Foundation follows FASB rather than GASB. Providence 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, GASB Statement No. 61 and GASB Statement No. 100, the University has included Providence Foundation's statements for the year ended June 30, 2025 in the University's financial statements as of September 30, 2025. The accompanying statement of financial position and statement of activities for the Providence Foundation as of and for the year ended June 30, 2025 are discretely presented.

(m) Gulf Coast TotalCare

Gulf Coast TotalCare (GCTC) 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. HCM is the sole corporate member of GCTC and appoints the Board of Directors. Based on GASB Statement No. 14, as amended by Statement No. 39, GCTC is a discretely presented component unit of HCM, which is a component unit of the University. GCTC 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 GCTC as of and for the year ended September 30, 2025 are discretely presented.

GCTC is wholly owned by HCM. GCTC contracted with HCM to provide management and administrative services for $0.50 per recipient member per month. For the year ended September 30, 2025, GCTC remitted management fees to HCM totaling approximately $734,000. HCM makes contributions to GCTC based on cash flow needs. For the year ended September 30, 2025, HCM made no cash contributions to GCTC.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of employer contributions to the Teachers' 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 Other Post-Employment Benefits (OPEB) plan, changes in actuarial and other assumptions related to the pension plan, the difference between the consideration provided and the net position acquired for South Coast Real Estate Venture, LLC through the Ascension Providence acquisition, and the loss on the defeasement of certain bond series.

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, gain on the refunding of certain bond series, and the value of contractual rights to lease revenue in future reporting periods.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) Capital Assets

Capital expenditures with a cost of $5,000 or more are capitalized 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 aggregate capital asset purchases, including renewals and renovations, are capitalized. Purchases for multiple items of minor equipment are evaluated to see if they are part of a single overall transaction, have a single objective, and meet or exceed the established aggregate threshold of $75,000. If a purchase of minor equipment meets the aggregate guidelines and has a useful life of two or more years, it is capitalized at cost once all items

(Continued)

are received and placed into use. 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	10 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	3 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, 2025, no impairments were identified.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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.

(cc) 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.

(dd) 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.

(ee) 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.

(ff) 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.

(gg) 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.

(hh) Compensated Absences

The University accrues leave for employees that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The accrual is based on historical leave usage, is inclusive of salary-related payments that are a function of the salary to be paid, and is measured using employee pay rates as of the date of the financial statements.

(ii) Recently Adopted Accounting Pronouncements

In fiscal year 2025, the University adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The adoption of the

provisions of GASB Statement No. 101 resulted in an increase to current portion of other long-term liabilities of approximately $3,145,000 and other long-term liabilities, less current portion of approximately $21,046,000. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62,* beginning unrestricted net position was restated by approximately ($24,191,000) for the impact related to the adoption of GASB Statement No. 101. See note 6 and 13 for further discussion.

In addition, the University adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. 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. There was no significant impact to the University's basic financial statements in the adoption of this pronouncement.

A summary of the adjustments to beginning net position related to the adoption of GASB Statement No. 101 and changes to or within the financial reporting entity as of September 30, 2025 are as follows (in thousands):

		September 30, 2025 as previously reported	Effect of adoption of GASB 101	Change to or within the financial reporting entity	September 30, 2025 as adjusted and restated
Net position	$	684,661	(24,191)	1,423	661,893

(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, 2025, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $19.2 billion. The University had cash and

cash equivalents, including restricted cash and cash equivalents, in the pool of approximately $194,632,000 at September 30, 2025.

At September 30, 2025, restricted cash and cash equivalents consist of approximately $12,440,000 related to unspent bond cash, $1,492,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $8,367,000 related to restricted donations related to certain capital projects, $7,122,000 related to endowment funds, $248,000 related to the Providence IPA, and $20,000 related to security deposits.

(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.

The University holds a 50% equity interest in Providence Home Medical Services, LLC (Home Medical), a multimember limited liability company that was formed to own and operate a durable medical equipment provider. The University's capital account balance in Home Medical is considered an investment in a joint venture, pursuant to GASB Statements Nos. 14 and 61. The University's capital account balance is approximately $410,000 for the year ended September 30, 2025 and is presented on the statement of net position as a noncurrent investment.

The University holds a 35% equity interest in HighProv, LLC (HighProv), a multimember limited liability company formed to construct, own, and operate a hotel facility. For the year ended September 30, 2025, the University's capital account balance is approximately $711,000 and is presented on the statement of net position as a noncurrent investment.

Investments and restricted investments of the University, by type, at fair value at September 30, 2025 (in thousands) are as follows:

Commodity Mutual Fund/ETF	$	2,384
Common Stock		21,462
Corporate Bonds		11,225
Domestic Equity Mutual Fund/ETF		133,103
Fixed Income Fund of Funds		22,297
Fixed Income Mutual Fund/ETF		37,592
Global Equity Mutual Fund/ETF		798
Hedge Fund - Fund of Funds		43,597
International Equity Fund of Funds		12,908
International Equity Mutual Fund/ETF		30,967
Joint Ventures		1,121
Private Credit		16,331
Private Equity		18,898
Private REIT		4,592
Public REIT		68
Real Estate		8,479
U.S. Government Agency Securities		55,937
U.S. Treasury Securities		20,799
	$	442,558

At September 30, 2025, restricted investments consist of endowment funds and funds held in the PLTF and GLTF to pay insurance liability claims.

At September 30, 2025, $12,461,000 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, 2025, the University had outstanding capital commitments to those funds of approximately $19,039,000.

(i) Credit Risk and Concentration of Credit Risk

Non-Endowment Cash Pool Investment Policy

The objective of the long-term fund is to maximize total return (capital appreciation and income) while managing the risk of significant principal decline.

The University Non-Endowment Long-Term Investment Policy requires that not more than 20% of the long-term fund’s assets be allocated to any single actively managed fund and no more than 45% of the long-term fund’s assets be allocated to a single fund of funds or multi-manager fund.

(Continued)

Endowment Fund Investment Policy

The objective of the endowment fund is to maximize total return (capital appreciation and income) while managing the risk of significant principal decline.

The University Endowment Fund Investment Policy requires that not more than 10% of the endowment fund's assets be allocated to any single actively managed fund, no more than 35% of the endowment fund's assets be allocated to a single fund of funds or multi-manager fund, and no more than 45% of the endowment fund's assets be allocated to a single investment firm.

The University's exposure to credit risk and concentration of credit risk at September 30, 2025 is as follows:

	Credit rating	Percentage of total investments
Corporate Bonds	Various	2.5 %
Fixed Income Fund of Funds	Various	5.0
Fixed Income Mutual Fund/ETF	Various	8.5
U.S. Government Agency Securities	Aa1	12.6
U.S. Treasury Securities	Aa1	4.7

(ii) Interest Rate Risk

At September 30, 2025, 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
Corporate Bonds	$ 11,225	345	7,281	2,889	710
Fixed Income Fund of Funds	22,297	—	—	22,297	—
Fixed Income Mutual Fund/ETF	37,592	—	281	37,311	—
U.S. Government Agency Securities	55,937	12,865	37,728	167	5,177
U.S. Treasury Securities	20,799	3,754	11,218	5,827	—
	$ 147,850	16,964	56,508	68,491	5,887

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, 2025 (in thousands):

Description	Asset fair value measurements			
	Level 1	Level 2	Level 3	Total
Commodity Mutual Fund/ETF	$ 2,384			2,384
Common Stock	21,462			21,462
Corporate Bonds		11,225		11,225
Domestic Equity Mutual Fund/ETF	133,103			133,103
Fixed Income Mutual Fund/ETF	37,592			37,592
Global Equity Mutual Fund/ETF	798			798
International Equity Mutual Fund/ETF	30,967			30,967
Joint Ventures			1,121	1,121
Private Credit	1	221	325	547
Public REIT	68			68
Real Estate			8,479	8,479
U.S. Government Agency Securities		55,937		55,937
U.S. Treasury Securities	20,799			20,799
Total investments at fair value	$ 247,174	67,383	9,925	324,482
Investments measured at NAV:				
Fixed Income Fund of Funds				22,297
Hedge Fund - Fund of Funds				43,597
International Equity Fund of Funds				12,908
Private Credit				15,784
Private Equity				18,898
Private REIT				4,592
Total investments				$ 442,558

A roll-forward schedule for Level 3 financial instruments for the year ended September 30, 2025 is as follows (in thousands):

Beginning balance	$ 37,288
Purchases	116
Net realized/unrealized gains	382
Sales	—
Transfers	(27,861)
Ending balance	$ 9,925

(Continued)

(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 is approximately ($12,000) for the year ended September 30, 2025 and is presented on the statement of net position as an investment.

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, 2025, HCA's capital account balance is approximately $418,000 and is presented on the statement of net position as an investment.

(c) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling $276,295,000 at June 30, 2025.

Investment gains was composed of the following for the year ended June 30, 2025 (in thousands):

Unrealized gains	$	16,278
Realized gains		16,911
Net realized and unrealized gains on investments		33,189
Timber sales		2,689
Rents		758
Royalties		88
Rents, royalties, and timber sales		3,535
Interest and dividends		3,307
Total investment income	$	40,031

Investments consisted of participation in the Foundation's pooled investment funds. Investment related expenses in the amount of $1,191,000 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, 2025.

Real estate at June 30, 2025 consisted of the following property held (in thousands):

Land and land improvements – held for investment	$	5,361
Building and building improvements – held for investment		1,075
	$	6,436

(Continued)

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, 2025 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, 2025 are summarized, based on the criteria of ASC 820, as follows (in thousands):

Description	Level 1	Level 2	Level 3	Total
Equity securities	$ 163,451	—	—	163,451
Timber and mineral properties	—	—	179,692	179,692
Real estate	—	—	6,436	6,436
Other investments	—	—	5,822	5,822
	$ 163,451	—	191,950	355,401
Investment in Commonfund measured at NAV				112,844
				$ 468,245

(Continued)

A roll-forward schedule for Level 3 financial instruments for the fiscal year ended June 30, 2025 is as follows (in thousands):

Description	Timber and mineral properties	Real estate	Other investments	Total
Beginning balance	$ 178,218	6,375	5,815	190,408
Net realized and unrealized gains (losses)	4,195	80	7	4,282
Reforestation	477	—	—	477
Purchase of building improvements	—	14	—	14
Depreciation/depletion	(3,198)	(33)	—	(3,231)
Ending balance	$ 179,692	6,436	5,822	191,950

As of June 30, 2025, 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.

(d) Providence Foundation

The following table presents the financial assets subject to fair value measurement by valuation hierarchy level as of June 30, 2025:

	Level 1
Commingled Fixed Income Funds	$ 1,777
Commingled Equity Funds	720
Marketable Equity Securities	3,207
Public REITs	75
Total recurring fair value measurements	$ 5,779

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the year ended September 30, 2025 is as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land and other	$ 45,270	3,458	53	(83)	48,698
Certificate of need	225	—	—	—	225
Intangible assets	1,207	—	—	—	1,207
Construction in progress	102,282	126,577	(56,331)	—	172,528
	148,984	130,035	(56,278)	(83)	222,658
Capital assets being depreciated or amortized:					
Land improvements	84,049	3,171	272	—	87,492
Lease commissions	—	57	—	—	57
Buildings, fixed equipment, and infrastructure	1,156,274	22,134	43,524	(4,613)	1,217,319
Other equipment	260,611	20,765	12,482	(3,803)	290,055
Library materials	101,608	3,476	—	—	105,084
Right-of-use assets	125,953	31,142	—	(11,449)	145,646
	1,728,495	80,745	56,278	(19,865)	1,845,653
Less accumulated depreciation and amortization for:					
Land improvements	(41,369)	(4,268)	—	—	(45,637)
Lease commissions	—	(10)	—	—	(10)
Buildings, fixed equipment, and infrastructure	(452,874)	(34,742)	—	4,611	(483,005)
Other equipment	(204,114)	(16,409)	—	3,528	(216,995)
Library materials	(79,719)	(4,105)	—	—	(83,824)
Right-of-use assets	(40,979)	(33,228)	—	10,092	(64,115)
	(819,055)	(92,762)	—	18,231	(893,586)
Capital assets being depreciated, net	909,440	(12,017)	56,278	(1,634)	952,067
Capital assets, net	$ 1,058,424	118,018	—	(1,717)	1,174,725

(Continued)

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, 2025 are as follows (in thousands):

Right-of-use assets:		
Buildings	$	8,497
Equipment		45,876
Office space		13,727
Software		77,546
		145,646
Less accumulated amortization for right-of-use assets:		
Buildings		(4,172)
Equipment		(14,423)
Office space		(6,872)
Software		(38,648)
		(64,115)
Right-of-use assets, net	$	81,531

Depreciation and amortization of capital assets for the year ended September 30, 2025 was approximately $92,762,000 for the University. In addition, the University amortizes bond costs of issuance that is included in other noncurrent assets and accounts receivable on the statement of net position. For the year ended September 30, 2025, amortization of bond costs of issuance was approximately $57,000 resulting in total depreciation and amortization of approximately $92,819,000. See note 8 for additional details regarding bonds.

At September 30, 2025, the University had commitments of approximately $129,920,000 related to various capital projects.

For the year ended September 30, 2025, the University received approximately $22,349,000 in capital grants from the Alabama Public School and College Authority for the site preparation and construction of the new College of Medicine facility, and this amount is included in capital appropriations on the statement of revenues, expenses, and changes in net position.

(Continued)

(b) USA Research and Technology Corporation

Changes in capital assets for the year ended September 30, 2025 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	—	128	—	—	128
	223	128	—	—	351
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,872	132	—	—	29,004
Tenant improvements	3,233	390	—	—	3,623
Other equipment	421	—	—	—	421
Computer software	56	—	—	—	56
Lease commissions	456	18	—	(153)	321
Right-of-use assets	3	—	—	—	3
	35,026	540	—	(153)	35,413
Less accumulated depreciation or amortization for:					
Land improvements	(1,810)	(21)	—	—	(1,831)
Buildings	(13,304)	(803)	—	—	(14,107)
Tenant improvements	(2,017)	(339)	—	—	(2,356)
Other equipment	(373)	(9)	—	—	(382)
Computer software	(40)	(13)	—	—	(53)
Lease commissions	(336)	(38)	—	153	(221)
Right-of-use assets	(2)	(1)	—	—	(3)
	(17,882)	(1,224)	—	153	(18,953)
Capital assets being depreciated or amortized, net	17,144	(684)	—	—	16,460
Capital assets, net	$ 17,367	(556)	—	—	16,811

Depreciation and amortization expense totaled approximately $1,224,000 for the year ended September 30, 2025.

Construction in progress totaled approximately $128,000 as of September 30, 2025 and includes architecture and planning fees for a potential new building, and improvements to tenant suites in Buildings I, II, and III. At September 30, 2025, the Corporation had no outstanding commitments.

(Continued)

(c) Health Care Authority

A summary of HCA's capital assets activity for the year ended September 30, 2025 is as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Construction in progress	$ 57	—	(57)	—	—
Works of art	1	—	—	—	1
	58	—	(57)	—	1
Capital assets being depreciated or amortized:					
Buildings	33,049	9	—	—	33,058
Leasehold improvements	5,388	23	53	—	5,464
Equipment	4,171	29	4	(64)	4,140
Computer software	139	—	—	—	139
Right-of-use assets	124,491	6,770	—	(14,026)	117,235
	167,238	6,831	57	(14,090)	160,036
Less accumulated depreciation or amortization for:					
Buildings	(2,293)	(1,250)	—	—	(3,543)
Leasehold improvements	(1,134)	(565)	—	—	(1,699)
Equipment	(2,664)	(402)	—	51	(3,015)
Computer software	(98)	(7)	—	—	(105)
Right-of-use assets	(10,818)	(8,077)	—	1,961	(16,934)
	(17,007)	(10,301)	—	2,012	(25,296)
Capital assets being	150,231	(3,470)	57	(12,078)	134,740
depreciated or amortized, net	$ 150,289	(3,470)	—	(12,078)	134,741

Depreciation and amortization expense totaled approximately $10,301,000 for the year ended September 30, 2025.

(Continued)

A summary of HCA's net right-of-use assets categorized by classification for the year ended September 30, 2025 is as follows (in thousands):

Right-of-use assets:		
Buildings	$	103,422
Equipment		12,947
Software subscriptions		866
		117,235
Less accumulated amortization for right of use:		
Buildings		(13,379)
Equipment		(3,227)
Software subscriptions		(328)
		(16,934)
Right-of-use assets, net	$	100,301

(d) Providence Foundation

A summary of Providence Foundation's capital assets activity for the year ended June 30, 2025 is as follows (in thousands):

		Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated						
Land	$	98	—	—	—	98
		98	—	—	—	98
Capital assets being depreciated:						
Land Improvements		139	—	—	—	139
		139	—	—	—	139
Less accumulated depreciation for:						
Land Improvements		(139)	—	—	—	(139)
		(139)	—	—	—	(139)
Capital assets being depreciated, net		—	—	—	—	—
Capital assets, net	$	98	—	—	—	98

(Continued)

Capital assets as of June 30, 2025 are comprised of land valued at $98,000 and land improvements which have been fully depreciated for the year ended June 30, 2025.

(6) Noncurrent Liabilities

(a) University of South Alabama

A summary of the University's noncurrent liability activity for the year ended September 30, 2025 is as follows (in thousands):

	Adjusted Beginning balance	Additions	Reductions	Adjustments	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt and lease and subscription obligations							
Bonds payable	$ 509,406	—	(25,454)	(3,043)	480,909	26,328	454,581
Notes payable	737	64	(186)	—	615	202	413
Lease and subscription obligations	82,911	29,970	(28,556)	(2,279)	82,046	27,755	54,291
Total long-term debt and lease and subscription obligations	593,054	30,034	(54,196)	(5,322)	563,570	54,285	509,285
Other noncurrent liabilities:							
Net pension liability	349,710	—	(69,933)	—	279,777	—	279,777
Net OPEB liability	78,808	317,201	—	—	396,009	—	396,009
Other long-term liabilities, as restated	93,888	34,972	(34,846)	—	94,014	12,576	81,438
Total other noncurrent liabilities	522,406	352,173	(104,779)	—	769,800	12,576	757,224
Total noncurrent liabilities	$ 1,115,460	382,207	(158,975)	(5,322)	1,333,370	66,861	1,266,509

Other long-term liabilities primarily consist of self-insurance liabilities and liabilities related to compensated absences. Amounts due within one year are included in current portion of other long-term liabilities. In fiscal year 2025, the University adopted GASB Statement No. 101, *Compensated Absences*, which resulted in a beginning balance adjustment of approximately $24,191,000 to the compensated absence liability. This adjustment is reflected in the beginning balance for compensated absences below.

A detail of the University's other long-term liabilities activity for the year ended September 30, 2025 is as follows (in thousands):

	Adjusted beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Other long-term liabilities:						
Compensated absences*	$ 34,689	3,538	(206)	38,021	10,574	27,447
Government advances	3,635	167	(171)	3,631	—	3,631
Professional Liability Trust Fund	44,819	24,892	(27,861)	41,850	1,959	39,891
General Liability Trust Fund	10,745	6,375	(6,608)	10,512	43	10,469
Other	—	—	—	—	—	—
Total other long-term liabilities	$ 93,888	34,972	(34,846)	94,014	12,576	81,438

*The change in the compensated absences liability is presented as a net change ($10,498,000 vacation accrual as of September 30, 2024 plus $24,191,000 beginning balance adjustment related to GASB 101).

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 2039. Aggregate future minimum lease

(Continued)

and subscription payments under noncancelable agreements as of September 30, 2025, by fiscal year, are as follows (in thousands):

		Principal	Interest	Total
2026	$	27,755	3,459	31,214
2027		18,767	2,376	21,143
2028		15,572	1,479	17,051
2029		9,899	755	10,654
2030		6,044	348	6,392
2031 – 2035		3,995	121	4,116
2036 – 2040		14	1	15
Lease and subscription obligations	$	82,046	8,539	90,585

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 of approximately $10,188,000 as of September 30, 2025.

The University leases space from the Corporation and HCA. As of September 30, 2025, the University had lease and subscription obligations of approximately $6,440,000 related to leases between the University and component units.

(b) USA Research and Technology Corporation

Changes in noncurrent liabilities for the year ended September 30, 2025 are as follows (in thousands):

		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$	16,967	—	(1,061)	15,906	1,101	14,805

(i) Notes Payable

Notes payable from direct borrowings consisted of the following as of September 30, 2025 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$	9,654
Hancock Whitney Bank promissory note, 3.08%, payable through 2031		6,252
	$	15,906

(Continued)

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, 2025, the Corporation's debt service coverage ratio was 2.22 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

As of September 30, 2025, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes payable		
	Principal	Interest	Total
2026	$ 1,101	597	1,698
2027	1,144	554	1,698
2028	9,028	424	9,452
2029	574	135	709
2030	591	117	708
2031	3,468	35	3,503
Total	$ 15,906	1,862	17,768

(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, *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, 2025, the unamortized balance in deferred outflows was approximately $322,000.

(c) Health Care Authority

A summary of HCA's noncurrent liability activity for the year ended September 30, 2025 follows (in thousands):

	Adjusted beginning balance	Additions	Reductions	Adjustments	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$ 21,673	—	(195)	—	21,478	236	21,242
Lease and subscription obligations	119,015	6,781	(9,896)	(11,664)	104,236	6,998	97,238
Other long-term liabilities	3,453	873	—	—	4,326	1,944	2,382
Total noncurrent liabilities	$ 144,141	7,654	(10,091)	(11,664)	130,040	9,178	120,862

Other long-term liabilities primarily consist of self-insurance liabilities and liabilities related to compensated absences. Amounts due within one year are included in current portion of other long-term liabilities. In fiscal year 2025, the University adopted Statement No. 101, *Compensated Absences*, which resulted in a beginning balance adjustment of approximately $1,358,000 to the compensated absence liability.

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the USA Health Mapp Family 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 an interest rate of 4.79% in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at September 30, 2025 is approximately $21,478,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At September 30, 2025, future debt service for long-term debt by year is as follows (in thousands):

	Debt service on long-term debt		
	Principal	Interest	Total
2026	$ 236	1,024	1,260
2027	280	1,011	1,291
2028	327	997	1,324
2029	376	980	1,356
2030	429	961	1,390
2031-2035	3,072	4,420	7,492
2036-2040	5,008	3,468	8,476
2041-2045	7,613	1,977	9,590
2046-2048	4,137	220	4,357
Total	$ 21,478	15,058	36,536

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 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 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 2055.

Aggregate future minimum lease payments under noncancelable agreements as of September 30, 2025 by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 6,998	4,643	11,641
2027	6,584	4,347	10,931
2028	5,626	4,066	9,692
2029	4,160	3,829	7,989
2030	3,415	3,660	7,075
2031-2035	10,893	16,526	27,419
2036-2040	12,533	13,878	26,411
2041-2045	15,617	10,796	26,413
2046-2050	19,453	6,956	26,409
2051-2054	18,957	2,175	21,132
	$ 104,236	70,876	175,112

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

The University has entered into two equipment lease agreements on behalf of Providence Hospital in the amount of approximately $2,665,000 for which the terms have not yet commenced. HCA will be responsible for making lease payments to the University for use of the equipment once the terms commence and an invoice is received. As of September 30, 2025, there are no other known lease or subscription commitments for which the terms have not yet commenced.

(7) Deferred Outflows and Inflows

(a) University of South Alabama

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 Bonds. 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-A Bonds. In 2024, the University acquired an 81% ownership interest in a legally separate entity, South Coast Real Estate Venture, LLC (South Coast), as part of the Ascension Providence acquisition. During 2024, the University acquired the remaining 19% ownership interest in South Coast and formally dissolved the entity. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the excess consideration provided over the net position acquired was recognized as a deferred outflow of resources and is being amortized over 338 months, the remaining service life of the capital assets acquired. Additionally, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions--an amendment of GASB*

Statement No. 27, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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, 2025 are summarized below (in thousands):

Loss on refunding of 2016-A bonds	$	4,334
South Coast acquisition		124
Pension		58,090
OPEB		405,045
	$	467,593

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 D 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 was recognized as a deferred inflow of resources and was being amortized over the remaining life of the Series 2016-B, C, and D Bonds. In August 2024, the University refunded the Series 2016-B, C, and D with the Series 2024-C Bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, Statement No. 63, and Statement No. 65, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow and is being amortized over the remaining life of the Series 2024-C Bonds.

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, 2025 are summarized below (in thousands):

Gain on refunding of 2016 Series B, C and D Bonds	$	2,534
Pension		72,549
OPEB		189,838
Leases		99,902
	$	364,823

(Continued)

(b) Health Care Authority

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 as of September 30, 2025 totaled approximately $4,020,000.

(8) Bonds Payable

Bonds payable consisted of the following at September 30, 2025 (in thousands):

University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	$	14,969
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		3,742
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		2,342
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		1,875
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037		64,500
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037		27,775
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		11,855
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030		9,350
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040		31,515
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041		35,210
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032		10,115
University Facilities Revenue Bonds, Series 2024-A, 5.0% through 2053 and 5.25% for 2054, payable through April 1, 2054		72,810
University Facilities Taxable Revenue Bonds, Series 2024-B, 4.753% to 5.233%, payable through April 1, 2035		17,165
University Facilities Revenue Bonds, Series 2024-C, 5%, payable through October 1, 2036		83,845
		434,818
Plus unamortized premium		47,195
Less unamortized debt extinguishment costs		(1,104)
	$	480,909

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 were redeemable beginning in June 2023. 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 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 were redeemable beginning April 2031. The Series 2021-B Bonds began maturing in August 2022 and are subject to redemption beginning August 2024. The Series 2023-A and 2023-B Bonds were amended and restated in April 2024, extending their final maturities to April 2025. The Series 2024-A Bonds begin maturing in April 2035 and are redeemable beginning April 1, 2034. The Series 2024-B Bonds begin maturing in April 2025 and are redeemable at the option of the University beginning April 1, 2034. The Series 2024-C Bonds begin maturing in April 2025 and are redeemable at the option of the University beginning April 1, 2034.

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 are 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 $4,334,000 at September 30, 2025. The principal outstanding on all defeased bonds is $64,500,000 at September 30, 2025.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C, and D, with a face value totaling $100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of $4,539,000 was recorded as a deferred inflow and was being amortized over the remaining life of the Series 2016-B, C, and Bonds. In August of 2024, the University refunded the Series 2016-B, C, and D with the Series 2024-C Bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow and is being amortized over the remaining life of the Series 2024-C Bonds. The balance of the related net deferred inflow at September 30, 2025 totaled $2,534,000.

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 July 2024, the University issued University Facilities Revenue Bonds Series 2024-A $72,810,000 and Taxable Series 2024-B $19,925,000. Proceeds of the Series 2024-A and 2024-B Bonds were used to refund the University Facilities Revenue Bonds (Draw-Down Loan) 2023-A and the University Facilities Revenue Bonds (Draw-Down Loan) 2023-B, the proceeds of which were used by the University to purchase and improve the healthcare facilities located at 6801 Airport Blvd., Mobile, AL, known as Providence Hospital.

In August 2024, the University issued University Facilities Revenue Bonds Series 2024-C $90,850,000. Proceeds of the Series 2024-C Bonds were used to refund the Amended and Restated University Facilities Revenue Refunding Bond Series 2016-B, 2016-C and 2016-D. The related interest rate swap agreement with Wells Fargo Bank was terminated using $14,745,000 of University funds to pay swap termination fees, accrued interest and other related costs.

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, 2025, no amounts were due or recorded in the basic financial statements.

Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal year is as follows at September 30, 2025 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2026	$ 23,285	19,892	202	25	43,404
2027	24,190	18,980	196	16	43,382
2028	25,200	17,994	191	7	43,392
2029	25,431	16,944	26	1	42,402
2030	25,642	15,870	—	—	41,512
2031–2035	125,825	62,063	—	—	187,888
2036–2040	95,510	32,975	—	—	128,485
2041–2045	34,935	19,109	—	—	54,044
2046–2050	33,635	10,428	—	—	44,063
2051–2054	21,165	2,848	—	—	24,013
Subtotal	434,818	$ 217,103	615	49	652,585
Plus (less):					
Unamortized bond premium	47,195		—		
Unamortized debt extinguishment costs	(1,104)		—		
Total	$ 480,909		615		

(9) Lease Receivables

(a) University of South Alabama

The University leases land, buildings, and suites to various lessees expiring at various dates through 2069. For the year ended September 30, 2025, the University recognized a total of approximately $12,471,000 of inflows of resources from leases, of which $7,772,000 was recognized as lease revenue which is included in other operating revenues and interest approximately of $4,699,000 which was recognized as a component of net investment income in the statement of revenues, expenses, and changes in net position.

(Continued)

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
2026	$	6,368	4,649	11,017
2027		5,734	4,385	10,119
2028		5,725	4,119	9,844
2029		4,464	3,868	8,332
2030		3,510	3,684	7,194
2031–2035		11,331	16,555	27,886
2036–2040		12,534	13,882	26,416
2041–2045		15,618	10,799	26,417
2046–2050		19,455	6,959	26,414
2051–2055		18,960	2,178	21,138
2056–2060		3	2	5
2061–2065		4	2	6
2066–2069		3	1	4
Lease receivable	$	103,709	71,083	174,792

Of the $103,709,000 lease receivable, approximately $97,408,000 is related to leases between the University and its component units.

(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. Space in Buildings I, 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 year ended September 30, 2025, the Corporation recognized operating expense reimbursement income of $88,000 as a component of operating revenues in the statement of revenues, expenses, and changes in net position.

Space under lease to the University was 95,334 square feet at September 30, 2025.

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 initial lease was terminated in

December 2022 and replaced with a new lease with an initial term of 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, 2025. 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, 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.

For the year ended September 30, 2025, the Corporation recognized approximately $408,000 in revenues related to short-term leases and a total of approximately $3,614,000 of inflows of resources from financing leases, of which approximately $3,189,000 was recognized as lease revenue and approximately $425,000 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
2026	$	3,273	423	3,696
2027		2,019	341	2,360
2028		2,019	278	2,297
2029		1,825	217	2,042
2030		1,096	171	1,267
2031–2035		1,359	654	2,013
2036–2040		1,301	472	1,773
2041–2045		1,640	247	1,887
2046–2050		487	51	538
2051–2055		149	23	172
2056–2057		69	2	71
Lease receivable	$	15,237	2,879	18,116

(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 year ended September 30, 2025, HCA recognized a total of approximately $934,000 of inflows of resources from leases, of which approximately $761,000 was recognized as lease revenue and approximately $173,000 was recognized as interest income. 88% of total lease revenue recognized was attributable to subleases to the University. The other 12% of total lease revenue is attributable to unrelated third parties. 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, 2025, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 977	174	1,151
2027	880	135	1,015
2028	939	93	1,032
2029	534	57	591
2030	365	37	402
2031-2035	174	121	295
2036-2040	30	110	140
2041-2045	37	102	139
2046-2050	46	93	139
2051-2055	57	82	139
2056-2060	72	68	140
2061-2065	89	50	139
2066-2070	112	28	140
2071-2073	52	4	56
	$ 4,364	1,154	5,518

As of September 30, 2025, 51% of the total lease receivable balance amount reflected on the accompanying statement of net position is related to subleases to the University.

(10) Patient Service Revenues

(a) University of South Alabama

The University of South Alabama Health System (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 settlements 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, 2021. 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 9% of USA Health's net patient service revenues for the year ended September 30, 2025.

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 28% of USA Health's net patient service revenues for the year ended September 30, 2025.

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, 2025, the University received net supplemental payments from this program of approximately $88,176,000, which is included in patient service revenues on the statement of revenues, expenses, and changes in net position.

Revenues from the Medicaid program accounted for approximately 17% of USA Health's net patient service revenues for the year ended September 30, 2025.

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 net patient service revenues for the year ended September 30, 2025 follows (in thousands):

Gross patient service revenues	$	2,560,450
Less:		
Provision for contractual and other adjustments		(1,564,557)
Provision for bad debts		(82,650)
	$	913,243

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. USA Health also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. USA Health estimates the provision for bad debts for patients with deductibles and coinsurance and for 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, 2025, a reduction in revenue of approximately $636,000 was recognized due to changes in estimates of the provision for bad debts.

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, 2025 (in thousands):

		Gross patient service revenues	**Percentage**
Blue Cross	$	569,885	22
Medicaid		541,746	21
Medicare Advantage		528,162	21
Medicare		284,079	11
Commercial		303,210	12
Other		203,318	8
Self pay		130,050	5
	$	2,560,450	100 %

The University provides charity care to patients who meet specific financial need criteria, as outlined in its USA Health Financial Assistance Policy. Charity care is defined as services provided to patients who are unable to pay for all or part of their care and for whom no expectation of payment exists. Costs are calculated based on the cost-to-charge ratio which is applied to the amounts of services provided to qualifying patients. The estimated cost of charity care provided for USA Health University Hospital and

(Continued)

USA Health Children's & Women's Hospital during the year ended September 30, 2025 is as follows (in thousands):

	USA Health University Hospital	USA Health Children's & Women's Hospital
Approximately charges foregone, based on established rates	$ 20,044	2,013
Percentage of charity care charges to total charges	33%	41%

(b) Health Care Authority

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.

A summary of the basis of reimbursement with major third-party payors 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, HCA 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. HCA is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by HCA and audits by the Medicare fiscal intermediary.

HCA acquired Providence Hospital on October 1, 2023. HCA had no prior responsibility for filing Providence Hospital's Medicare cost report prior to that date. HCA filed its first Medicare cost report for the year ended September 30, 2024 on February 27, 2025 for review and audit by the Medicare fiscal intermediary.

Revenues from the Medicare program accounted for approximately 16% of HCA's gross patient service revenues for the year ended September 30, 2025.

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 21% of HCA's gross patient service revenues for the year ended September 30, 2025.

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.

Revenues from the Medicaid program accounted for approximately 6% of HCA's gross patient service revenues for the year ended September 30, 2025.

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

The composition of net patient service revenues for the year ended September 30, 2025 is as follows (in thousands):

Gross patient service revenues	$	1,235,409
Provision for contractual and other adjustments		(932,342)
Provision for bad debts		(25,952)
Net patient service revenues	$	277,115

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 for 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.

Providence Hospital provides charity care to patients who meet specific financial need criteria, as outlined in the USA Health Providence Financial Assistance Policy. Charity care is defined as services provided to patients who are unable to pay for all or part of their care and for whom no expectation of payment exists. Costs are calculated based on the cost-to-charge ratio which is applied to the amounts of services provided to qualifying patients. The estimated cost of charity care provided during the year ended September 30, 2025 was approximately $6,700,000.

Approximate charges forefone, based on established rates (in thousands)	$	27,756
Percentage of charity care charges to total charges		24%

(Continued)

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, 2025 (in thousands):

	Gross patient service revenues	Percentage
Medicare managed care	$ 485,392	39 %
Blue Cross	253,354	21
Medicare	195,182	16
Other	126,846	10
Medicaid	73,535	6
Self pay patients	63,613	5
Health maintenance organization	37,487	3
	$ 1,235,409	100 %

(11) Business and Credit Concentrations

(a) University of South Alabama

The University grants credit to patients, substantially all of whom reside in the University's service area. The University 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, 2025 is as follows:

Self Pay	19 %
Medicare Advantage	17
Blue Cross	16
Medicaid	16
Commercial	12
Medicare	9
Other	11
	100 %

(b) Gulf Coast TotalCare

During fiscal year 2025, the Alabama Medicaid Agency (AMA) paid Gulf Coast TotalCare (Gulf Coast) $1.26 per member serviced per month, as well as service payments based on the actual care management services provided. Gulf Coast contracted with Triton Health Systems, LLC ("Triton") to provide the care management services to covered Medicaid recipients. All payments to Gulf Coast from

the AMA for these services are remitted to Triton, less 9.50% ($700,000 annual minimum) for management and administrative services performed by Gulf Coast.

Medicaid contract service revenues received from the AMA comprised 100% of Gulf Coast's operating revenues for the year ended September 30, 2025. Third-party administration fees paid to Triton comprised 91% of Gulf Coast's operating expenses for the year ended September 30, 2025.

(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. Act 2022-222 amended benefits for Tier 2 members, and they are now eligible for retirement after 31 years of creditable service and are entitled to an annual retirement benefit, with a 2% reduction for each year under 62, 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 13.57% of annual pay for Tier 1 members and 12.60% 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 $25,978,000 for the year ended September 30, 2025 are included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

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

At September 30, 2025, the University reported a liability of approximately $279,777,000 for its proportionate share of the collective net pension liability. At September 30, 2025, the collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the University's proportion of contributions to the pension plan was 2.150783%, which was a decrease of 0.04068% from its proportion measured as of September 30, 2023 of 2.191463%.

For the year ended September 30, 2025, the University recognized pension expense of approximately $22,166,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2025, 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	$	27,821	2,017
Changes of assumptions		4,291	—
Net difference between projected and actual earnings on pension plan investments		—	45,881
Changes in proportion and differences between employer contributions and proportionate share of contributions		—	24,651
Employer contributions subsequent to measurement date		25,978	—
	$	58,090	72,549

At September 30, 2025, approximately $25,978,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. 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:		
2026	$	(9,881)
2027		4,789
2028		(20,168)
2029		(15,177)
2030		—
Thereafter		—
	$	(40,437)

(Continued)

(e) Actuarial Assumptions

The total pension liability as of September 30, 2025 was determined by an actuarial valuation as of September 30, 2023, 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, including inflation
** Includes inflation

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020, and a discount rate of 7.45%. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables set forward by two years and further 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	1.5
	100.0 %	

* Includes assumed rate of inflation of 2.00%

(Continued)

(f) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2025 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):

		1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	$	389,007	279,777	187,836

(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, 2024 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, 2024. The auditors' report dated February 27, 2025 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, 2024 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 approximately $309,000 included in the statement of revenues, expenses, and changes in net position representing 125 employees for the year ended September 30, 2025.

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 approximately $12,195,000 included in the statement of revenues, expenses and changes in net position representing 3,029 employees participating in this plan for the year ended September 30, 2025. 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, 2025, 371 employees participated in this plan. All eligible employees are fully vested in their accounts under this plan immediately upon contributing.

(b) Compensated Absences

In fiscal year 2025, the University adopted the provisions of Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as leave that has been used but not yet paid or settled through noncash means. 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 paid time off (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 unused leave of approximately $38,021,000 at September 30, 2025. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements.

(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, 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 approximately $8,175,000 for the year ended September 30, 2025 and are included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

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

At September 30, 2025, the University reported a liability of approximately $396,009,000, for its proportionate share of the net OPEB liability. At September 30, 2025, the net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the University's proportion of contributions to the OPEB plan was 4.307503%, which was an increase of 0.207525% from its proportion measured as of September 30, 2023 of 4.099978%.

For the year ended September 30, 2025, the University recognized OPEB expense of approximately $21,812,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2025, 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	$ 184,682	85,470
Changes of assumptions	136,383	56,029
Net difference between projected and actual earnings on OPEB plan investments	—	9,770
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,805	38,569
Employer contributions subsequent to the measurement date	8,175	—
	$ 405,045	189,838

At September 30, 2025, approximately $8,175,000 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, 2026.

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

Year ending September 30:	
2026	$ 43,809
2027	37,602
2028	18,561
2029	34,143
2030	55,985
Thereafter	16,932
	$ 207,032

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2025 was determined by an actuarial valuation performed as of September 30, 2023, 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	3.89 %
Municipal bond index rate at prior measurement date	4.53 %
Projected year for fiduciary net position to be depleted	2040
Single equivalent interest rate at the measurement date	4.32 %
Single equivalent interest rate at prior measurement date	7.00 %
Healthcare cost trend rate	
Pre-Medicare eligible	6.75 %
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.50 %
Medicare eligible	4.50 %
Year of ultimate trend rate	
Pre-Medicare eligible	2033
Medicare eligible	2028
Optional plans trend rate	2.00 %

* Includes 2.75% wage inflation

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

*** Initial Medicare trend rates are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiation period.

(Continued)

Mortality rates were based on the Pub-2010 Teacher Below Median tables set forward by two years and further 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, 2023 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, 2025 was 4.32%. 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, which is currently $800 per non-university active member. 9.751% of the employer contributions were used to assist in funding retiree benefit payments in fiscal year 2024. It is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point, based on budget projections, the monthly employer rate will increase to $904 in fiscal year 2026, $1,114 in fiscal year 2027, and then will increase with inflation at 2.5% starting in fiscal year 2028. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by 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 2122.

(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):

		1% Decrease (3.50)%	Current rate (4.50)%	1% Increase (5.50)%
University's proportionate share of collective net OPEB liability	$	318,556	396,009	495,885

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 4.32%, as well as what the net OPEB liability would be if calculated using one percentage point lower 3.32% or one percentage point higher 5.32% than the current rate (in thousands):

		1% Decrease (3.32)%	Current rate (4.32)%	1% Increase (5.32)%
University's proportionate share of collective net OPEB liability	$	481,060	396,009	328,044

(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, 2024. The supporting actuarial information is included in the GASB Statement No. 75 Report for PEEHIP prepared as of September 30, 2024. 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, 2025. 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 $4,026,000 for the year ended September 30, 2025 and are included in salaries and benefits expense on the statement of revenues, expenses and changes in net position. 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, 2025 for the PLTF, GLTF, and health plan are summarized as follows (in thousands):

Balance, beginning of year	$	72,621
Premiums and other additions		125,404
Claims, administrative fees paid, and other reductions		(131,814)
Balance, end of period	$	66,211

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, 2025, the University had certain related-party transactions with affiliates as described below.

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, 2025, SAMSF had total assets of approximately $14,312,000, net assets of approximately $14,181,000, and total revenues of approximately $2,629,000. During fiscal year 2025, SAMSF made contributions of approximately $178,000 to support clinical trials and research at the University. Contributions from SAMSF are presented as private grants and contracts revenues on the statement of revenues, expenses, and changes in net position for 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 the University. This not-for-profit corporation had no financial activity for the year ended September 30, 2025.

(17) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2025, the University had been awarded approximately $73,252,000 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 in the normal course of business. 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, 2025, 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 95,334 square feet at September 30, 2025. See note 9 for additional details.

(e) Gulf Coast TotalCare Letter of Credit

In connection with Gulf Coast TotalCare's participation in the Alabama Coordinated Health Network, it was required to establish a $250,000 irrevocable standby letter of credit for the sole benefit of the Alabama Medicaid Agency. The letter of credit was obtained through Hancock Whitney Bank and expires on December 30, 2025. The letter of credit is collateralized by a certificate of deposit. No amounts were advanced on the letter of credit during the year ended September 30, 2025.

(Continued)

(18) Functional Expense Information

Operating expenses by functional classification for the year ended September 30, 2025 are as follows (in thousands).

Instruction	$	128,260
Research		35,261
Public service		14,492
Academic support		31,673
Student services		50,199
Institutional support		48,954
Operation and maintenance of plant		13,756
Scholarships		18,512
USA Health		1,004,826
Auxiliary enterprises		20,918
Depreciation and amortization		92,819
	$	1,459,670

(19) Blended Component Units

As more fully described in note 1, HCM, PLTF, GLTF, Providence IPA, JAF, FRAC and other billing related entities are reported as blended component units. Prior to fiscal year 2025, the Jaguar Athletic Fund (JAF) and the USA Foundation for Research and Commercialization (FRAC) were not presented in the

(Continued)

University's financial statements because they were not considered significant enough to warrant inclusion in the University's reporting entity.

Required combining financial information of the aggregate blended component units as of and for the year ended September 30, 2025 follows (in thousands):

Current assets	$	45,818
Noncurrent assets		40,504
Total assets		86,322
Current liabilities		27,471
Noncurrent liabilities		50,359
Total liabilities		77,830
Net position	$	8,492
Operating revenues	$	545,909
Operating expenses		(553,418)
Operating loss		(7,509)
Nonoperating revenues		8,515
Nonoperating expenses		—
Change in net position	$	1,006

(20) Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is effective for fiscal years beginning after June 15, 2025. The primary objective of Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets and requires disclosure of certain information regarding capital assets to be presented by major class.

The effect of the implementation of GASB Statement Nos. 103 and 104 on the University has not yet been determined.

(Continued)

(21) Subsequent Event

(a) University of South Alabama

During fiscal year 2026, the Mitchell Cancer Institute was affected by a cybersecurity breach involving its third-party billing vendor, Unlimited Systems. On October 17, 2025, the vendor's Vector data center environment was compromised, resulting in the shutdown of the platform used for oncology billing and collections. As a result of the disruption, Mitchell Cancer Institute lost access to legacy billing information, and charges and payments were held pending system restoration and completion of the transition to Cerner Patient Accounting, the long-term billing solution selected by USA Health. Management will reflect all known and measurable financial impacts of this incident in the fiscal year 2026 financial statements.

(b) Health Care Authority

In October 2025, HCA received notice for the option to exercise Right of First Refusal related to the ASC Ground Lease and Development Agreement with HHRE USA Fairhope ASC, LLC (HHRE). The agreement allows HCA to have the right of first refusal in the purchase of the Ambulatory Surgery Center located on the USA Health Mapp Family Campus and to receive assignment of the Ground Lease on which the building resides.

On November 13, 2025, HCA notified HHRE of their intent to exercise their right to purchase the Building and receive assignment of the Ground Lease at a target price of $15,100,000. The transaction is expected to take place on or before January 13, 2026. The purchase will be funded on behalf of HCA by the University.

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 2016 to 2025

(In thousands of dollars)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
University's proportion of the net pension liability	2.150783 %	2.191463 %	2.418758 %	2.521971 %	2.551330 %	2.664536 %	2.843720 %	3.018313 %	3.108048 %	3.185471 %
University's proportionate share of the net pension liability	$ 279,777	349,710	375,894	237,578	315,591	294,615	282,739	296,654	336,477	329,294
University's covered-employee payroll during the measurement period	$ 193,271	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	144.76 %	193.19 %	199.81 %	128.43 %	173.52 %	154.61 %	147.63 %	147.98 %	169.61 %	163.13 %
Plan fiduciary net position as a percentage of the total pension liability	71.41 %	63.57 %	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %

Unaudited – see accompanying auditors' report.
Covered-employee payroll: payroll on which contributions to a pension plan are based.
The measurement period for each year presented is the prior fiscal year ending September 30.
For fiscal year 2025, the measurement period is October 1, 2023 - September 30, 2024.

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 2016 to 2025

(In thousands of dollars)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 25,978	22,307	21,345	22,005	21,566	21,413	22,481	22,262	23,664	23,405
Contributions in relation to the contractually required contribution	25,978	22,307	21,345	22,005	21,566	21,413	22,481	22,262	23,664	23,405
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
University's covered-employee payroll	$ 193,271	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	13.44 %	12.32 %	11.35 %	11.90 %	11.86 %	11.24 %	11.74 %	11.11 %	11.93 %	11.59 %

Unaudited – see accompanying auditors' report.
Covered-employee payroll: payroll on which contributions to a pension plan are based.
The measurement period for each year presented is the prior fiscal year ending September 30.
For fiscal year 2025, the measurement period is October 1, 2023 - September 30, 2024.

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 2025

(In thousands of dollars)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
University's proportion of the net OPEB liability	4.307503 %	4.099978 %	3.065860 %	3.974950 %	4.016210 %	2.737717 %	3.156420 %	3.449076 %	2.963813 %
University's proportionate share of the net OPEB liability	$ 396,009	78,808	53,421	205,378	260,646	103,288	259,418	256,178	238,060
University's covered-employee payroll during the measurement period	$ 193,271	181,019	188,126	184,984	181,875	190,559	191,520	200,464	198,378
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	204.90 %	43.54 %	28.40 %	111.02 %	143.31 %	54.20 %	135.45 %	127.79 %	120.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	20.41 %	49.42 %	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.
Covered-employee payroll: payroll on which contributions to a pension plan are based.
The measurement period for each year presented is the prior fiscal year ending September 30.
For fiscal year 2025, the measurement period is October 1, 2023 - September 30, 2024.

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 2025

(In thousands of dollars)

		2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$	8,175	6,171	6,382	5,859	6,868	7,947	7,772	7,728	8,373
Contributions in relation to the contractually required contribution		8,175	6,171	6,382	5,859	6,868	7,947	7,772	7,728	8,373
Contribution deficiency (excess)	$	—	—	—	—	—	—	—	—	—
University's covered-employee payroll	$	193,271	181,019	188,126	184,984	181,875	190,559	191,520	200,464	198,378
Contributions as a percentage of covered-employee payroll		4.23 %	3.41 %	3.39 %	3.17 %	3.78 %	4.17 %	4.06 %	3.86 %	4.22 %

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

Unaudited – see accompanying auditors' report.
Covered-employee payroll: payroll on which contributions to a pension plan are based.
The measurement period for each year presented is the prior fiscal year ending September 30.
For fiscal year 2025, the measurement period is October 1, 2023 - September 30, 2024.

(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, 2025 was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Investment rate of return*	7.45%
Projected salary increases**	3.25-5.00%

* Net of pension plan investment expense
** Includes inflation

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020, and a discount rate of 7.45%. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables set forward by two years and further 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 September 30, 2023 valuation reflects the impact of Act 2022-222.

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) Changes in Actuarial Assumptions

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were

(Continued)

adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

(c) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2025 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.

(d) 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	7.45%, 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 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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

The September 30, 2022 valuation reflects the impact of Act 2022-222.

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

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

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

(Continued)

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 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, 2024 is determined based on the actuarial valuation as of September 30, 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 normal
Amortization method	Level percent of pay, closed
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Inflation	2.50%
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	2031 for pre-Medicare eligible 2027 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 increases through plan year 2025.

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

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

The Board of Trustees
University of South Alabama:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of University of South Alabama (the University) as of and for the year ended September 30, 2025, 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 22, 2025. The financial statements of Providence Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Providence Foundation.

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 University'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.

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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 University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
December 22, 2025

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

February 4, 2026

Audit Committee
University of South Alabama
Mobile, Alabama

To the audit committee of University of South Alabama:

We have audited the basic financial statements of the University of South Alabama (the University) as of September 30, 2025 and for the year then ended, and have issued our report thereon dated December 22, 2025. Under our professional standards, we provided you with a presentation dated December 3, 2025 that related to our audit of the basic financial statements of the University as of September 30, 2025 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 communication to you:

Resolution of Outstanding Matters

All outstanding matters communicated to you on December 3, 2025 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. Communications/reports on control deficiencies issued to management.

Update to Required Communications

Corrected misstatements

Subsequent to our presentation on December 3, 2025, an additional misstatement was proposed and corrected by management in the books and records of the University. Specifically, the misstatement related to the classification of principal and interest activity on financing leases as financing activities on the statement of cash flows instead of operating activities.

Other than this matter, no other matters have come to our attention subsequent to December 3, 2025 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, 2025 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

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April 17, 2025

Mrs. Kristen Roberts
Chief Financial Officer
University of South Alabama
307 University Boulevard, AD 380
Mobile, Alabama 36688

Attention: Mrs. Kristen Roberts, *Chief Financial Officer*

This Engagement Letter, including the Standard Terms and Conditions for Audit and Attestation Services attached hereto as Appendix II and any other exhibits, attachments, addenda or appendices attached hereto (collectively, the "Agreement"), is between University of South Alabama (the University) and KPMG LLP (KPMG), whereby the University is engaging KPMG to provide the professional services described herein.

Objectives and limitations of services

Audit services

We will perform an audit of the University's basic financial statements (the "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 (GAAS) and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The objectives of our audit 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 it 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. Misstatements can arise from fraud or error and 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.

As part of an audit in accordance with GAAS 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.

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- 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 GAAS 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.

Internal control over financial reporting

We will obtain an understanding of the University's 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 entity's internal control.

The objective of our audit of the Financial Statements is not to report on the University's internal control over financial reporting 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.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Financial Statements are free of material misstatement, we will also 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.

Required supplementary information

We will perform certain limited procedures to the required supplementary information as required by GAAS. 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.

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 GAAS 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.

Uniform Guidance compliance audit services

You have requested that we audit the University's major federal programs in accordance with Title 2 US 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.

We have the responsibility to conduct and will conduct the audit of the major programs in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance with the objectives of obtaining reasonable assurance about whether material noncompliance with the compliance requirements occurred, whether due to fraud or error, and expressing an opinion on the University's compliance based on the audit. 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 GAAS, Government Auditing Standards, and the Uniform Guidance will always detect noncompliance when it exists.

As part of an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we exercise professional judgment and maintain professional skepticism throughout the audit. We also will:

- Identify and assess the risks of material noncompliance, whether due to error or fraud, design and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions on the major programs.

- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance.

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 by an audit even though the audit is properly planned and performed in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance. 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. Noncompliance with compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it could reasonably be expected to influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of the federal programs as a whole.

Our reporting responsibilities

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the Financial Statements addressed to the board of trustees. 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 auditors' report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures, such circumstances arise, we will communicate to the board of trustees ("Those Charged with Governance") our reasons for modification or withdrawal.

We will also issue a written report on the supplementary information upon completion of our audit.

In accordance with Government Auditing Standards, we will issue a written report, *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* ("GAGAS report"), describing our consideration of internal control over financial reporting and our tests of compliance made as part of our audit of the Financial Statements. We will include in this report any material weaknesses and significant deficiencies identified based on the audit work performed. We will also include in this report any of the following that we identify or suspect:

- Instances of noncompliance with certain provisions of laws, regulations, contracts, or grant agreements that could have a direct and material effect on the Financial Statements; or
- Instances of fraud that are material, either quantitatively or qualitatively, to the Financial Statements.

The GAGAS 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 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 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 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.

We will prepare a written report (Single Audit Report) which 1) provides our opinion on the University's compliance with compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could 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.

Annual report

The auditing standards require us to read the other information in the Entity's annual report and consider whether a material inconsistency exists between the other information and the Financial Statements. Management has identified the following document comprising the annual report:

- University of South Alabama 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.

Exempt offerings

In the event the University requests our involvement with a future exempt filing that will include or incorporate by reference the Financial Statements and our audit reports thereon, professional standards require us to be separately engaged. The specific terms of our future services with respect to future exempt offerings will be determined at the time such services are to be performed and will be subject to the negotiation, agreement, and execution of a specific engagement letter or contract.

In the event the University does not engage us to be involved 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 Those Charged with Governance

We will communicate the planned scope and timing for our audits with Those Charged with Governance, including significant risks identified in planning our audits.

We will communicate to Those Charged with Governance, in writing, concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the Financial Statements that we have identified during the audit.

We will report to 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 auditors' report, the effect of uncorrected misstatements related to prior periods, and that uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if the auditor has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.
- Our views about qualitative aspects of the University's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
- Significant unusual transactions, if any.
- Significant difficulties, if any, encountered during our audits.
- Disagreements with management, if any.
- Circumstances that affect the form and content of our auditors' report, if any.

- Matters that are difficult or contentious for which the auditor consulted outside the engagement team and that are, in the auditors' judgment, significant and relevant to Those Charged with Governance regarding their responsibility to oversee the financial reporting process.
- Other matters required to be communicated by GAAS and Government Auditing Standards.
- Any significant deficiencies and material weaknesses in internal control over compliance identified during the compliance audit.

We will also determine that Those Charged with Governance have been informed of i) the initial selection of, and changes in, significant accounting policies, including the application of new accounting pronouncements during the period under audit, ii) our views on the policies and practices management used to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas, particularly when there is a lack of authoritative material or consensus.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to Those Charged with Governance and determine that Those Charged with Governance have received copies of all material written communications between ourselves and management.

To the extent that we become aware of information concerning an instance of noncompliance or suspected noncompliance with laws and regulations, we will discuss the matter with management (at a level above those involved with the suspected noncompliance), unless they are clearly inconsequential. Additionally, to the extent they come to our attention, we will inform the appropriate level of management about 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 Those Charged with Governance matters involving 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

Financial statements

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with US generally accepted accounting principles, of the Financial Statements and all representations contained therein.

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.

It is also the responsibility of management, with the oversight of Those Charged with Governance:

- To ensure that the Entity's operations are conducted in accordance with the provisions of laws, and regulations, including compliance with the provisions of laws, and regulations; and
- For disclosing to us, in writing, all known instances of noncompliance or suspected noncompliance with laws and regulations.

Management is also 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 responsible for disclosing to us all deficiencies in the design or operation of internal control over financial reporting of which they are aware. Management will also separately disclose to us all such deficiencies that they believe to be significant deficiencies or material weaknesses in internal control over financial reporting. The audit of the Financial Statements does not relieve management or Those Charged with Governance of their responsibilities.

In accordance with Government Auditing Standards, it is the responsibility of management, with the oversight of Those Charged with Governance:

- To ensure that the entity's operations are conducted in accordance with the provisions of contracts and grant agreements, including compliance with the provisions of contracts and grant agreements that determine the reported amounts and disclosures in an entity's financial statements; and
- For disclosing to us, in writing, all known instances of noncompliance or suspected noncompliance with the provisions of contracts and grant agreements.

In accordance with Government Auditing Standards and the Uniform Guidance, 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 findings have been addressed and related recommendations have been implemented, prior to June 30, 2025, to facilitate our audit planning;
- Provide us with written responses and any planned corrective actions 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; and
- Distribute the report(s) issued by KPMG.

Required supplementary information

Management of the University also acknowledges and understands that they have responsibility for the preparation of the required supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the required supplementary information.

Supplementary information

Management acknowledges and understands that they have responsibility for the preparation of the SEFA ("Supplementary Information") 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.

Uniform Guidance

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

- Identifying the University's federal awards and understanding and complying with the compliance requirements.
- Designing, implementing and maintaining effective controls that provide reasonable assurance that the University administers federal awards in compliance with the compliance requirements.
- Complying with federal laws, statutes, regulations, rules, and provisions of contracts or grant agreements of federal awards.
- 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. Management is also responsible for submitting the reporting package and data collection form.

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 Agreement as necessary to accommodate such a request.

Other

Management 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 GAAS, 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. Management's 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.

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 the Agreement 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.

Other Government Auditing Standards and Uniform Guidance matters

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 OMB Compliance Supplement. We expect the 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.

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.

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

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 Agreement serves as the University's authorization for the submission of the reporting package in this format.

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 (the "Services") and the fees associated with providing such Services.

In addition, fees for any additional 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 management.

We shall be pleased to discuss this Agreement with you at any time. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our Services including our respective responsibilities.

Very truly yours,

KPMG LLP

Ashley E. Willson
Partner

ACCEPTED

University of South Alabama

Kristen Roberts
Chief Financial Officer

4/18/25
Date

Appendix I

Reports, Services and Associated Fees

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

Audits of the basic financial statements and related notes to the basic financial statements of University of South Alabama and USA Research and Technology Corporation as of and for the year ended September 30, 2025 and the other reports detailed below. This fee also includes the audit of one major program in accordance with the Uniform Guidance.	$750,000
Audit of the basic financial statements and related notes to the basic financial statements of University of South Alabama Health Care Authority as of and for the year ended September 30, 2025.	50% of KPMG's standard billing rates

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

*This report is subject to a separate engagement letter, which will be executed separately

Non-audit services

We will assist management by providing word processing and/or reproduction assistance for the Financial Statements and related notes, the SEFA and related notes, and with completion of SF-SAC Section 1: Federal Awards, SF-SAC Section 2: Notes to SEFA, and SF-SAC Section 5: Corrective action plan workbooks that are uploaded and submitted to the Federal Audit Clearinghouse. We will assist management in preparing the Financial Statements and related notes in accordance with U.S. generally accepted accounting principles.

It is understood and agreed that KPMG's non-audit services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, the University. KPMG will not perform management functions or make decisions for the University In connection with KPMG's provision of non-audit services under the Engagement Letter, the University agrees that the University and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee such services, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including monitoring on-going activities.

Fees and expenses

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. 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***
March 15, 2025	$250,000
July 1, 2025	250,000
August 1, 2025	225,000
October 1, 2025	25,000

An initial fee of $100,000 will be billed on March 15, 2025 related to the audit of University of South Alabama Health Care Authority. Expenses are also billed for reimbursement as incurred.

Appendix II

Standard Terms and Conditions for Audit and Attestation Services

1. Definitions.

(a) "Agreement" means the Engagement Letter and these Standard Terms and Conditions for Audit and Attestation Services and any exhibits, attachments, addenda or appendices attached thereto.

(b) "AICPA" means the American Institute of Certified Public Accountants.

(c) "Applicable Export Control Laws" means applicable export control laws and regulations of the United States, United Kingdom, European Union, and Switzerland.

(d) "Applicable Sanctions" means comprehensive, economic, financial or trade sanctions or export embargoes maintained or enforced by the governments of the United States (including the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State and the U.S. Department of Commerce), Canada (including Public Safety Canada and Global Affairs Canada), the United Kingdom (including the Office of Financial Sanctions Implementation, Export Control Joint Unit, Her Majesty's Treasury, the Department of Trade and Foreign, Commonwealth and Development Office), or Switzerland, the United Nations Security Council, the European Union or any European Union member state.

(e) "Client" or "you" (or derivatives thereof) means the engaging entity or entities who are legally bound as a party(ies) to the Engagement Letter.

(f) "Client Parties" means the entity(ies) to whom KPMG is providing the Services.

(g) "Confidential Information" means "confidential client information" as such term is defined in the AICPA Code of Professional Conduct.

(h) "Data Privacy Framework" means, individually or collectively, the EU-U.S. Data Privacy Framework, UK Extension to the EU-U.S. Data Privacy Framework, and Swiss-U.S. Data Privacy Framework, and successor frameworks thereto.

(i) "Engagement Documentation" means audit documentation and/ or attestation documentation, as applicable, as defined under the applicable professional standards. Terms such as working papers or workpapers may also be used.

(j) "Engagement Letter" means the engagement letter to which these Standard Terms and Conditions for Audit and Attestation Services are attached.

(k) "Enabling Tools" means KPMG proprietary and third-party scripts or software tools that KPMG may make available to Client to assist Client in the extraction of data from Client's Systems in connection with the Services or to otherwise facilitate KPMG's Services to Client.

(l) "KPMG" or "we" (or derivatives thereof) means KPMG LLP, a Delaware registered limited liability partnership and the United States member firm of the international KPMG network of independent firms.

(m) "KPMG Parties" means KPMG, Member Firms and the legal entities comprising KPMG International and their respective partners, principals, employees, and agents.

(n) "KPMG Resources" means KPMG, Member Firms and third-party service and technology providers engaged by KPMG or a Member Firm, which may be located in or outside of the United States.

(o) "Legal Demand" means a validly issued legal or regulatory demand or request, subpoena or other legal process.

(p) "Member Firms" means the members of the international KPMG network of independent firms and entities controlled by, under common control with, or sublicensees of, one or more KPMG network member firms.

(q) "Regulators" means any federal, state, and foreign regulators, as applicable, that issue valid process or other lawful demands for Engagement Documentation.

(r) "Services" means the services as defined in the Engagement Letter.

(s) "Systems" means Client's electronic books and records systems or other systems.

2. Use of KPMG Resources and Enabling Tools.

(a) KPMG may engage KPMG Resources to assist in the performance of the Services, for example via subcontracting or contingent workforce personnel. KPMG remains responsible to Client for the performance of such Services, and adherence to obligations of confidentiality, by any KPMG Resources to the same extent KPMG is obligated under the terms of this Agreement. Client acknowledges and agrees that the KPMG Parties will not be subject to flow-down terms set forth in the Agreement. Client agrees it shall not bring any claim relating to the Agreement against any KPMG Resource, other than KPMG.

(b) KPMG may, with the assistance of KPMG Resources, use information obtained during engagements (i) to analyze trends, perform comparative analysis, and develop and improve benchmarks; (ii) to develop and improve technology and services; and (iii) to improve other services to Client and to provide insights to Client about its business. Such information will not be disclosed to third parties other than KPMG Resources assisting KPMG with these uses unless such information is in an aggregated or anonymized format that does not identify Client.

(c) Enabling Tools.

(i) To facilitate KPMG's Services, KPMG may provide Client with access to or use of Enabling Tools. Client may use Enabling Tools solely to facilitate Client's provision of information to KPMG in connection with the Services, or to otherwise facilitate the receipt of KPMG's Services. Client may not permit third parties outside of Client's organization to have access to or use of Enabling Tools without KPMG's prior written approval, provided that agents or contractors of Client having a need to know in order to perform their services to Client are permitted to have access to and use of Enabling Tools to the extent necessary for such parties to perform such services. Client may not redistribute, reproduce (except as necessary to run), modify, commercialize, allow third parties to access (except as permitted above or as otherwise authorized by KPMG in writing), or reverse engineer or decompile (except where such rights cannot be limited by applicable law) Enabling Tools. Enabling Tools are provided on an "as is", "as available" basis.

(ii) Other than as expressly permitted hereby, Client agrees to keep Enabling Tools and credentials for accessing Enabling Tools in its possession, custody, or control confidential, using no less than a reasonable standard of care to protect them from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing Legal Demand in Paragraph 3(c) below, mutatis mutandis.

(iii) Enabling Tools are not intended to be used as a system of record, repository, or hosting service, and Client acknowledges that its access to Enabling Tools may be suspended at any time. Information contained within online Enabling Tools may be removed within a reasonable period of time (no less frequently than annually) following the conclusion of the Services. Certain Enabling Tools may be subject to additional terms or conditions, which will be provided in advance and in writing for Client's review and acceptance.

(iv) Enabling Tools may include agents or scripts for extracting data from Client's Systems. With respect to such extraction agent or scripts, Client understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to the environment (including without limitation appropriate backup of Client's information and Systems) (collectively, "Change Management Processes"). In the event Client fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, Client acknowledges that the Systems and/or agents or scripts may not function as intended. At the conclusion of the Services, Client shall delete all copies of such Enabling Tools from Client's Systems.

3. Confidentiality; Access to Engagement Documentation by Regulators and others pursuant to Legal Demand and inspection authority.

(a) 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 AICPA and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of Confidential Information without Client consent, except in limited

circumstances. KPMG represents to Client that KPMG (i) will treat Confidential Information in accordance with applicable professional standards, and (ii) has technical, legal and/or other safeguards, measures and controls in place to protect Client's Confidential Information from unauthorized disclosure or use. For the avoidance of doubt, it is understood and agreed that KPMG may disclose Confidential Information (i) to KPMG Resources performing the applicable Services, (ii) to the KPMG Resources providing internal, administrative, clerical, analytical and/or regulatory compliance operations and functions, and information technology support, and (iii) to KPMG Parties for purposes of performing engagement acceptance and other professional responsibilities such as maintaining auditor independence and performing conflicts checks; provided, that such KPMG Resources and KPMG Parties shall be subject to obligations of confidentiality no less restrictive than those contained herein. Further, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, Client's Confidential Information, may be hosted in cloud environments operated by KPMG Parties or KPMG Resources. In all such cases, KPMG shall remain responsible to Client for maintaining the confidentiality of Client's Confidential Information. Any non-disclosure or confidentiality agreements the parties entered into prior to the date of the Agreement shall not be deemed to prevent KPMG from performing the Services in accordance with the Agreement and applicable professional standards.

(b) The Engagement Documentation for the Services is the property of KPMG. If KPMG receives a Legal Demand requiring it to disclose Confidential Information, KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to Client of such Legal Demand in order to permit Client to seek a protective order. 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.

(c) In a proceeding or investigation to which KPMG is not a named party or respondent, if Client requests or KPMG is required or authorized to produce documents or personnel as witnesses or for interviews, or otherwise to make information or materials relating to the Services available to Client or a third party, Client agrees to discuss, in good faith, reimbursement of KPMG's time.

(d) 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 Engagement Documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such Engagement Documentation will be provided. Furthermore, Regulators may obtain copies of selected Engagement Documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

4. Assignment, waiver, and severability.

(a) Subject to Paragraph 2(a) above, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Agreement (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, conditioned or delayed. Any assignment, transfer or delegation in violation hereof shall be null and void.

(b) Failure of a party to exercise or enforce any of its rights hereunder is not a waiver of such rights.

(c) In the event that any term or provision of this Agreement shall be held to be invalid, void or unenforceable, then the remainder of that provision is modified to the extent reasonably necessary to reflect the intent of the parties and this Agreement shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

5. Governing law.

The Agreement and all disputes and claims between the parties (whether based in contract, tort, statute, rule, regulation or otherwise and whether pending in court or in an arbitral forum) shall be governed by and construed in accordance with the substantive and procedural laws of the State in which the Client is located.

6. Alternative dispute resolution.

(a) Any dispute or claim between the parties shall be submitted to non-binding mediation prior to commencing litigation in the State court of competent jurisdiction in which the Client is located.

(b) Either party may seek to enforce any written agreement reached by the parties during mediation, 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.

7. Independence.

For the purpose of complying with the AICPA Code of Professional Conduct, Client agrees to provide the following in relation to the entity(ies) for which we perform a financial statement audit, review, or compilation engagement (as applicable):

(a) at least annually, a complete and accurate listing of all of entity's affiliates as defined by AICPA Code of Professional Conduct interpretation ET 1.224, *Affiliates, Including State and Local Government Affiliates*, as applicable;

(b) timely information about events that may result in a change in entity's affiliates; and

(c) a listing of officers, directors, individuals who have a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the entity, and individuals in key positions with respect to the preparation or oversight of the financial statements.

For the purpose of complying with the AICPA Code of Professional Conduct, Client agrees to provide the following in relation to the entity(ies) for which we perform a non-financial statement audit or attestation engagement (as applicable):

(a) a listing of officers, directors, individuals who have a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the entity, and individuals in key positions with respect to the subject matter of the attest engagement.

8. KPMG Clara.

In an effort to facilitate efficient communication between KPMG and Client related to the Services and to track engagement progress during the course of the engagement, KPMG may provide Client with access to certain service coordination tools (e.g., KPMG Clara). If such access is provided to Client, the provisions set forth in Exhibit I shall apply to such access.

9. Our fees.

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

(b) 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 report and associated consent, if applicable.

(c) Where we are reimbursed for expenses, we will bill you for the amount we 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 you in addition to other clients. Such rebates are not credited back to you but are used to reduce KPMG's overhead.

(d) 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 your sole responsibility. KPMG shall be responsible for its net income or applicable employment taxes.

10. Miscellaneous.

(a) Use of Names and Logos. You give us the right to use your logo solely for presentations or reports to you or for internal KPMG presentations and intranet sites.

(b) Export Control and Sanctions.

(i) Each party shall comply with all Applicable Export Control Laws and Applicable Sanctions in the performance of each party's respective activities under the Engagement Letter and in the use of any Enabling Tools or KPMG Clara made accessible to Client hereunder. Further, Client shall not provide access to any technology provided by KPMG to users in the Russian Federation for services to the Russian Federation that have been banned by Applicable Sanctions.

(ii) Unless requested by KPMG to allow it to complete its Services, Client shall 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 ("Export Controlled Information"), except information, software or hardware that is classified as EAR99 under the Export Administration Regulations. If KPMG requests Export Controlled Information from Client, Client shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.

(iii) Each party represents to the other that neither it nor the KPMG Parties (with regard to KPMG) nor the Client Parties (with regard to Client) are (A) organized, incorporated or resident in jurisdictions subject to comprehensive sanctions (by way of example, Cuba, Iran, North Korea, and Syria or certain regions of Ukraine); (B) listed in Applicable Sanctions; or (C) owned 50% or more or controlled by persons described in (A) or (B). Further, Client represents that it is not engaging KPMG to provide services directly or indirectly to the jurisdictions in (A) or to any party in (B) or (C).

(iv) Each party shall promptly notify the other upon determining or having reason to believe that it is sanctioned under Applicable Sanctions or can no longer make the above representations and warranties or otherwise comply with the provisions of this paragraph. Either party may suspend or terminate access to technology if it concludes that providing access to the technology pursuant to this Agreement would cause a violation of Applicable Sanctions or Applicable Export Control Laws.

(c) Personnel. KPMG is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the Services KPMG is providing, non-CPA holders may participate in the provision of Services under the Agreement.

(d) Data Privacy. KPMG shall comply with and process personal data provided by or on behalf of Client in connection with the Services in accordance with the Data Privacy Framework and its privacy policy located at https://kpmg.com/us/en/home/misc/privacy.html. Subject to the provisions of Section 3, KPMG agrees to: (i) not sell Client personal data, and only process such data for limited and specified purposes of providing the Services, and (ii) provide Client notice if it can no longer process Client personal data in compliance with these obligations.

(e) Order of Precedence. In the event of a conflict between the provisions of these Standard Terms and Conditions for Audit and Attestation Services and the specific provisions in the Engagement Letter, the terms of these Standard Terms and Conditions for Audit and Attestation Services shall control except to the extent the Engagement Letter expressly references the provisions of these Standard Terms and Conditions for Audit and Attestation Services which they modify.

11. Entire agreement; Amendment.

This Agreement constitutes the final, complete and exclusive agreement between the parties with respect to the subject matter of the foregoing and supersedes all other previous and contemporaneous oral and written agreements relating to that subject matter. Any amendments to the Agreement must be made in writing. The parties are aware that there are constitutional and statutory limitations on the authority of University of South Alabama (a state agency) to enter into certain terms and conditions of the Agreement, including but not limited to, those terms and conditions relating to governing law, jurisdiction and venue; liens on University property; disclaimers and limitations of warranties; disclaims and limitations of liability for damages; waivers, disclaimers and limitations of legal rights, remedies, requirements and processes (including waiver of jury trials); limitations of periods to bring legal action; granting control of litigation or settlement to another party; liability for acts or omissions of third parties; payment of attorneys' fees; mandatory dispute resolution; indemnities; and

confidentiality (collectively, the "Limitations"), and any terms and conditions incorporated herein related to the Limitations will not be binding on the University of South Alabama if prohibited by the laws and Constitution of the State of Alabama.

KPMG CLARA
TERMS OF USE

As used herein, "KPMG Clara" shall refer to those service coordination tools made available to Client by KPMG that allow a group of users to access a virtual repository for the purposes of sharing information, engaging in online discussions, providing status with regard to engagement activity and accessing certain content. These terms of use (the "Terms") are between Client and KPMG and shall govern Client's use of KPMG Clara, including content posted to KPMG Clara by KPMG and/or its licensors. If Client is comprised of multiple legal entities, Client agrees that (a) it has the authority to bind all such entities, and (b) these Terms shall govern such entities' use of KPMG Clara. In the event of any conflict or inconsistency between these Terms and the contract(s) between KPMG and Client to which these Terms or KPMG Clara relates, these Terms shall govern with respect to Client's use of KPMG Clara only.

1. Client and its Authorized Users (as defined below) may access and use KPMG Clara solely in furtherance of KPMG's engagement(s) with Client. KPMG Clara is not intended for use as a document retention system and should not be regarded as a system of record. Client should retain or 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 Client's employees and other personnel authorized by Client and approved by KPMG to access and use KPMG Clara. Client shall ensure that all Authorized Users who access and use KPMG Clara comply with these Terms. Client 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. Client may not: (a) copy, translate, modify, adapt or create derivative works from KPMG Clara; (b) rent, lease, lend, pledge, or directly or indirectly transfer or distribute KPMG Clara 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. Client 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 Client's users outside the U.S. (e.g., export control and data privacy laws and regulations). Except for the license granted herein to Client, Client acquires no right or interest of any kind in or to KPMG Clara.

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 Client'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 Client terminates for any reason, all further access to and use of KPMG Clara by Client 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 Client'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.

UNIVERSITY OF SOUTH ALABAMA

December 22, 2025

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

We are providing this letter in connection with your audit of the financial statements of the business-type activities, the aggregate discretely presented component units, and the related notes to the financial statements of the University of South Alabama as of and for the year ended September 30, 2025, 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 US generally accepted accounting principles (US 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 22, 2025:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 17, 2025, for the preparation and fair presentation of the financial statements in accordance with US GAAP.

2. We have made available to you:

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

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

    c. All minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries; and

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

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

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. We have disclosed to you, in writing, all known instances of non-compliance or suspected non-compliance with laws, regulations, contracts and grant agreements, whose effects should be considered when preparing 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 US 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. We are not aware of any concentrations or constraints as defined in GASB Statement No. 102, *Certain Risk Disclosures*, that should be considered when preparing the financial statements.

11. 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.

12. 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.

13. 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*.

14. 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.

15. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

16. 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.

17. We have no knowledge of any officer or trustee of the University or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. 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 US GAAP.

19. 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.

20. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with US 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 might be prevented from fully pursuing its

own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

b. Guarantees, whether written or oral, under which the University is contingently liable.

c. The existence of and transactions with joint ventures and other related organizations.

21. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

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

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

24. 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 US 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.

25. 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*. We have also provided you with information about events, which may result in changes to the Entity's affiliates. We have also provided you with a list of officers, directors, individuals with significant influence over the Entity, and individuals in key positions with respect to the preparation or oversight of the financial statements. The term 'key position' means position in which an individual has primary responsibility for significant accounting functions that support material components of the financial statements; primary responsibility for the preparation of the financial statements; or the ability to exercise influence over the contents of the financial statements, including when the individual is a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position. To the best of our knowledge and belief, we are not aware of any former KPMG partners in a key position with respect to the preparation or oversight of the Entity's financial statements and who have a prohibited financial or business relationship with KPMG (as defined under

Section ET 1.279.020 of the AICPA Code of Professional Conduct) during the period covered by this letter.

26. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis, schedule of University's proportionate share of the net pension liability and related ratios, schedule of the University's pension 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.

27. We are planning to issue other information in an Annual Report that includes the audited financial statements. We have informed you of all documents that are expected to be issued that are considered other information. The information is currently not available but the final version will be provided to you when available, and prior to its issuance.

28. The basis for our proportion of the collective pension and postemployment benefits other than pensions (OPEB) amounts 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 auditors who have audited entities under our control upon whose 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. Provisions has been made, where material, for the amount of any required arbitrage rebate.

31. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g. ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.

32. 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.

33. We confirm that the University is a public institution that meets the requirements of financial responsibility defined in 34 CFR 668.171.

34. 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.

35. In accordance with *Government Auditing Standards,* we have identified to you and provided copies of all previous audits, attestation engagements, and other studies that directly relate to the objectives of your audits, including whether findings have been addressed and related recommendations have been implemented.

36. Except as disclosed to you in writing, there have been no circumstances that have resulted in communications from the University's external legal counsel to the University reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the University or any agent thereof.

37. 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.

38. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations and audit adjustments by intermediaries, third-party payors, or other regulatory agencies. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

Very truly yours,

University of South Alabama

Josiah R. Bonner, Jr.
University President

Kristen Roberts
Chief Financial Officer

University of South Alabama
Summary of Audit Misstatements - Uncorrected
Year ended September 30, 2025

Correcting Entry Necessary at Current Period End					Income Statement Effect - Debit(Credit)			Balance Sheet Effect - 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
		Net Other Postemployment Benefits Liability		(9,000,000)						(9,000,000)
	To reflect the valuation difference	Deferred Outflows	7,500,000						7,500,000	
	from TRS related to the OPEB liability	Other Nonoperating Expenses	1,500,000				1,500,000	1,500,000		

University of South Alabama
Summary of Audit Misstatements - Uncorrected
Year ended September 30, 2025

Correcting Entry Necessary at Current Period End							Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)		
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	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 Outflows	Total Liabilities and Deferred Inflows
	To reflect the discretely presented component unit SAMSF, which is not included in the financial statements	Factual	Accounts	Other noncurrent assets and accounts receivable	14,312,297						14,312,297	
				Other noncurrent liabilites		(15,325,782)						(15,325,782)
				Other Operating Revenues	2,629,494			2,629,494	2,629,494	2,629,494		
				Supp es and Other Services		(1,616,009)		(1,616,009)	(1,616,009)	(1,616,009)		

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

February 4, 2026

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 the University of South Alabama (the University) as of and for the year ended September 30, 2025, 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 22, 2025 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 deficiencies in internal control:

Calculation of the Allowances for Doubtful Accounts and Contractual Adjustments

During our audit testwork related to the allowances for doubtful accounts and contractual adjustments, we noted that management had not adequately documented their detailed review of the calculation of the allowances for doubtful accounts and contractual adjustments. While not resulting in a material audit misstatement, we did identify within the calculation that certain inputs had not been updated from the prior period. We recommend that management perform a detailed review of the calculation, including that the relevant inputs are accurately compiled and applied within the model.

Management's Response

We agree with the audit observation. Management has implemented a recurring monthly review meeting to evaluate the allowance and contractual adjustment calculations prior to recording the related journal entries. This review includes verification that all relevant inputs are complete, accurate, and appropriately applied within the model, as well as an assessment of the reasonableness of inputs carried forward from the prior period. Beginning in December 2025, with the review of November 2025 balances, documentation of this review process will be formally maintained through meeting minutes.

KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Statement of Cash Flows

During our audit testwork related to the statement of cash flows, it was noted that management's review of the statement of cash flows and related supporting schedules did not identify the following items, which were corrected in the basic financial statements:

- Purchases and sales of investments excluded three quarters of activity totaling approximately $40 million and $44 million, respectively, related to the Professional Liability Trust Fund and General Liability Trust Fund and
- Financing lease activity totaling approximately $12 million of both principal and interest payments was inappropriately classified as operating activities instead of capital and related financing activities within the statement of cash flows.

We recommend that management perform a detailed review of the statement of cash flows and its supporting schedules to ensure that all activity is included and properly classified.

Management's Response

We agree with the audit observation. We performed a review of the statement of cash flows and related supporting schedules; however, the review did not identify certain omissions and classification errors that were subsequently corrected during the audit.

To address this matter, we will enhance our review procedures over the statement of cash flows by performing and documenting a more detailed review of the statement and its supporting schedules prior to issuance. The additional review will ensure that all cash flows are appropriately identified and classified in accordance with applicable accounting guidance. We will also implement reconciliation procedures between the statement of cash flows and underlying general ledger and subsidiary schedules to facilitate an effective review.

* * * * * * *

The University's written responses to the deficiencies identified in our audit are described above. The University's written responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

This purpose of this letter is solely to describe the deficiencies 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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended, and have issued our report thereon dated December 22, 2025. We did not audit the financial statements of the University of South Alabama Foundation, which represent 67% of the total assets of the discretely presented component units as of September 30, 2025, and 10% 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 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 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 July 9, 2024, authorizing the issuance of $183,585,000 University Facilities Revenue Bonds, Series 2024-A, 2024-B, and 2024-C, 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 22, 2025

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2025

(With Independent Auditors' Report Thereon)

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)
Basic Financial Statements
September 30, 2025

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USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2025

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, 2025. 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 the University of South Alabama Health System (USA Health). Housing both the University and third-party tenants, the area available for lease totals 229,185 square feet of gross leasable space. At September 30, 2025, total square feet leased and occupied was 198,540. The land on which each building is located is leased from the University. The Corporation owns another building located on the University campus, which is supplied at no cost to the University for use as a faculty club.

At September 30, 2025 and 2024, the Corporation had total assets and deferred outflows of approximately $34,528,000 and $34,567,000; total liabilities and deferred inflows of approximately $31,006,000 and $31,436,000; and net position of approximately $3,522,000 and $3,131,000, respectively.

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

Condensed Financial Information

Condensed financial information for the Corporation as of and for the year ended September 30, 2025 and 2024, follows (in thousands):

Condensed Schedules of Net Position

	2025	2024
Assets and deferred outflows:		
Current	$ 5,431	5,092
Capital assets, net	16,811	17,367
Other noncurrent assets	11,964	11,647
Deferred outflows	322	461
	$ 34,528	34,567

(Continued)

Condensed Schedules of Net Position (continued)

	2025	2024
Liabilities:		
Current	$ 1,724	1,539
Noncurrent	14,805	15,906
Deferred inflows	14,477	13,991
	31,006	31,436
Net position:		
Net investment in capital assets	1,353	1,009
Unrestricted	2,169	2,122
	$ 3,522	3,131

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

	2025	2024
Operating revenues:	$ 3,659	3,775
Operating expenses:		
Building management and operating expenses	1,269	1,264
Depreciation and amortization	1,224	1,326
Other	508	500
Net operating expenses	3,001	3,090
Operating income	658	685
Nonoperating revenues (expenses):		
Interest expense	(773)	(820)
Other	506	514
Net nonoperating expenses	(267)	(306)
Change in net position	391	379
Beginning net position	3,131	2,752
Ending net position	$ 3,522	3,131

(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, current portion; prepaid expenses and other current assets; and accrued interest receivable as of September 30, 2025. The increase in current assets was driven by new lease agreements and lease renewals. Noncurrent assets as of September 30, 2025 consist of capital assets, net, and lease receivable, less current portion. The decrease in noncurrent assets was driven by payments received from tenants for lease agreements and depreciation on capital assets, which was partially offset by an increase from new lease agreements and lease renewals.

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

Current liabilities consist of deposits, other current liabilities, accrued expenses, unrecognized rental revenue, and the current portion of notes payable as of September 30, 2025. The increase in current liabilities was driven by an increase in notes payable, current portion and an increase in accrued expenses. Noncurrent liabilities consist of notes payable as of September 30, 2025. The decrease in noncurrent liabilities was driven by payments made on notes payable.

Deferred inflows represent the Corporation's right to operating revenue from leases in future reporting periods in accordance with Governmental Accounting Standards Board 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 represent 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 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 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, 2025 and 2024, the Corporation reported a change in net position of approximately $391,000 and $379,000, respectively.

(Continued)

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, capital and related financing activities, and investing activities.

Capital Assets and Debt Administration

Total capital asset additions during the year ended September 30, 2025 were approximately $668,000 due to tenant improvement costs incurred for new leases, building improvements, and lease commissions. Construction projects that remain in progress at September 30, 2025 include architecture and planning fees for a potential new building, and improvements to tenant suites in Buildings I, II, and III. At September 30, 2025 the Corporation had no outstanding commitments. See note 3 for further information.

Economic Outlook

Based on leases in effect as of September 30, 2025 and estimates of future operating expenses, it is expected that fiscal year 2026 financial performance will be comparable to fiscal year 2025 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 2026 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; Vice President of Finance; 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 USA Research and Technology Corporation (the Corporation) a component unit of the University of South Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements 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, 2025, 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

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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 22, 2025 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 22 2025

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

Statement of Net Position

September 30, 2025

(in thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	1,987
Lease receivable, current portion		3,273
Prepaid expenses and other current assets		112
Accrued interest receivable		59
Total current assets		5,431
Noncurrent assets:		
Capital assets, net		16,811
Lease receivable, less current portion		11,964
Total noncurrent assets		28,775
Deferred outflows		322
Total assets and deferred outflows		34,528
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		328
Unrecognized rental revenue		295
Notes payable, current portion		1,101
Total current liabilities		1,724
Noncurrent liabilities:		
Notes payable, less current portion		14,805
Total noncurrent liabilities		14,805
Deferred inflows		14,477
Total liabilities and deferred inflows		31,006
Net position:		
Net investment in capital assets		1,353
Unrestricted		2,169
Total net position	$	3,522

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, 2025

(in thousands)

Operating revenues	$	3,659
Operating expenses:		
Building management and operating expenses		1,269
Depreciation and amortization		1,224
Legal and administrative fees		413
Insurance		95
Total operating expenses		3,001
Operating income		658
Nonoperating revenues (expenses):		
Interest expense		(773)
Interest income		72
Other		434
Net nonoperating expenses		(267)
Change in net position		391
Net position:		
Beginning of year		3,131
End of period	$	3,522

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, 2025

(in thousands)

Cash flows from operating activities:		
Receipts from lessees for rent and operating expense reimbursement	$	453
Receipts from other miscellaneous income		8
Payments for building management and operating expenses		(1,121)
Payments to service providers and vendors for legal and administrative fees		(437)
Payments for insurance		(95)
Security deposits refunded		(5)
Net cash used in operating activities		(1,197)
Cash flows from capital and related financing activities:		
Interest paid on notes payable		(637)
Principal repaid on notes payable		(1,061)
Purchases of capital assets		(668)
Proceeds from principal and interest payments on financing leases		3,436
Net cash provided by capital and related financing activities		1,070
Cash flows from investing activities:		
Interest income		72
Net cash provided by investing activities		72
Net change in cash and cash equivalents		(55)
Cash and cash equivalents:		
Beginning of year		2,042
End of period	$	1,987
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	658
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		1,224
Receivables and prepaid expenses		(533)
Financing lease income		(3,189)
Unrecognized rental revenue		492
Other current liabilities, excluding items that are not components of operating income		143
Other		8
Net cash used by operating activities	$	(1,197)
Noncash investing and capital and related financing transactions:		
Increase in accounts payable related to capital assets	$	75
Interest expense from amortization of deferred cash flows related to debt refinancing		(139)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units,* consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the basic financial statements include the accounts of the Corporation, as the primary government.

The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, and by virtue of its affiliation with the University, the Corporation is considered a special-purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, the Corporation's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(c) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are defined as demand accounts, certificates of deposit, and any short-term investments that take on the character of cash, such as a money market account, with original maturities of 90 days or less.

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for Corporation funds on deposit with QPD institutions. At September 30, 2025, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $19.2 billion. The Corporation had cash and cash equivalents in the pool of approximately $2,066,000 at September 30, 2025.

(e) Accounts Receivable

Accounts receivable relates to short-term leases and is recorded net of estimated uncollectible amounts. At September 30, 2025, after reserving for uncollectible accounts, the accounts receivable balance was approximately $22,000 and is included in prepaid expenses and other current assets on the statement of net position.

(f) Capital Assets

All capital expenditures with a cost of $1,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and infrastructure, 20 years for land improvements, 10 years for furniture and fixtures, and 5 years for other equipment. Tenant improvements are amortized over the shorter of the asset's useful life or the term of the related lease. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Any purchase that is for multiple items of minor equipment is evaluated to see if it is substantively part of a single overall transaction, has a single objective, and meets or exceeds the established aggregate threshold of $15,000. If a purchase of minor equipment meets the aggregate guidelines and has a useful life of two or more years, it is capitalized at cost once all items are received and placed into use.

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 are 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, 2025, 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, 2025, 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 5 for further discussion.

Deferred inflows of resources consist of the value of contractual rights to financing lease revenue in future reporting periods. See note 6 for further discussion.

(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, 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 2025, the Corporation adopted the provisions of GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to update measurement guidance and recognition requirements for compensated absences in addition to amending previously required disclosures. There was no impact to the Corporation's basic financial statements in the adoption of this pronouncement due to the Corporation not having any employees.

In addition, the Corporation adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. 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. There was no significant impact to the Corporation's basic financial statements 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.

(Continued)

(3) Capital Assets

Changes in capital assets for the year ended September 30, 2025 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	—	128	—	—	128
	223	128	—	—	351
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	28,872	132	—	—	29,004
Tenant improvements	3,233	390	—	—	3,623
Other equipment	421	—	—	—	421
Computer software	56	—	—	—	56
Lease commissions	456	18	—	(153)	321
Right-of-use assets	3	—	—	—	3
	35,026	540	—	(153)	35,413
Less accumulated depreciation or amortization for:					
Land improvements	(1,810)	(21)	—	—	(1,831)
Buildings	(13,304)	(803)	—	—	(14,107)
Tenant improvements	(2,017)	(339)	—	—	(2,356)
Other equipment	(373)	(9)	—	—	(382)
Computer software	(40)	(13)	—	—	(53)
Lease commissions	(336)	(38)	—	153	(221)
Right-of-use assets	(2)	(1)	—	—	(3)
	(17,882)	(1,224)	—	153	(18,953)
Capital assets being depreciated or amortized, net	17,144	(684)	—	—	16,460
Capital assets, net	$ 17,367	(556)	—	—	16,811

Depreciation and amortization expense totaled approximately $1,224,000 for the year ended September 30, 2025.

Construction in progress totaled approximately $128,000 as of September 30, 2025 and include architecture and planning fees for a potential new building, and improvements to tenant suites in Buildings I, II, and III. At September 30, 2025, the Corporation had no outstanding commitments.

(Continued)

The Corporation's net right-of-use assets, categorized by classification for the year ended September 30, 2025, are as follows (in thousands):

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

(4) Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended September 30, 2025 are as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 16,967	—	(1,061)	15,906	1,101	14,805

(5) Notes Payable

(a) Notes Payable

Notes payable from direct borrowings consisted of the following as of September 30, 2025 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$ 9,654
Hancock Whitney Bank promissory note, 3.08%, payable through 2031	6,252
	$ 15,906

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.

(Continued)

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 not to 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, 2025, the Corporation's debt service coverage ratio was 2.22 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

As of September 30, 2025, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes payable		
	Principal	**Interest**	**Total**
2026	$ 1,101	597	1,698
2027	1,144	554	1,698
2028	9,028	424	9,452
2029	574	135	709
2030	591	117	708
2031	3,468	35	3,503
Total	$ 15,906	1,862	17,768

(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, 2025, the unamortized balance in deferred outflows was approximately $322,000.

(6) Leases

The Corporation leases land, buildings, and suites to various lessees under financing leases and short-term leases expiring at various dates through 2057. Space in Buildings I, 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 year ended September 30, 2025, the Corporation recognized operating expense reimbursement income of $88,000 as a component of operating revenues in the statement of revenues, expenses, and changes in net position.

Space under lease to the University was 95,334 square feet at September 30, 2025.

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 initial lease was terminated in December 2022 and replaced with a new lease with an initial term of 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, 2025. 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, 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.

For the year ended September 30, 2025, the Corporation recognized approximately $408,000 in revenues related to short-term leases and a total of approximately $3,614,000 of inflows of resources from financing leases, of which approximately $3,189,000 was recognized as lease revenue and approximately $425,000 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
2026	$	3,273	423	3,696
2027		2,019	341	2,360
2028		2,019	278	2,297
2029		1,825	217	2,042
2030		1,096	171	1,267
2031–2035		1,359	654	2,013
2036–2040		1,301	472	1,773
2041–2045		1,640	247	1,887
2046–2050		487	51	538
2051–2055		149	23	172
2056–2057		69	2	71
Lease receivable	$	15,237	2,879	18,116

(7) 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 the year ended September 30, 2025, the Corporation engaged in several transactions with the University. The University was charged approximately $1,493,000 during the year ended September 30, 2025, for rental space as described in note 6. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged approximately $550,000 for such services during the year ended September 30, 2025. 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 6.

(8) Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is effective for fiscal years beginning after June 15, 2025. The primary objective of Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets and requires disclosure of certain information regarding capital assets to be presented by major class.

The effect of the implementation of GASB Statement Nos. 103 and 104 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, 2025

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2025

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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, 2025

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, 2025 and 2024, and for the year 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: Vice President of Finance, 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, 2025 and 2024, HCA had total assets of approximately $181,532,000 and $230,044,000; total liabilities and deferred inflows of approximately $171,804,000 and $201,166,000; and net position of approximately $9,728,000 and $28,878,000, respectively.

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

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, 2025. Net position is displayed in three parts: net investment in capital assets, restricted, 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. Restricted net position may be either expendable or nonexpendable and is the net position that is restricted by law or external agreements. 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.

The condensed schedules of net position at September 30, 2025 and 2024 follow (in thousands):

Condensed Schedule of Net Position
(In thousands)

		2025	2024
Assets:			
Current	$	41,944	75,646
Capital assets		134,741	150,289
Other noncurrent assets		3,793	4,109
Total assets	$	180,478	230,044
Liabilities:			
Current	$	45,868	65,007
Noncurrent		120,862	132,479
Total liabilities		166,730	197,486
Deferred inflows		4,020	3,680
Total liabilities and deferred inflows	$	170,750	201,166
Net position:			
Net investment in capital assets	$	9,019	9,572
Restricted		437	431
Unrestricted		272	18,875
Total net position	$	9,728	28,878

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of patient receivables, which comprise approximately 77% of total current assets at September 30, 2025.

At September 30, 2025, noncurrent assets consist primarily of capital assets. 55% of the total assets is primarily attributed to the 31-year lease agreement between the University and HCA for the healthcare assets and facilities acquired in the Providence Hospital acquisition.

At September 30, 2025, current liabilities primarily consist of accounts payable and accrued liabilities, accrued salaries and wages, and the current portion of lease and subscription obligations, which comprise approximately 66%, 14%, and 15%, respectively, of total current liabilities.

At September 30, 2025, noncurrent liabilities primarily consist of the noncurrent portion of lease and subscription obligations and long-term debt. Of these amounts, the noncurrent portion of lease and subscription obligations and long-term debt make up 80% and 18% of total noncurrent liabilities, respectively.

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

(Continued)

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

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.

Restricted net position consists of cash earmarked as security reserves by the USA Health IPA, LLC, a blended component unit of HCA, to satisfy claims incurred but not reported. The funds are restricted specifically to cover said claims.

Unrestricted 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 HCA's unrestricted net position has been internally designated for various projects that support the mission of HCA or general operations.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total HCA 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 the statement is to present the change in net position resulting from revenues earned and expenses incurred by HCA. The statement of revenues, expenses, and changes in net position present revenues received by HCA, both operating and nonoperating, and the expenses paid by HCA, both operating and nonoperating, and any other revenues and expenses received or expended by HCA.

The primary component of HCA's operating revenue sources are patient service revenues. Another significant revenue source, which is considered nonoperating as defined by the GASB, are transfers in from the University to cover the cost of HCA operations. Operating expenses are those incurred in conjunction with the fulfillment of HCA's mission and include salaries and benefits; building and equipment expenses; medical and surgical supplies; other expenses and depreciation.

The condensed schedules of revenues, expenses, and changes in net position at September 30, 2025 and 2024 follow (in thousands):

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

	2025	2024
Operating revenues:		
Net patient service revenues	$ 277,115	273,727
Other operating revenues	32,017	32,477
Total operating revenues	309,132	306,204
Operating expenses:		
Salaries and benefits	164,506	159,711
Other operating expenses	198,802	196,021
Total operating expenses	363,308	355,732
Operating loss	(54,176)	(49,528)
Nonoperating revenues (expenses):		
Support from University of South Alabama	42,396	69,059
Other nonoperating expenses, net	(6,012)	(5,083)
Total nonoperating revenues, net	36,384	63,976
(Decrease) increase in net position	(17,792)	14,448
Net position at beginning of year	28,878	14,430
Cumulative effect of change in accounting principle	(1,358)	—
Beginning balance, as adjusted	27,520	14,430
Net position at end of period	$ 9,728	28,878

For the year ended September 30, 2025, approximately 79% of total revenue is related to patient service revenues. Excluding patient service revenues, the largest component of total revenue is support payments from the University, which represent approximately 12%.

HCA reported a decrease in net position of approximately $17,792,000 for the year ended September 30, 2025

(Continued)

In 2025, the University adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The adoption of the provisions of GASB Statement No. 101 resulted in an increase to current portion of other long-term liabilities of approximately $346,000 and other long-term liabilities, less current portion of approximately $3,107,000. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62,* beginning unrestricted net position was restated by approximately ($1,358,000) for the impact related to the adoption of GASB Statement No. 101. See note 12 for further discussion.

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 $6,831,000 for the year ended September 30, 2025. At September 30, 2025, HCA had no outstanding capital commitments. Additional information regarding HCA's capital assets is included in note 5.

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 USA Health Mapp Family 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, 2025 is approximately $21,478,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

Economic Outlook

The financial outlook for HCA is stable. Since inception, HCA's operations have been partially dependent on funding from the University of South Alabama, with total support amounting to approximately $42,396,000 for the year ended September 30, 2025. The University has committed to continued financial support sufficient for satisfying obligations as they come due until at least January 31, 2027.

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 Kristen Roberts; Vice President of Finance; 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
University of South Alabama Health Care Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University of South Alabama Health Care Authority (HCA), a component unit of the University of South Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise HCA's basic financial statements 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 HCA as of September 30, 2025, 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 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

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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 22, 2025 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 22, 2025

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	222
Restricted cash and cash equivalents		437
Patient receivables (net of allowance for doubtful accounts of $27,315)		33,172
Accounts receivable, other		3,714
Inventories		2,314
Lease receivable, current portion		977
Other current assets		1,108
Total current assets		41,944
Noncurrent assets:		
Capital assets, net		134,741
Investments		406
Lease receivable, less current portion		3,387
Total noncurrent assets		138,534
Total assets	$	180,478
Current liabilities:		
Accounts payable and accrued liabilities	$	30,043
Accrued salaries and wages		6,647
Long-term debt, current portion		236
Lease and subscription obligations, current portion		6,998
Other current liabilities		1,944
Total current liabilities		45,868
Noncurrent liabilities:		
Long-term debt, less current portion		21,242
Lease and subscription obligations, less current portion		97,238
Other noncurrent liabilities		2,382
Total noncurrent liabilities		120,862
Deferred inflows		4,020
Total liabilities and deferred inflows	$	170,750
Net position:		
Net investment in capital assets	$	9,019
Restricted		437
Unrestricted		272
Total net position	$	9,728

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, 2025

(In thousands)

Operating revenues:		
Patient service revenues (net of provision for bad debts of $25,952)	$	277,115
Other operating revenues		32,017
Total operating revenues		309,132
Operating expenses:		
Salaries and benefits		164,506
Building and equipment expenses		20,063
Medical and surgical supplies		93,700
Other expenses		74,738
Depreciation and amortization		10,301
Total operating expenses		363,308
Operating loss		(54,176)
Non-operating revenues (expenses):		
Investment loss		(264)
Support from University of South Alabama		42,396
Interest expense		(5,748)
Other non-operating revenues		40
Other non-operating expenses		(40)
Total nonoperating revenues, net		36,384
Decrease in net position		(17,792)
Net position at beginning of period		28,878
Cumulative effect of change in accounting principle (note 1 (m))		(1,358)
Beginning balance, as adjusted		27,520
Net position at end of period	$	9,728

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, 2025

(In thousands)

Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payors	$	300,189
Payments to suppliers and vendors		(195,210)
Payments to employees and related benefits		(162,840)
Other operating receipts		33,343
Net cash used in operating activities		(24,518)
Cash flows from noncapital financing activities:		
Advance payment disbursements		(7,074)
Support from University of South Alabama		42,396
Other nonoperating revenues		176
Other nonoperating expenses		(13)
Net cash provided by noncapital financing activities		35,485
Cash flows from capital and related financing activities:		
Purchases of capital assets		(82)
Proceeds from sale of capital assets		20
Principal payments on capital debt		(10,091)
Interest payments on capital debt		(4,194)
Principal payment proceeds from financing leases		862
Interest payment proceeds from financing leases		169
Net cash used in capital and related financing activities		(13,316)
Cash flows from investing activities:		
Investment income		93
Net cash used in investing activities		93
Net decrease in cash, cash equivalents, and restricted cash and cash equivalents		(2,256)
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of year		2,915
End of period	$	659
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(54,176)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		10,301
Changes in assets and liabilities, net:		
Net patient receivables		23,074
Other receivables		1,325
Inventories and other current assets		614
Accounts payable and accrued liabilities		(5,656)
Net cash used in operating activities	$	(24,518)
Noncash capital and related financing transactions:		
Net decrease to right-of-use assets		(13,372)
Decrease in accounts payable related to capital projects		(20)
Loss on disposal of capital assets		(13)

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 discretely presented 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 operates a hospital and 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: Vice President of Finance, 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 approximately $42,396,000 during the year ended September 30, 2025. The University has committed to continued financial support sufficient for satisfying obligations as they come due until at least January 31, 2027. 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 is reported in non-operating 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 Mobile Heart USA, LLC; USA Health HCA Industrial Medicine Clinic, LLC; USA Health IPA, LLC; USA Health Daphne Family Practice, LLC; USA 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. 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, 2024 in HCA's financial statements as of September 30, 2025. Exclusive of transactions between HCA and the IPA totaling approximately $737,000, IPA revenues and expenses of approximately $6,110,000 and $6,110,000, respectively, are included within the statement of revenues, expenses, and changes in net position. For the year ended September 30, 2025, the IPA has paid approximately $814,000 in claims to HCA.

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. FPI has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the September 30, 2025 statement of net position as a noncurrent investment.

During fiscal year 2023, HCA obtained a 51% equity interest in 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. 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. The remaining 49% of USA BC ASC is owned by individual physician investors. USA BC ASC Holdco has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the September 30, 2025 statement of net position as a noncurrent investment.

In April 2023, HCA entered into an agreement with Gulf Coast Health System to acquire an acute care hospital, its ancillary-related healthcare delivery businesses, and related facilities. The operations of the acute care hospital, now known as USA Health Providence Hospital (Providence Hospital), are included in HCA's basic financial statements for the year ended September 30, 2025.

(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. Revenues that are not generated by HCA's core missions 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.

(f) Cash Overdrafts

Cash overdrafts occur when disbursements exceed cash balances. Cash overdrafts are presented as accounts payable and accrued liabilities on the statement of net position rather than as negative cash and cash equivalents.

(g) Accounts Receivable

Patient receivables primarily result from hospital and ambulatory patient service revenues. Accounts receivable, other includes amounts due from affiliates and other sources. Patient receivables are recorded net of estimated uncollectible amounts.

(h) Inventories

Inventories consist of medical supplies and pharmaceuticals, which are stated at the lower of cost (first-in, first-out method) or market.

(i) Capital Assets

All capital expenditures with a cost of $2,000 or more and having a useful life of two or more years are recorded at cost on the date of acquisition. Depreciation is recorded over the estimated useful life of each class of depreciable assets using the straight-line method. Major aggregate capital asset purchases, including renewals and renovations, are capitalized. Any purchase for multiple items of minor equipment is evaluated to determine if it is substantively part of a single overall transaction, has a single objective, and meets or exceeds the established aggregate threshold of $30,000. If a purchase of minor equipment meets the aggregate guidelines and has a useful life of two or more years, it is capitalized at cost once items are received and placed into use. 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	3–20 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 (SBITAs). 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, 2025, no impairments were identified.

(j) 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.

(k) Deferred Inflows of Resources

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

(l) 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 spent in accordance with restrictions imposed by external parties.
- *Unrestricted* 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 HCA's unrestricted net position has been internally designated for various projects that support the mission of HCA or general operations.

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

(m) Patient Service Revenues

Patient service revenues are reported at the 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.

(n) Recently Adopted Accounting Pronouncements

In 2025, HCA adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires HCA to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The adoption of the provisions of GASB Statement No. 101 resulted in an increase to current portion of other long-term liabilities of approximately $346,000 and other long-term liabilities, less current portion of approximately $3,107,000. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62,* beginning unrestricted net position decreased by approximately $1,358,000 for the impact related to the adoption of GASB Statement No. 101. See note 12 for further discussion.

In addition, HCA adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. 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. There was no significant impact to HCA's basic financial statements in the adoption of this pronouncement.

(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.

(3) Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for HCA funds on deposit with QPD institutions. At September 30, 2025, the net public deposits subject to collateral requirements for all

institutions participating in the pool totaled approximately $19.2 billion. At September 30, 2025, HCA had cash in the pool of approximately $366,000.

At September 30, 2025, restricted cash and cash equivalents consist of approximately $437,000 related to cash reserved as security reserves by the IPA to satisfy the claims incurred but not reported balance.

(4) 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 is approximately ($12,000) for the year ended September 30, 2025 and is presented on the statement of net position as an investment.

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, 2025, HCA's capital account balance is approximately $418,000 and is presented on the statement of net position as an investment.

(5) Capital Assets

A summary of HCA's capital assets activity for the year ended September 30, 2025 is as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Construction in progress	$ 57	—	(57)	—	—
Works of art	1	—	—	—	1
	58	—	(57)	—	1
Capital assets being depreciated or amortized:					
Buildings	33,049	9	—	—	33,058
Leasehold improvements	5,388	23	53	—	5,464
Equipment	4,171	29	4	(64)	4,140
Computer software	139	—	—	—	139
Right-of-use assets	124,491	6,770	—	(14,026)	117,235
	167,238	6,831	57	(14,090)	160,036
Less accumulated depreciation or amortization for:					
Buildings	(2,293)	(1,250)	—	—	(3,543)
Leasehold improvements	(1,134)	(565)	—	—	(1,699)
Equipment	(2,664)	(402)	—	51	(3,015)
Computer software	(98)	(7)	—	—	(105)
Right-of-use assets	(10,818)	(8,077)	—	1,961	(16,934)
	(17,007)	(10,301)	—	2,012	(25,296)
Capital assets being depreciated or amortized, net	150,231	(3,470)	57	(12,078)	134,740
Capital assets, net	$ 150,289	(3,470)	—	(12,078)	134,741

Depreciation and amortization totaled approximately $10,301,000 for the year ended September 30, 2025.

(Continued)

A summary of HCA's net right-of-use assets, categorized by classification for the year ended September 30, 2025 follows (in thousands):

		Ending Balance
Right-of-use assets:		
Buildings	$	103,422
Equipment		12,947
Software subscriptions		866
		117,235
Less accumulated amortization for right of use:		
Buildings		(13,379)
Equipment		(3,227)
Software subscriptions		(328)
		(16,934)
Right-of-use assets, net	$	100,301

(6) Noncurrent Liabilities

A summary of HCA's noncurrent liability activity for the year ended September 30, 2025 follows (in thousands):

	Adjusted Beginning balance	Additions	Reductions	Adjustments	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$ 21,673	—	(195)	—	21,478	236	21,242
Lease and subscription obligations	119,015	6,781	(9,896)	(11,664)	104,236	6,998	97,238
Other long-term liabilities, as restated	3,453	873	—	—	4,326	1,944	2,382
Total noncurrent liabilities	$ 144,141	7,654	(10,091)	(11,664)	130,040	9,178	120,862

Other long-term liabilities consist of liabilities related to compensated absences. Amounts due within one year are included in current portion of other long-term liabilities. In 2025, HCA adopted GASB Statement No. 101, *Compensated Absences*, which resulted in a beginning balance adjustment of approximately $1,358,000 to the compensated absence liability.

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the USA Health Mapp Family 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 an interest

rate of 4.79% in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at September 30, 2025 is approximately $21,478,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At September 30, 2025, future debt service for long-term debt by year is as follows (in thousands):

	Debt service on long-term debt		
	Principal	**Interest**	**Total**
2026	$ 236	1,024	1,260
2027	280	1,011	1,291
2028	327	997	1,324
2029	376	980	1,356
2030	429	961	1,390
2031-2035	3,072	4,420	7,492
2036-2040	5,008	3,468	8,476
2041-2045	7,613	1,977	9,590
2046-2048	4,137	220	4,357
Total	$ 21,478	15,058	36,536

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 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 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 2055.

Aggregate future minimum lease payments under noncancelable agreements as of September 30, 2025, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 6,998	4,643	11,641
2027	6,584	4,347	10,931
2028	5,626	4,066	9,692
2029	4,160	3,829	7,989
2030	3,415	3,660	7,075
2031-2035	10,893	16,526	27,419
2036-2040	12,533	13,878	26,411
2041-2045	15,617	10,796	26,413
2046-2050	19,453	6,956	26,409
2051-2055	18,957	2,175	21,132
	$ 104,236	70,876	175,112

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

The University has entered into three equipment lease agreements on behalf of Providence Hospital in the amount of approximately $2,665,000 for which the terms have not yet commenced. HCA will be responsible for making lease payments to the University for use of the equipment once the terms commence and an invoice is received. As of September 30, 2025, there are no other known lease or subscription commitments for which the terms have not yet commenced.

(7) 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, 2025 totaled approximately $4,020,000.

(8) 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 2073. For the year ended September 30, 2025, HCA recognized a total of approximately $934,000 of inflows of resources from leases, of which approximately $761,000 was recognized as lease revenue and approximately $173,000 was recognized as interest income. 88% of total lease revenue recognized was attributable to subleases to the University. The other 12% of total lease revenue is attributable to unrelated third parties. Lease revenue is included within other operating revenues

and interest income is included within investment loss on the statement of revenues, expenses, and changes in net position.

Future minimum lease revenue under noncancelable agreements as of September 30, 2025, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 977	174	1,151
2027	880	135	1,015
2028	939	93	1,032
2029	534	57	591
2030	365	37	402
2031-2035	174	121	295
2036-2040	30	110	140
2041-2045	37	102	139
2046-2050	46	93	139
2051-2055	57	82	139
2056-2060	72	68	140
2061-2065	89	50	139
2066-2070	112	28	140
2071-2073	52	4	56
	$ 4,364	1,154	5,518

As of September 30, 2025, 51% of the total lease receivable balance amount reflected on the accompanying statement of net position is related to subleases to the University.

(9) 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.

A summary of the basis of reimbursement with major third-party payors 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, HCA 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. HCA is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by HCA and audits by the Medicare fiscal intermediary.

HCA acquired Providence Hospital on October 1, 2023. HCA had no prior responsibility for filing Providence Hospital's Medicare cost report prior to that date. HCA filed its first Medicare cost report for the year ended September 30, 2024 on February 27, 2025 for review and audit by the Medicare fiscal intermediary.

Revenues from the Medicare program accounted for approximately 16% of HCA's gross patient service revenues for the year ended September 30, 2025.

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 21% of HCA's gross patient service revenues for the year ended September 30, 2025.

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.

Revenues from the Medicaid program accounted for approximately 6% of HCA's gross patient service revenues for the year ended September 30, 2025.

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

The composition of net patient service revenues for the year ended September 30, 2025 is as follows (in thousands):

Gross patient service revenues	$	1,235,409
Provision for contractual and other adjustments		(932,342)
Provision for bad debts		(25,952)
Net patient service revenues	$	277,115

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 for 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.

Providence Hospital provides charity care to patients who meet specific financial need criteria, as outlined in the USA Health Providence Financial Assistance Policy. Charity care is defined as services provided to patients who are unable to pay for all or part of their care and for whom no expectation of payment exists. Costs are calculated based on the cost-to-charge ratio which is applied to the amounts of services provided to qualifying patients. The estimated cost of charity care provided during the year ended September 30, 2025 was approximately $6,700,000.

Approximate charges foregone, based on established rates (in thousands)	$ 27,756
Percentage of charity care charges to total charges	0

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, 2025 (in thousands):

	Gross patient service revenues	Percentage
Medicare Advantage	$ 485,392	39 %
Blue Cross	253,354	21
Medicare	195,182	16
Other	126,846	10
Medicaid	73,535	6
Self pay patients	63,613	5
Health maintenance organization	37,487	3
	$ 1,235,409	100 %

(10) Related Party Transactions

During the year ended September 30, 2025, the University provided support of approximately $42,396,000 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, 2025, the University was charged a total of approximately $673,000 for rental space as described in note 8, which accounted for 88% of total lease revenue recognized by HCA on the accompanying statement of revenues, expenses, and changes in net position. At September 30, 2025, the University's outstanding balance of sublease payments to HCA is approximately $2,166,000, which represents 50% of the lease receivable amount reflected on the accompanying statement of net position.

(11) 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).

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 $27,315,000 at September 30, 2025.

The mix of receivables from patients and third-party payors as of September 30, 2025 is as follows:

Medicare Advantage	36 %
Other	15
Medicare	14
Blue Cross	14
Self pay patients	12
Medicaid	6
Health management organization	3
	100 %

(12) Employee Benefits

(a) Pension Plans

Staff employees of HCA clinics 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 limits, are matched at a 25% rate by HCA. HCA contributed approximately $893,000 for the year ended September 30, 2025, representing 283 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.

All Providence Hospital employees working at least half-time are eligible to participate in a defined-contribution pension plan. Under this plan, contributions by eligible employees are matched equally by HCA up to a maximum of 5% of current annual pay. HCA contributed approximately $2,787,000, representing 995 employees participating in this plan, for the year ended September 30, 2025, which is included within salaries and benefits expenses on the statement of revenues, expenses, and changes in net position.

(b) Compensated Absences

In fiscal year 2025, HCA adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires HCA to recognize a liability for leave that has not been used if it is attributable to

services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as leave that has been used but not yet paid or settled through noncash means. 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 were transferred to HCA through clinic acquisitions were grandfathered in with their original date of hire. Employees hired before January 1, 2012 are eligible for payout of their PTO. Anyone hired on or after January 1, 2012 is not eligible for payment of PTO hours upon separation of employment. Any employees employed by Providence Hospital prior to the acquisition date of October 1, 2023 were eligible to carryover accrued PTO balances, as provided by Ascension Health Alliance and are eligible to be paid out at the time of separation. The accompanying statement of net position includes accruals for unused leave of approximately $4,326,000 at September 30, 2025. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements.

(13) 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.

(14) 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 September 30, 2025 is presented below (in thousands)

Current assets	$	742
Total assets		742
Current liabilities		742
Total liabilities		742
Total net position	$	—
Operating revenues	$	6,840
Operating expenses		(6,847)
Operating loss		(7)
Nonoperating revenues		7
Net position	$	—

(15) Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is effective for fiscal years beginning after June 15, 2025. The primary objective of Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets and requires disclosure of certain information regarding capital assets to be presented by major class.

The effect of the implementation of GASB Statement Nos. 103 and 104 on HCA has not yet been determined.

(Continued)

(16) Subsequent Event

In October 2025, HCA received notice for the option to exercise Right of First Refusal related to the ASC Ground Lease and Development Agreement with HHRE USA Fairhope ASC, LLC (HHRE). The agreement allows HCA to have the right of first refusal in the purchase of the Ambulatory Surgery Center located on the USA Health Mapp Family Campus and to receive assignment of the Ground Lease on which the building resides.

On November 13, 2025, HCA notified HHRE of their intent to exercise their right to purchase the Building and receive assignment of the Ground Lease at a target price of $15,100,000. The transaction is expected to take place on or before January 13, 2026. The purchase will be funded on behalf of HCA by the University.

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Statement of Revenues and Expenses

Year Ended September 30, 2025

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

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Year Ended September 30, 2025

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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

To the President of University of South Alabama*:*

We have performed the procedures enumerated in the attached Appendix I related to 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, 2025 to assist you in evaluating whether the Statement is following the National Collegiate Athletic Associate (NCAA) Bylaws 20.2.4.18 and 20.2.4.18.1. The University is responsible for the Subject Matter.

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 NCAA Bylaws 20.2.4.18 and 20.2.4.18.1. 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**.** The agreed-upon procedures do not constitute an audit (or a review) of the Statement or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the Statement or a part thereof.

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 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 15, 2026

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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, 2025, 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 2025 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 2025 Athletic Department revenues and expenses per the University's Statement to actual Athletic Department revenues and expenses for 2025 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 (1) Direct Institutional Support. We obtained the following explanation from management: Direct Institutional Support increased from the prior year by approximately 15%, or $2,146,000 due to an increase in the Athletics budget to cover the rising cost of travel requiring a greater contribution by the University in 2025. No additional procedures were performed with respect to management's representations as to the reasons for the variances.

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 4 student fees detailed below and compared each selection to supporting calculations. We found no exceptions as a result of the procedures.

Item	Date	Amount
1	March 2025	343,910
2	March 2025	2,535,551
3	March 2025	951,954
4	September 2025	2,627,627

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. 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 debt transactions reports, amortization schedules and related general ledger details provided by management and recalculated totals. We selected a sample of 5 cost allocations, including the top two highest facility payments as detailed below and compared to supporting approvals. We found no exceptions as a result of the procedures.

Item	Date	Amount
1	July 2025	1,250,000
2	February 2025	400,000
3	July 2025	39,878
4	January 2025	22,500
5	May 2025	6,250

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 no individual contribution exceeded 10% of all contributions, received for intercollegiate athletics reported on the Statement. In addition, we selected 3 contributions from the supporting schedules. For the 3 samples detailed below, we obtained and reviewed supporting documentation for the contribution and recalculated totals. We found no exceptions as a result of the procedures.

Item	Date	Amount
1	May 2025	121,949
2	March 2025	50,000
3	August 2025	197,435

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, 2025 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 selected a sample of 2 conference distributions, as detailed below, and compared to conference agreements and supporting approvals. We found no exceptions as a result of the procedures.

Item	Date	Amount
1	June 2025	850,000
2	June 2025	1,767,846

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, 2025, as detailed below. 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.

Item	Student ID	Sport	Item	Student ID	Sport
1	J00760745	Football	31	J00728902	Men's Track
2	J00769104	Football	32	J00725555	Men's Track
3	J00739715	Football	33	J00688331	Men's Track
4	J00718044	Football	34	J00760153	Men's Track
5	J00769120	Football	35	J00783847	Women's Soccer
6	J00740171	Football	36	J00738034	Women's Soccer
7	J00747443	Football	37	J00667672	Women's Soccer
8	J00769432	Football	38	J00753404	Women's Soccer
9	J00756031	Football	39	J00710380	Softball
10	J00718693	Football	40	J00751836	Softball
11	J00735677	Football	41	J00692769	Softball
12	J00755031	Football	42	J00747094	Softball
13	J00768939	Football	43	J00751151	Softball
14	J00709518	Football	44	J00745417	Women's Volleyball
15	J00760300	Football	45	J00759052	Women's Volleyball
16	J00743228	Football	46	J00760866	Women's Volleyball
17	J00760918	Football	47	J00766633	Women's Basketball
18	J00759268	Football	48	J00764170	Women's Basketball
19	J00752536	Baseball	49	J00697994	Women's Basketball
20	J00758432	Baseball	50	J00762138	Women's Golf
21	J00768081	Baseball	51	J00748563	Women's Golf
22	J00768132	Baseball	52	J00781924	Women's Tennis
23	J00752915	Baseball	53	J00700423	Women's Tennis
24	J00772700	Men's Basketball	54	J00703625	Women's Tennis
25	J00738985	Men's Basketball	55	J00705129	Women's Track
26	J00769082	Men's Basketball	56	J00753746	Women's Track
27	J00738124	Men's Golf	57	J00691676	Women's Track
28	J00769415	Men's Golf	58	J00730749	Women's Track
29	J00771235	Men's Tennis	59	J00751771	Women's Track
30	J00696490	Men's Tennis	60	J00769024	Women's Track

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, 2025. We selected a sample of 3 coaches' contracts including football, and men's and women's basketball from the listing as detailed below. 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.

Item	Employee ID	Sport
1	J00723600	Men's Basketball
2	J00743891	Football
3	J00498192	Women's Basketball

11. Support Staff Administrative Salaries, Benefits, and Bonuses Paid by the University – We obtained a listing of support staff employed by the University during the year ended September 30, 2025. We selected a sample of 3 support staff and administrative personnel employed by the University during the year ended September 30, 2025. 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, 2025 and recalculated totals. We found no exceptions as a result of the procedures.

Item	Employee ID
1	J00118018
2	J00752314
3	J00437519

12. Team Travel- We obtained documentation of the University's team travel policies. Given the nature of agreed-upon procedures, we are unable to comment on the adequacy of the policies. 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 4 transactions from the general ledger detail as detailed below and agreed 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.

Item	Date	Amount
1	November 2024	18,700
2	March 2025	80,000
3	November 2024	51,869
4	July 2025	77,813

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 3 transactions from the general ledger as detailed below and agreed 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.

Item	Date	Amount
1	September 2025	63,359
2	March 2025	27,700
3	July 2025	42,049

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, 2025. We selected a sample of 5 facility payments, including the top two highest facility payments, as detailed below, 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.

Item	Date	Amount
1	July 2025	1,250,000
2	February 2025	400,000
3	July 2025	39,878
4	January 2025	22,500
5	May 2025	6,250

Additional Minimum Agreed-Upon Procedures

15. 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 2025 Grants-in-Aid revenue distribution equivalencies totals per the NCAA Membership Financial Reporting Revenue Distribution – Grants in Aid schedule to 2024 reported equivalencies per the Membership Financial Report submission. No variance was noted greater than 4% and we found no exceptions as a result of the procedures.

16. Sports Sponsorship – We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for 2025. 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 2025 number of Sports Sponsored to the 2024 reported total per the Membership Financial Report submission. We noted the same number of Sports Sponsored in both 2025 and 2024.

17. 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 2024-2025 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 compared 2025 Pell Grants total to the 2024 reported total per the Membership Financial Report submission. An increase of 6 Pell Grants from 2024 to 2025 was noted. Management represented that the increase was due to the University of South Alabama being much more diligent about having student athletes apply for financial aid, including Pell Grants during the year. No additional procedures were performed with respect to management's representations as to the reasons for the variances.

Minimum Agreed-Upon Procedures for Other Reporting Items

18. Total Athletics Related Debt – We obtained repayment schedules for all outstanding intercollegiate athletics debt as of September 30, 2025 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 general ledger. We found no exceptions as a result of the procedures.

19. Total University Debt – We agreed total outstanding University debt to the University's general ledger. We found no exceptions as a result of the procedures.

20. 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 the general ledger details. We found no exceptions as a result of the procedures.

21. Fair Value of University Endowments – We agreed the total fair value of University endowments to supporting schedules obtained from University's general ledger details. We found no exceptions as a result of the procedures.

22. 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, 2025 from management. We obtained a general ledger detail of capital expenditures and compared to the total expenses reported in the Statements. We selected all 14 transactions from the general ledger detail, recalculated totals and agreed the items to the capital assets rollforward details that were reconciled to the University's general ledger. 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, 2025

(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	$ 179,985	98,328	159,351	—	—	1,945	894,088	7,288	—	—	—	—	—	37,120	1,378,064
Student Fees	—	259,797	75,774	54,124	37,857	838,889	6,891,396	81,157	54,124	173,198	43,300	552,069	102,836	148,136	9,110,499
Direct Institutional Support	5,354,402	1,355,552	2,319,317	308,785	381,471	—	1,006,123	1,748,270	347,857	819,957	508,349	—	899,124	1,158,694	16,207,931
Indirect Institutional Support – Athletic Facilities Debt Service, Lease and Rental Fees	5,832,952	—	—	—	—	—	—	—	—	—	—	—	—	—	5,832,952
Guarantees	—	—	190,000	—	—	—	1,375,000	20,000	—	—	—	—	16,000	7,500	1,608,500
Contributions	1,590,085	55,024	24,050	11,800	4,035	75,099	27,517	9,275	1,100	8,090	—	—	30,188	29,441	2,183,685
NCAA Distr - Direct	—	107,909	31,474	22,481	15,737	265,277	334,869	33,722	22,481	71,940	17,985	229,307	42,714	60,699	1,256,595
NCAA Distr - Travel Reimb	—	—	—	—	—	1,813	—	—	—	—	—	—	—	—	1,813
Conference Distributions (Non Media or Bowl)	—	147,490	43,018	30,727	21,509	362,579	457,833	48,091	30,727	98,327	24,582	313,418	58,381	82,963	1,717,842
Conference Distributions for Football Bowl Generated Revenue (Football Only)							390,588								390,588
Program, Novelty, Parking and Concession Sales	—	8,909	18,415	—	—	—	333,820	—	—	1,389	—	—	5,245	1,827	387,585
Royalties, Licensing, Advertisement and Sponsorships	247,554	151,022	253,235	—	—	—	949,558	—	—	—	—	—	—	—	1,601,369
Sports Camps Revenues	17,505	1,287	548	—	891	152	3,784	540	—	1,428	—	—	—	1,758	27,888
Athletics Restricted Endowment and Investments Income	493	—	—	—	—	—	—	—	—	—	—	—	—	—	493
Other Operating Revenue	272,228	3,001	—	53,815	—	31,485	795	—	440	—	—	—	—	—	361,744
Bowl Revenues	—	—	—	—	—	—	2,100	—	—	—	—	—	—	—	2,100
Total operating revenues	13,595,188	2,184,299	3,115,180	481,733	461,530	1,376,800	12,887,529	1,948,372	456,760	1,172,306	594,215	1,094,793	1,154,488	1,528,138	41,827,289
Operating expenses:															
Athletic Student Aid	383,514	473,757	520,027	188,749	207,815	405,482	3,149,259	584,808	215,244	578,614	331,442	585,343	475,547	481,147	8,518,748
Guarantee Expenses	—	34,731	144,900	—	—	—	450,000	7,500	—	—	—	—	—	7,500	644,631
Coaching Salaries, Benefits and Bonuses Paid by the University - Head Coach	—	385,452	585,952	135,327	134,822	78,575	978,574	280,555	122,528	144,341	134,702	84,291	155,220	203,635	3,382,074
Coaching Salaries, Benefits, and Bonuses Paid by the University - Assistant Coaches	—	408,595	517,476	—	—	133,398	3,395,539	394,427	—	145,344	—	109,144	142,849	287,086	5,533,859
Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by University	4,848,117	(0)	33,845	13,182	18,126	8,446	650,829	18,349	10,988	0	22,702	8,910	(0)	22,391	5,653,884
Recruiting	—	85,279	48,124	3,567	1,136	7,877	483,785	95,908	772	30,348	8,789	8,281	39,842	34,517	823,985
Team Travel	8,351	242,109	296,436	40,122	46,850	79,376	954,080	412,687	59,142	85,233	67,934	84,944	121,234	214,744	2,693,191
Sports Equipment, Uniforms and Supplies	115,480	185,078	116,754	18,888	30,042	23,202	1,022,359	58,281	20,995	52,745	19,228	18,954	82,324	103,606	1,843,924
Game Expenses	223,603	74,556	140,186	750	8,324	5,508	589,885	70,995	—	15,068	5,140	4,506	32,445	27,302	1,196,029
Fundraising, Marketing and Promotions	178,794	—	228	—	—	—	7,881	228	—	228	—	—	—	—	185,152
Spirit Groups	346,832	—	—	—	—	—	—	—	—	—	—	—	—	—	346,832
Athletic Facilities Debt Service, Leases and Rental Fees	553,536	400,000	76,500	—	—	—	1,414,896	30,000	—	—	—	—	—	—	2,474,932
Direct Facilities, Maintenance and Rentals	849,420	19,047	3,537	998	—	740	185,530	7,476	—	3,705	—	805	3,428	36,175	1,092,858
Medical Expense and Medical Insurance	262,575	280	575	1,054	—	—	560,024	392	1,054	3,700		—	—	725	830,379
Membership and Dues	254,424	24,978	47,193	18,340	1,132	1,558	160,804	30,447	13,833	13,014	502	1,297	17,024	29,309	611,879
Student-Athlete Meals (Non-Travel)	8,439	23,441	63,503	3,832	2,811	1,591	1,401,460	35,331	3,383	22,939	1,818	1,302	10,584	11,588	1,591,800
Other Operating Expenses	535,878	33,930	47,400	80,416	4,898	20,888	254,865	61,704	7,822	57,721	1,587	16,910	30,748	83,904	1,497,944
Bowl Expenses	—	—	—	—	—	—	438,955	—	—	—	—	—	—	—	438,955
Bowl Coaching Bonuses	—	—	—	—	—	—	179,950	—	—	—	—	—	—	—	179,950
Non-FB Post Season Expenses	—	—	15,978	2,207	—	25,508	—	—	—	—	—	29,870	—	—	84,563
Non-FB Post Season Coaching Bonuses	—	—	33,950	1,000	—	1,238	—	—	—	—	—	1,013	—	—	37,200
Enhanced Educational Benefits (Alston or Other)	—	17,420	20,420	6,750	3,250	9,375	122,532	23,354	30	15,800	2,392	14,650	2,990	10,586	249,849
Institution NIL Rev Share	—	76,224	48,113	—	—	—	139,033	—	—	—	—	—	—	—	263,370
Total operating expenses	8,566,542	2,444,873	2,761,075	470,981	456,604	802,372	16,518,951	2,090,439	455,568	1,166,798	594,215	897,050	1,114,230	1,516,192	40,155,887
Net	$ 4,728,626	(260,574)	354,105	10,771	4,926	574,429	(3,851,422)	(144,066)	1,194	5,509	—	197,742	40,257	9,946	1,671,422

Total Athletics Related Debt	$ 72,421,430
Total University Debt	$ 563,569,526
Fair Value of Athletics Dedicated Endowments	$ 2,199,045
Fair Value of University Endowments	$ 295,407,000
Total Athletics Related Capital Expenses	$ 3,385,774
Total Athletic Fund Balance	$ 881,832

See accompanying Independent accountants' agreed-upon procedures report and notes to statement of revenues and expenses.

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE ATHLETICS DEPARTMENT

Notes to Statement of Revenues and Expenses

Year ended September 30, 2025

(Unaudited)

(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. The total amount capitalized by the University of South Alabama related to the Intercollegiate Athletics Department during the year ended September 30, 2025 was $3,385,774.

(5) Athletics Facility Related Debt

Future principal payments due through maturity dates are as follows as of September 30, 2025:

	Principal
Years ending September 30:	
2026	$ 2,244,784
2027	2,327,426
2028	2,417,589
2029	2,456,331
2030	2,555,540
Thereafter	59,720,189
	$ 71,721,859

Total athletic related debt recorded in the Statement includes $699,571 of lease obligations.

(Continued)

(6) Pledges Dedicated to Athletics

The University has pledges supporting athletics valued at $26,571,068 as of September 30, 2025.

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 3, 2025
2:52 p.m.

A meeting of the Development, Endowment and Investments Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Mr. Jim Yance on behalf of Judge Mike Windom, Chair, on Wednesday, December 3, 2025, at 2:52 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, Steve Stokes and Jim Yance were present and Luis Gonzalez participated remotely.
Members Absent:	Scott Charlton and Mike Windom.
Other Trustees:	Alexis Atkins, Steve Furr, Meredith Hamilton, Arlene Mitchell, Lenus Perkins and Jimmy Shumock.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Joel Erdmann, Monica Ezell, Natalie Fox, Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, Mike Mitchell, Allen Parrish, Norman Pitman, Kristen Roberts, 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 4, 2025, **Item 7**. On motion by Ms. Brown Stewart, seconded by Dr. Stokes, the committee voted unanimously to adopt the minutes.

Mr. Yance called on Mr. Drew Underwood, Director of Treasury Management, to report on endowment and investment performance for the fourth quarter of fiscal year 2025, **Item 8**. Joining Mr. Underwood was Mr. Norman Pitman, USA's investment consultant. Mr. Underwood advised of a strong return on investments of just over 11 percent despite market volatility and navigating changes in the University's portfolio. He discussed manager performance, market conditions and progress toward achieving initiatives and next steps and shared that a NACUBO (National Association of College and University Business Officers) peer group study on one-year returns as of June 2025 showed USA's return outpaced the return average of peer institutions and endowments of comparable size.

Mr. Yance asked Ms. Roberts to address **Item 9**, a resolution acknowledging the Committee's annual evaluation of the University's endowment fund and non-endowment fund investment policy statements. (To view resolutions, policies and other documents authorized, refer to the minutes for the Board of Trustees meeting held on December 4, 2025.) Ms. Roberts noted that, upon analysis of the policy statements, the Leadership recommended not revising the documents

at present. 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. Yance called on Dr. Erdmann, who introduced a resolution authorizing the appointment and reappointment of officers and directors for the Jaguar Athletic Fund, Inc., **Item 10**. On motion by Ms. Brown Stewart, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called on Ms. Sullivan to present **Item 11**, a resolution commending USA alumni Mrs. Carol Statter and Mr. Jim Statter for making a legacy gift of $1.7 million to support the College of Education and Professional Studies' Literacy Center and USA's football program. 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. Yance called on Ms. Sullivan to deliver a report on the activities of the division of Development and Alumni Relations, **Item 12**. Ms. Sullivan advised of record fundraising for fiscal year 2025, noting $47.5 million in new gifts and commitments secured across 7,732 gifts from 4,947 donors. She discussed fiscal year 2026 fundraising results, as well as the April 2026 launch of the capital campaign public phase, and thanked everyone for being engaged, including Mr. Yance for the many hours he had worked to help identify future principal donors. She also shared highlights on the United Way of Southwest Alabama employee campaign and a variety of events held over the fall and planned through spring, such as Alumni and Friends gatherings, the A Night Honoring Healers annual benefit, the President's Cabinet meeting featuring Mr. Jimmy Rayne of Southern Wood Holdings, the Wall of Honor annual ceremony and the inaugural Home and Garden Show.

There being no further business, the meeting was adjourned at 3:12 p.m.

Respectfully submitted: On behalf of:

James A. Yance Michael P. Windom, Chair

University of South Alabama Endowment Fund
Fiscal Year 2026 Investment Performance Summary

USA Endowment Fund Performance
October 1, 2025 to December 31, 2025

- The USA Endowment Fund was up 2.7%, the benchmark was up 2.6%

USA Endowment Fund Manager Performance
October 1, 2025 to December 31, 2025

- Funds managed internally by USA Treasury in coordination with N.D. Pitman were up 2.9%, the benchmark was up 2.6%
- Gerber Taylor Hedge Fund was up 4.2%, the benchmark was up 2.9%
- Gerber Taylor International was up 0.8%, the benchmark was up 4.9%
- Commonfund was up 0.9%, the benchmark was up 1.1%
- Hancock Whitney was up 1.9%, the primary benchmark was up 2.6% and the secondary benchmark was up 2.3%
- Goldman Sachs was up 1.3%, the benchmark was up 1.2%
- JP Morgan was up 4.2%, the benchmark was up 4.3%
- Jaguar Investment Fund was up 3.6%, the primary benchmark was up 2.7% and the secondary benchmark was up 2.0%

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: March 2, 2026

TO: Jo Bonner, President

FROM: Kristen Roberts, Vice President of Finance

SUBJECT: Resolution Approving Revisions to the University's Endowment Fund Investment Policy Statement

Attached is a resolution authorizing revisions to the University's Endowment Fund Investment Policy Statement, including the addition of a "Prohibited Investments" section and an administrative update to the Chief Financial Officer title. These revisions further strengthen governance and alignment with the Endowment Fund's long-term objectives.

With your approval, this item will be presented to the Board of Trustees for consideration. I recommend adoption of the resolution.

Attachment

KR/du

March 6, 2026

RESOLUTION

REVISIONS TO THE UNIVERSITY'S ENDOWMENT FUND INVESTMENT POLICY STATEMENT

WHEREAS, the University maintains an Endowment Fund Investment Policy Statement ("IPS") to provide governance, oversight, and investment guidance for the management of Endowment assets, and

WHEREAS, the Vice President of Finance and the Executive Director of Treasury Management have recommended revisions to the IPS, including the addition of a new section titled "Prohibited Investments" and an administrative update to the Chief Financial Officer title, further defining investment types that do not align with the Endowment Fund's objectives and strengthening the University's governance framework, and

WHEREAS, such revisions are in the best interest of the University and consistent with prudent fiduciary oversight,

THEREFORE, BE IT RESOLVED THAT, the Board of Trustees of the University of South Alabama hereby approves the revisions to the University's Endowment Fund Investment Policy Statement, effective upon adoption.

Investment Policy Statement
for the University of South Alabama Endowment Fund
Approved

March 6, 2026

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Mission Statement

"The Endowment exists to provide resources to the University, as provided for by the donors, while preserving capital for future generations and needs. The University seeks to maximize returns within prudent risk parameters and aims for long-term growth that outpaces inflation, using a balanced portfolio and top-tier management firms."

The Development, Endowment, and Investment Committee (the "Investment Committee") of the Board of Trustees (the "Board") of the University of South Alabama (the "University") is responsible for recommending investment policies and guidelines for approval by the Board. The Committee also oversees the implementation of these policies and guidelines, including the selection of qualified investment professionals, such as the Investment Management Consultant(s) (the "IMC"), Investment Manager(s), and Custodian(s). Additionally, the Committee is tasked with overseeing and delegating all investment activities, monitoring performance, and ensuring the prudent stewardship of the University's Endowment Funds.

Currently, the Head of the Treasury Management Department (the "HTM") has been delegated investment management authority over the Endowment Fund. The HTM reports to the Vice President of Finance of the University and will provide periodic reports to the Committee and Board to ensure transparency and alignment with institutional objectives.

I. Purpose of this Investment Policy Statement

This Investment Policy Statement (the "IPS") outlines the goals and guidelines for the accumulated investment funds of the University of South Alabama Endowment. The Investment Committee oversees the investments of the University Endowment's long-term investment portfolio (the "Endowment Fund"). The purpose of this IPS is to delegate responsibilities among the parties involved in the oversight and management of the Endowment Fund and to describe the investment objectives, constraints, risk guidelines, policies, and procedures that apply. In addition, this IPS will guide the investment managers in achieving desired results. The goal of the Endowment Fund is to protect and grow the assets by earning a total return appropriate for the portfolio's time horizon, distribution requirements, and risk tolerance to support projects endowed for specific purposes.

II. Roles and Responsibilities

The Board is responsible for directing and monitoring the investment management of the Endowment Fund. As such, the Board is authorized to delegate certain authority to professional experts in various fields. These roles are as follows:

1. Role of the University of South Alabama Board of Trustees:

The Board's role is to oversee the management of the Endowment Fund's assets. The Board shall discharge its duties in good faith, with the care that an ordinary,

prudent person in a similar position would exercise under comparable circumstances. The Board will supervise the Investment Committee and will assign the following authority and responsibilities.

Responsibilities of the Board:

- Develop sound and consistent investment policy guidelines for use by the HTM and the IMC(s) when making investment decisions.
- Monitor implementation of this IPS to ensure investment decisions are in line with goals.
- Review the IPS annually.
- Monitor and evaluate performance results.
- Review quarterly reports of portfolio results and notable market observations by the HTM.
- Act in accord with this IPS and all applicable laws and state and federal regulations that apply to endowments and organizations.
- Delegate selection of investments, securities, funds, Investment Managers, and Custodians to the HTM and the IMC(s).

2. Role of the Development, Endowment, and Investment Committee:

The Committee is responsible for overseeing the Endowment Fund's investment activities on behalf of the Board. The Committee will work in conjunction with the HTM and the IMC(s) to ensure that the Endowment's investment strategy aligns with the University's long-term objectives. The Committee approves policy recommendations, reviews performance, and provides ongoing oversight to maintain fiduciary standards and meet the Endowment Fund's objectives.

Responsibilities of the Committee:

- Review and recommend investment policies, objectives, and guidelines to the Board for approval.
- Approve the selection, retention, and replacement of investments, securities, funds, Investment Managers, and Custodians, as recommended by the HTM and the IMC(s).
- Oversee the HTM and IMC(s) to ensure the Endowment's investments are managed prudently and in accordance with IPS guidelines.
- Review periodic performance reports provided by the HTM and IMC(s) to assess the alignment with benchmarks and objectives.
- Make recommendations to the Board regarding any necessary policy updates or strategic adjustments to maintain alignment with the University's goals.

3. Role of the HTM and the IMC(s):

The HTM serves as the primary executive responsible for executing the investment policy as approved by the Board. This individual works with the University's Vice President of Finance and IMC(s) to implement strategy, manage fund operations, and report on performance.

The consultant(s) may assist the HTM in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

Responsibilities of the HTM in coordination with the IMC(s):

- Acknowledge acceptance of responsibility as a fiduciary.
- Assist in establishing investment policies, objectives, and guidelines for the Committee to review and the Board to approve.
- Identify, evaluate, and recommend investment managers suitable for fulfilling the objectives and risk profile of the Endowment Fund.
- Regularly monitor and assess the performance of selected investment managers, benchmarking results relative to objectives and market indices to ensure alignment with expectations.
- Ensure that investments comply with established guidelines and regulatory requirements, advising on risk management practices and any necessary adjustments.
- Offer periodic insights on market trends, economic outlooks, and strategic adjustments to enhance the Endowment's investment positioning.
- Manage the Endowment Fund according to the investment guidelines, limitations, and restrictions set forth in this IPS.
- Make all decisions on a discretionary basis with the Vice President of Finance's approval regarding assets placed under its jurisdiction. This discretion includes decisions to buy, hold, and sell securities in amounts and proportions that reflect the investment strategy and are compatible with the Endowment Fund's investment guidelines.
- Provide the Committee and Board with quarterly investment reports and notable market observations.
- Measure performance in terms of total return, net of management fees, in comparison to appropriate benchmarks.
- Keep the Committee and Board informed of major investment outlook, strategy, policy, or philosophy changes.
- Conduct quarterly meetings with the Board to formally review the investment portfolio.
- Participate in ongoing professional development, including attending relevant educational conferences and workshops, to remain informed about evolving

investment strategies, market trends, regulatory changes, and best practices in endowment management.

4. Role of the Fund/Investment Manager(s):

The Endowment Funds will be managed primarily by external investment advisory organizations; both commingled vehicles and separate accounts may be used. The Fund/Investment Manager(s) has discretion to purchase or sell, in the University's name, the specific securities that will be used to meet the Endowment Fund's investment objectives.

In some instances, the ICM(s) will maintain portfolios to gain market exposure that the Fund/Investment Managers lack. All trades executed by the ICM(s) must be approved by the Vice President of Finance or the HTM.

Responsibilities of the Fund/Investment Manager(s):

- Discretionary management of security transactions and asset allocation within the Manager's portfolio sleeve.
- Reporting investment performance and valuations on a timely basis.
- Notification of major changes in economic outlook, strategy, or other factors impacting the Endowment's objectives.
- Updating the HTM and IMC(s) on any organizational changes in management, ownership, or philosophy.
- Provide proof of liability and fiduciary insurance coverage.
- Acknowledge agreement to invest within the guidelines set forth in this IPS.
- Meet with the HTM and IMC(s) as needed.
- Proxy voting on behalf of the Endowment Funds, with records communicated promptly; the University reserves right to vote on specific issues.

5. Role of the Custodian(s):

The Custodian will physically (or through securities owned by the Endowment Fund) collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. Additionally, the Custodian will perform regular accounting of all assets (owned, purchased, or sold) and monitor the movement of assets within the Endowment Fund's accounts.

III. Time Horizon

The Organization shall maintain a Long-Term Investment Portfolio with assets invested to support both current and future spending needs.

IV. Endowment Spending Policy

The objective of the Endowment Fund is to generate long-term growth and maintain purchasing power to support the University's needs. The Board reserves the right to withdraw funds as deemed appropriate to advance the University's mission. 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 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 in the next academic year. The policy further states that net interest, dividend income, and net realized and unrealized appreciation, after distributions allowed by the spending policy, shall be retained within the Endowment.

The annual internal management fee is calculated each year based on the total Endowment's fiscal year-end value. Endowments are billed or allocated for the internal management fee in October, rather than over the course of the year. In October, if there is a gain in the Endowment, the internal management fee is subtracted, and the difference is booked as a gain or loss for that month. The current internal management fee is 1.25%.

V. Gift Policy

The University may periodically receive gifts in the form of marketable securities. Upon receipt, the Treasury Management Department will liquidate these securities as promptly as possible. If regulatory restrictions prevent immediate sale, the University will hold the securities until the restriction period ends and then proceed with liquidation at the earliest opportunity. The University will not attempt to enhance the Endowment Fund's value by holding gifted securities.

The University may also accept land donations. Upon receipt, the University will evaluate the land for alignment with institutional needs and potential endowment benefits. If the land is not designated for specific university use, it will be liquidated in a manner consistent with maximizing value while adhering to applicable regulations and donor wishes, including any use or sale restrictions specified in the gift agreement or other supporting documentation.

VI. Liquidity

The Endowment Fund is structured to balance long-term growth objectives with liquidity needs, ensuring sufficient cash is available to meet the University's spending requirements and operational commitments. A portion of the total Endowment assets will be held in highly liquid instruments to meet short-term spending needs and capital calls

without necessitating forced asset sales. These assets may include cash equivalents and other readily marketable securities.

The HTM will conduct quarterly liquidity analyses and reports. This allows the HTM and the IMC(s) to monitor the liquidity profile of the total endowment, ensuring alignment with projected cash needs and addressing any rebalancing requirements.

The University's Vice President of Finance should notify the HTM and IMC(s) of any liquidity needs and debt covenant issues.

VII. Investment Strategy

The investment strategy of the Endowment Fund emphasizes total return, defined as the combined return from capital appreciation and dividend and interest income. The Endowment Fund will be monitored for returns relative to objectives, consistency of investment philosophy, and investment risk.

VIII. Asset Types and Vehicles

The HTM and IMC(s) will consider underlying costs, diversification benefits, and the expected return and risk when selecting vehicles for each asset classes. Selected investments should have reasonable and competitive fees. Investment asset classes will be categorized as follows:

- Return Seeking Assets: These assets are expected to achieve higher long-term growth, but typically carry a higher level of risk. They include equities and other high-growth investments that are expected to outpace inflation over time. The Endowment Fund invests in these assets to support long-term growth that can sustain and enhance the institution's financial support.

- Risk-Mitigating Assets: These assets are expected to provide stability during periods of market volatility. They generally carry lower risk and tend to retain or appreciate in value during market downturns, helping to counterbalance the volatility in return-seeking assets. This category includes cash, fixed-income securities, and other investments that exhibit low correlation with equity markets aimed at protecting capital and managing downside risk.

- Diversifying Assets: These assets are expected to enhance the overall risk-adjusted returns and diversification by exhibiting low anticipated correlation with both return-seeking and risk-mitigating assets. These investments reduce the portfolio's dependence on any single economic factor or asset class. This category includes real assets (such as real estate and commodities), hedge fund strategies, private equity, and private credit.

IX. Portfolio Investment Guidelines

Long-Term Investment Portfolio

Risk Guidelines

The objective of the Endowment Fund is to maximize total return (capital appreciation and income) while managing the risk of significant principal decline. The Board acknowledges that short-term market fluctuation may result in capital loss; however, the Endowment Fund's asset value (without additional contributions or withdrawals) should grow over the long term, if it avoids excess risk.

Long-Term Investment Portfolio Strategic Asset Allocation Targets

To achieve its objective, the Board, in conjunction with the HTM and the IMC(s), has established the following long-term strategic asset allocation targets.

Asset Category	**Target Asset Allocation Exposure**	**Target Allowable Range**
Return-Seeking Assets	**45%**	**33-80%**
U.S. Large & Mid-Cap Equity[1]	27.5%	25-55%
U.S. Small-Cap Equity	5%	3-8%
Developed Large & SMID International Equity	8.25%	5-20%
Emerging Markets	4.25%	0-5%
Risk-Mitigating Assets	**18%**	**15-55%**
Multi-Strategy Bonds[1]	18%	15-40%
Cash	0%	0-5%
Diversifying Assets	**37%**	**10-50%**
Real Estate	2.25%	0-5%
Hedge Funds	18%	10-30%
Private Equity (Equity Alternative)[2]	10%	0-15%
Private Credit (Fixed Income Alternative)[3]	6.75%	0-15%
Total	**100%**	**100%**

[1] True Target Exposure Variability: True target exposures may vary based on Private Equity or Private Credit exposures and future capital calls.

[2] Private Equity Considerations: Private Equity is classified as an Equity Alternative. Any unfunded commitments may be temporarily allocated to the U.S. Large and Mid-Cap Equity asset class until capital calls are executed.

[3] Private Credit Considerations: Private Credit is classified as a Fixed Income Alternative. Any unfunded commitments may be temporarily allocated to the Multi-Strategy Bond asset class until capital calls are executed.

Limitations on Allocations

1. No more than 10% of the Endowment Fund's assets will be allocated to any single actively managed fund.
2. No more than 35% of the Endowment Fund's assets will be allocated to a single "Fund of Funds" or multi-manager fund.
3. No more than 45% of the Endowment Fund's assets will be allocated to a single investment firm.

X. Rebalancing

The HTM and the IMC(s) will rebalance among the necessary asset categories and classes in accordance with its own internal rebalancing rules, which may be adjusted from time to time. This process may result in portfolio exposure to an asset category or class temporarily exceeding or falling below the stated maximum/minimum target range. The Endowment Fund should be analyzed and reviewed for rebalancing at least semi-annually.

XI. Investment Manager Due Diligence, Evaluation, Selection, Monitoring and Corrective Action

The University seeks investment managers who demonstrate effective strategies, sustainable advantages, and high-quality organizational structures. The Endowment Fund expects its active managers to generate superior risk-adjusted returns relative to benchmarks, net of fees, while its passive managers efficiently mirror and gain exposure to specific markets at relatively low costs. Attractive firm characteristics include:

1. A strong market reputation and a substantial, high-quality client base.
2. Alignment of interests and principles.
3. A stable, experienced professional team with employees holding equity in the firm.
4. Controlled growth with manageable assets.
5. Competitive long-term performance relative to peers and appropriate benchmark(s).
6. Competitive fees with minimum account sizes.
7. Annual audits conducted by an independent audit firm.

Performance (net of fees) will be provided monthly (quarterly for private funds) by the Investment Managers. Reports will include time-weighted total returns measured against the relative benchmark(s). Active Managers are expected to add value beyond these benchmarks. Historical data will also be included to assess short-term results within the context of long-term strategies (e.g., Rolling Period Analysis).

Corrective action may be taken as part of the ongoing review of Investment Managers. Instances warranting corrective action or termination include:

1. **Major Organizational Changes:** Significant changes within a firm, such as new portfolio managers, may necessitate re-evaluation and potentially a new contract. Failure to notify the University of such changes is grounds for termination. Managers are expected to maintain open communication with the University.
2. **Contract Violations:** Breach of contract terms constitutes grounds for termination.
3. **Style Drift:** Managers are selected to fulfill specific investment styles for diversification. Significant shifts in strategy may result in termination if they deviate from the Endowment Fund's original intent.
4. **Performance Review:** Managers will not typically be terminated for short-term underperformance if they adhere to their established style. Performance will be evaluated over an appropriate timeframe (three and five year comparisons) with guidance from the HTM and the IMC(s).
5. **Endowment Fund Rebalancing:** Managers may be replaced during Rebalancing.
6. **Other Circumstances:** Any other events or conditions deemed in the University's best interest.

XII. Performance Evaluation

The HTM and the IMC will evaluate the performance of Investment Managers and underlying funds in accordance with the Endowment Fund's stated time horizon. Performance evaluation will be made over a full market cycle, typically five to ten years. The HTM and the IMC(s) will review the performance of Investment Managers and their underlying funds relative to appropriate benchmarks, as well as their risk-return profiles, to ensure alignment with the Endowment's objectives and risk tolerance. Additionally, they will review the choice of benchmarks for each Investment Manager and underlying funds on an annual basis.

Overall, the Endowment Fund results will be evaluated on a rolling five-year basis against a blended benchmark as follows: 45% MSCI ACWI Index, 5% S&P 100 Equal Weight Index, 5% Russell 2000 Index, 12.5% Barcap US Agg. Index, 12.5% Barcap BB Agg. Intermediate Index, 2% Wilshire US REIT Index, 9% HFRI Fund of Funds Strategic Index, and 9% HFRI Fund of Funds Conservative Index. This benchmark will be reviewed and evaluated annually to ensure it remains aligned with the Endowment Fund's strategic objectives, investment goals, and asset allocation.

XIII. Reporting

The Investment Managers and underlying funds are expected to provide monthly statements and quarterly performance reports that include performance against their stated benchmarks, valuation, asset allocation, and cash flow summary.

XIV. Prohibited Investments

The Endowment shall not invest directly in speculative securities or instruments that do not align with its long-term risk, liquidity, and governance framework, including but not limited to:

- Cryptocurrencies or other digital assets held directly
- Initial Coin Offerings (ICOs)
- Penny stocks or over-the-counter bulletin board securities
- Commodity futures utilized for speculative positioning
- Life settlements or concentrated insurance-linked products
- Margin borrowing at the portfolio level

If exposure to any of the above asset types is deemed appropriate, such exposure must be obtained solely through diversified institutional pooled vehicles with established risk controls and full transparency, subject to oversight and approval consistent with this Policy.

The Endowment shall not invest in any security or strategy that introduces:

- Structural leverage at the portfolio level
- Unlimited loss potential
- Illiquidity inconsistent with the Endowment's Liquidity Policy
- Complexity beyond the reasonable oversight capacity of the HTM and the IMC(s)

Investments in

XV. Investment Advisory Fees

The University recognizes that investment advisory fees impact the net return of the Endowment Fund and is committed to managing these costs effectively. All investment advisory fees, including those for Investment Managers, the IMC(s), and related services, must be fully disclosed, transparent, reasonable, and competitive with industry standards. The HTM and the IMC will conduct an annual review of these fees to ensure they are fair and align with the value provided. Advisory fees and any changes will be reported to the Board annually to ensure transparency and accountability.

This Investment Policy Statement is hereby adopted by the University of South Alabama Board of Trustees.

Agreed and Acknowledged:

[University of South Alabama Board of Trustees]

By: _____Date: _____

Name:

Title: Secretary, USA Board of Trustees

[Vice President of Finance, University of South Alabama]

By: _____Date: _____

Name:

Title: Vice President of Finance

[Head of the Treasury Management Department, University of South Alabama]

By: _____Date: _____

Name:

Title:

[Investment Management Consultant]

By: _____Date: _____

Name:

Title:

Company: Leavell Investment Management, Inc.

RESOLUTION

COMMENDATION OF DRS. JOHN AND SALLY STEADMAN

WHEREAS, Dr. John Steadman and Dr. Sally Steadman have distinguished themselves as exemplary models of philanthropy and service, demonstrating extraordinary commitment through their mutual desire to further the mission of the University of South Alabama ("USA"), and

WHEREAS, Dr. John Steadman is a distinguished engineer, scholar and faculty member of the USA College of Engineering (the "College") who has served as both professor and dean and, for his leadership of the College, he was named *Dean Emeritus*, and

WHEREAS, during Dr. John Steadman's tenure as dean from 2003 until 2019, the College awarded more than 3,000 degrees, achieved a sixty-percent increase in undergraduate enrollment and increased college-sponsored research awards by twenty-eight percent, and

WHEREAS, Dr. Sally Steadman is a devoted engineer and instructor at USA, as well as a revered advisor, most notably advising the nationally recognized Alabama Epsilon Chapter of Tau Beta Pi and the Sally Steadman Azalea Chapter of Mortar Board, and

WHEREAS, Drs. John and Sally Steadman have been generous and steadfast supporters of the College and have recently extended their philanthropic relationship through an increased estate commitment to endow the *Drs. John and Sally Steadman Deanship* in the College, and

WHEREAS, the *Drs. John and Sally Steadman Deanship* will transform the capabilities of the College and confer tremendous benefit upon its students and faculty for many years to come,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby recognizes the extraordinary generosity and commitment of Dr. John Steadman and Dr. Sally Steadman and joins the President, faculty, staff, students and alumni in extending deepest gratitude to the Steadmans for their enduring leadership and loyalty.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Development and Alumni Relations

DATE: February 19, 2026

TO: Jo Bonner, President

FROM: Margaret M. Sullivan, Vice President for Development and Alumni Relations Margaret M. Sullivan

SUBJECT: Dr. John Steadman and Dr. Sally Steadman Resolution

It gives me great pleasure to recommend the presentation of the attached resolution commending Dr. John and Sally Steadman to the Board of Trustees.

This resolution commends the long history of philanthropy and engagement of the Steadmans and their College of Engineering named deanship and increased legacy gift to support students and faculty within the College of Engineering.

With your support, this commendation by the Board of Trustees will be an appropriate way to honor the Steadmans' extraordinary support of the University of South Alabama.

Attachment: Proposed Resolution Commending Dt. John Steadman and Dr. Sally Steadman

CC: Monica Ezell, Executive Assistant – Board of Trustees Relations

Jo Bonner

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES



HEALTH AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Health Affairs Committee

December 3, 2025
2:09 p.m.

A meeting of the Health Affairs Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Mr. Jimmy Shumock, Chair, on Wednesday, December 3, 2025, at 2:09 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Steve Furr, Ron Graham, Meredith Hamilton, Arlene Mitchell, Jimmy Shumock, Steve Stokes and Jim Yance were present.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Luis Gonzalez, Ron Jenkins and Lenus Perkins.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Mike Chang, Joel Erdmann, Monica Ezell, Natalie Fox, Charlie Guest, Kayla Hall, Buck Kelley, Andi Kent, Spence Larche, Mike Mitchell, Allen Parrish, Kristen Roberts, Jon Simmons, Josh Snow, Margaret Sullivan, Peter Susman, Franklin Trimm and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 13**, Mr. Shumock called for consideration of the minutes for a meeting held on September 4, 2025, **Item 14**. On motion by Mr. Graham, seconded by Mr. Yance, the Committee voted unanimously to adopt the minutes.

Mr. Shumock called on Dr. Fox, who presented **Item 15**, a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for August, September and October 2025. (To view resolutions, policies and other documents authorized, refer to the minutes for the Board of Trustees meeting held on December 4, 2025.) On motion by Mr. Yance, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Fox addressed a resolution authorizing revisions to the USA Health Hospitals Medical Staff Bylaws and to associated documents, **Item 16**. On motion by Dr. Stokes, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Fox introduced **Item 17**, a resolution authorizing medical executive committee officers for USA Health Hospitals for 2026 and 2027. On motion by Dr. Stokes, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Fox discussed a resolution authorizing the formation of the USA Rural Healthcare Authority (the "Rural HCA"), adoption and state recording of the Rural HCA Articles of Incorporation, adoption of the Rural HCA Bylaws and appointment of Rural HCA directors, **Item 18**. On motion by Mr. Graham, seconded by Mr. Yance, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Fox presented **Item 19**, a resolution authorizing the appointment of directors for the South Alabama Medical Science Foundation. On motion by Dr. Stokes, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Concerning **Item 20**, a report on the activities of USA Health and the Whiddon College of Medicine ("WCOM"), Dr. Fox advised that USA Health University Hospital was recently verified as a Level 1 trauma center by the American College of Surgeons. She introduced Dr. Mike Chang, USA Health Chief Physician Executive/Chief Medical Officer; Dr. Jon Simmons, WCOM Professor of Surgery/USA Health University Hospital Chief of Trauma and Acute Care and Burn Surgery; Mr. Josh Snow, USA Health University Hospital Chief Executive Officer; and Ms. Kayla Hall, USA Health University Hospital Director of Trauma Services, to discuss the significance of this designation, an achievement that few acute care hospitals in the nation attain. USA Health University Hospital is one of two Level 1 trauma centers in Alabama and is one of just a handful in the Southeast region.

Provost Kent introduced Dr. Franklin Trimm, discussing his many years of service with USA Health and the WCOM, most recently as Associate Dean of Health Advancement before being appointed as WCOM Interim Dean effective November 1, 2025. Dr. Trimm expressed gratitude for the trust placed in him to serve in this capacity at a momentous time for the WCOM.

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 6, 2026

TO: Jo Bonner
President

FROM: Natalie Fox
Chief Executive Officer

SUBJECT: Board Meeting Documents

Attached for review and approval by the Health Affairs Committee and the Board of Trustees are the following items:

Resolution – USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2025 and January 2026

- USA Health Hospitals Medical Staff Appointments and Reappointments Board of Trustees Report

NF/kh

Attachments

RESOLUTION

USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR NOVEMBER AND DECEMBER 2025 AND JANUARY 2026

WHEREAS, the USA Health Hospitals medical staff appointments and reappointments for November and December 2025 and January 2026 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 STAFFS
APPOINTMENTS APPROVED IN NOVEMBER 2025, DECEMBER 2025, AND JANUARY 2026

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 and the Health Credentialing Board.

Initial Appointments	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Name	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Capley, Mary T., CRNP	N/A	N/A	N/A	Initial	APP	Surgery	Initial	APP	Surgery
Harris, Laura T., PA	N/A	N/A	N/A	Initial	APP	Internal Medicine	Initial	APP	Internal Medicine
Baheti, Aparna, MD	Initial Appointment	Locum Tenens	Radiology	Initial Appointment	Locum Tenens	Radiology	Initial Appointment	Locum Tenens	Radiology
Barnes, Martin C., MD	Initial Appointment	Locum Tenens	Internal Medicine	Initial Appointment	Locum Tenens	Internal Medicine	Initial Appointment	Locum Tenens	Internal Medicine
Duke, Jonathan, CRNA	N/A	N/A	N/A	Initial Appointment	APP	Anesthesiology	N/A	N/A	N/A
Frye, Caitlyn, PA	N/A	N/A	N/A	Initial Appointment	APP	Emergency Medicine	Initial Appointment	APP	Emergency Medicine
Huffstutler, Hannah, PA	Initial	APP	Orthopaedics	Initial	APP	Orthopaedics	Initial	APP	Orthopaedics
Jones, Christopher A., CRNA	Initial	APP	Anesthesiology	Initial	APP	Anesthesiology	N/A	N/A	N/A
Laan, Danuel J., MD	N/A	N/A	N/A	Initial	Active	Surgery	Initial	Active	Surgery
Largue, Jason B., PA	N/A	N/A	N/A	Initial	APP	Internal Medicine	Initial	APP	Internal Medicine
Lim-Beutel, Irene I., MD	Initial Appointment	Locum Tenens	Surgery	N/A	N/A	N/A	Initial Appointment	Locum Tenens	Surgery
Luquette, Mark, MD	Initial	Active	Pathology	Initial	Active	Pathology	Initial	Active	Pathology
McFarland, Shawn M., MD	Initial Appointment	Active	Pediatrics	N/A	N/A	N/A	Initial Appointmnet	Active	Pediatrics
Millette II, Theodore J., MD	Initial	Active	Pediatrics	Initial	Active	Pediatrics	Initial	Active	Pediatrics
Minton, Bonnie H., PA	N/A	N/A	N/A	Initial	APP	Internal Medicine	Initial	APP	Internal Medicine
Pugh, Kerrington, PA	N/A	N/A	N/A	Initial Appointment	APP	Emergency Medicine	Initial Appointmnet	APP	Emergency Medicine
Reece, Randall K., CRNA	N/A	N/A	N/A	Initial	APP	Anesthesiology	N/A	N/A	N/A
Schultze, Charlotte H., DA	Initial	APP	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Smith, Danielle N., CRNP	Initial Appointment	APP	OB/GYN	N/A	N/A	N/A	Initial Appointment	APP	OB/GYN
Taylor, Debra N., CRNA	N/A	N/A	N/A	Initial Appointment	APP	Anesthesiology	N/A	N/A	N/A
Thomas, Ashley F., CRNP	N/A	N/A	N/A	Initial Appointment	APP	Emergency Medicine	Initial Appointment	APP	Emergency Medicine
Tisch, Jeffrey M., DO	Initial	Consulting	Psychiatry	Initial	Consulting	Psychiatry	N/A	N/A	N/A
Von Zimmerman, Marina, PA	Initial Appointment	APP	OB/GYN	N/A	N/A	N/A	Initial Appointment	APP	OB/GYN
White-Burke, Cambreil, DA	Initial Appointment	APP	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Wilson, Savannah J., CRNP	Initial Appointment	APP	Neurosurgery	Initial Appointment	APP	Neurosurgery	Initial Appointment	APP	Neurosurgery
Reappointments	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Name	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Abohamad, Samar A., MD	N/A	N/A	N/A	Reappointment	Community Staff	Internal Medicine	N/A	N/A	N/A
Ahmed, Ibrahim M., MD	Reappointment	Active	Pediatrics	N/A	N/A	N/A	Reappointment	Active	Pediatrics
Ahmed, Zan, MD	Reappointment	Active	Pathology	Reappointment	Active	Pathology	Reappointment	Active	Pathology
Aistrup, Bruce J., MD	Reappointment	Active	Anesthesiology	Reappointment	Active	Anesthesiology	N/A	N/A	N/A
Al-Nufal, Mohammed, MD	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics
Anderson, Nikita L., CRNP	N/A	N/A	N/A	Reappointment	APP	Urology	Reappointment	APP	Urology
Bassam, Bassam A., MD	Reappointment	Courtesy	Neurology	Reappointment	Active	Neurology	Reappointment	Active	Neurology
Bennett, Donna C., MD	Reappointment	Active	OBGYN	Reappointment	Courtesy	OBGYN	N/A	N/A	N/A
Bhadkamkar, Sanjyot S., CRNP	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine
Bokhari, Amber M., MD	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Boudreaux, Michael C., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Brewer, Cassandra N., CRNP	Reappointment	APP	Emergency Medicine	N/A	N/A	N/A	Reappointment	APP	Emergency Medicine
Bright, Andrew C., DO	Reappointment	Active	Surgery	Reappointment	Active	Surgery	Reappointment	Active	Surgery
Bush, Cheyne, ATC	Reappointment	APP	Orthopaedics	Reappointment	APP	Orthopaedics	N/A	N/A	N/A
Butts, Alexandra M., CRNA	N/A	N/A	N/A	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Byrd, Charlotte S., CRNP	Reappointment	APP	Internal Medicine	N/A	N/A	N/A	Reappointment	APP	Internal Medicine
Byrd, Charlotte S., CRNP	N/A	N/A	N/A	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine
Carmichael, Bishop L., DO	Reappointment	Active	Orthopaedics	Reappointment	Active	Orthopaedics	Reappointment	Active	Orthopaedics
Carnes, Matthew L., MD	N/A	N/A	N/A	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Chason, Danielle N., CRNP	Reappointment	APP	Neurosurgery	Reappointment	APP	Neurosurgery	Reappointment	APP	Neurosurgery
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	OB/GYN	N/A	N/A	N/A	Reappointment	APP	OB/GYN
Crowder, Jason B., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology
Cutchen, William A., MD	Reappointment	Active	Orthopaedics	Reappointment	Active	Orthopaedics	Reappointment	Active	Orthopaedics
DeFelippo Sr., Franklin A., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
DeRoche, Michael E., MD	Reappointment	Locum Tenens	OBGYN	N/A	N/A	N/A	Reappointment	Locum Tenens	OBGYN
Dumars, Karen L., MD	Reappointment	Consulting	Neurology	Reappointment	Consulting	Neurology	N/A	N/A	N/A

Eldridge, Lena M., CRNP	N/A	N/A	N/A	Reappointment	APP	Surgery	Reappointment	APP	Surgery
Finch, Tracie M., RN	Reappointment	APP Non-Privileged	Internal Medicine	Reappointment	APP Non-Privileged	Internal Medicine	N/A	N/A	N/A
Fouty, Brian W., MD	Reappointment	Courtesy	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Frego, Jennifer H., CNRP	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	Pediatrics
Fryfogle, Joel D., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Gacek, Mark R., MD	Reappointment	Active	Surgery	Reappointment	Active	Surgery	N/A	N/A	N/A
Gajendran, Induja, MD	Reappointment	Active	Pediatrics	Reappointment	Consulting	Pediatrics	Reappointment	Active	Pediatrics
Gauriloff-Rothenburg, Jane B., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Glosemeyer, Katherine E., MD	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Glynn, Shelby L., PA	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	Pediatrics
Godwin, Krista S., CRNP	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine
Godwin, Krista S., CRNP	N/A	N/A	N/A	Reappointment	APP	Surgery	Reappointment	APP	Surgery
Gore, Lisa D., CRNP	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	Pediatrics
Gremse, David A., MD	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics
Hayes, Andrea P., PA	Reappointment	APP	Neurosurgery	Reappointment	APP	Neurosurgery	Reappointment	APP	Neurosurgery
Herring, Calvin W., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Hetzel, Aimee C., CRNP	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	Pediatrics
Holmes, Douglas K., MD	Reappointment	Active	Surgery	Reappointment	Active	Surgery	Reappointment	Active	Surgery
Hughes, Jason D., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Isen, Danielle R., DO	Reappointment	Courtesy	Surgery	Reappointment	Courtesy	Surgery	N/A	N/A	N/A
Jaudon, Danielle F., CRNP	N/A	N/A	N/A	Reappointment	APP	Surgery	Reappointment	APP	Surgery
Jimenez, Karen L., MD	Reappointment	Consulting	Internal Medicine	Reappointment	Consulting	Internal Medicine	Reappointment	Consulting	Internal Medicine
Jones, Brittany M., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Kasniya, Gangajal, MD	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics	Reappointment	Active	Pediatrics
Kebbel, Frederick A., MD	Reappointment	Consulting	Radiology	Reappointment	Active	Radiology	N/A	N/A	N/A
Kenyherz, Gregory E., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Koulianos, George T., MD	Reappointment	Consulting	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Kumar, Jatinder, MD	Reappointment	Courtesy	Urology	Reappointment	Active	Urology	Reappointment	Active	Urology
Lairmore, Lisa A., ST	Reappointment	APP	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Lakkis, Nasser, MD	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Lee, Ji Young, MD	N/A	N/A	N/A	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Mack-Williams, Myria A., MD	Reappointment	Active	Pediatrics	Reappointment	Coverage	Pediatrics	Reappointment	Active	Pediatrics
Marmande, Christopher J., CRNA	Reappointment	APP	Anesthesiology	N/A	N/A	N/A	N/A	N/A	N/A
Marshall, Derek E., MD	Reappointment	Active	Anesthesiology	Reappointment	Active	Anesthesiology	N/A	N/A	N/A
Maurer, Brian M., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
McCollough-Harris, Amber M., CRNP	Reappointment	APP	Surgery	Reappointment	APP	Surgery	Reappointment	APP	Surgery
McConnell, Zachary A., PA	N/A	N/A	N/A	Reappointment	APP	Emergency Medicine	N/A	N/A	N/A
McGowin, Emily F., CRNP	N/A	N/A	N/A	Reappointment	APP	Surgery	Reappointment	APP	Surgery
McKean Jr., George H., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology
McLean, Hope M., MD	Reappointment	Community	OB/GYN	Reappointment	Community	OB/GYN	N/A	N/A	N/A
Midgette Jr., Joel A., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Miner, Roy W., MD	N/A	N/A	N/A	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A
Moon, David M., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Munsey, Thomas F., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Nadarajan, Annamalai, MD	Reappointment	Active	Emergency Medicine	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A
Norberg, Shani K., MD	Reappointment	Consulting	Neurology	Reappointment	Consulting	Neurology	N/A	N/A	N/A
Northcutt, Jessica J., MD	Reappointment	Locum Tenens	OB/GYN	N/A	N/A	N/A	Reappointment	Locum Tenens	OB/GYN
Oliver, Craig C., DO	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Omar, Bassam A., MD	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Oser, Allen B., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Pearson, Matthew M., MD	Reappointment	Active	Neurosurgery	Reappointment	Active	Neurosurgery	Reappointment	Active	Neurosurgery
Pham, Tuan H., MD	Reappointment	Active	Surgery	Reappointment	Active	Surgery	Reappointment	Active	Surgery
Revuri, Vamshi R., MD	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Revuri, Vamshi R., MD	Reappointment	Active	Pediatrics	Reappointment	Courtesy	Pediatrics	Reappointment	Active	Pediatrics
Rice, Taylor R., PA	Reappointment	APP	Emergency Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Roberts, Mackenzie K., CRNP	N/A	N/A	N/A	Reappointment	APP	Surgery	Reappointment	APP	Surgery
Rubianes, Lauren M., CRNP	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	Pediatrics
Salvitti Fermin, Mariarita, MD	Reappointment	Active	Urology	Reappointment	Active	Urology	Reappointment	Active	Urology
Sansaricq, Jean A., MD	Reappointment	Active	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Sansing, Jason P., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Sanusi, Abayomi R., MD	Reappointment	Consulting	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Seaman, Deanna M., CNRP	Reappointment	APP	Pediatrics	N/A	N/A	N/A	Reappointment	APP	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	Surgery	Reappointment	Active	Surgery	Reappointment	Active	Surgery
Slate, Garrick J., MD	Reappointment	Locum Tenens	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Smith, Ashleigh G., CRNP	Reappointment	APP	OBGYN	N/A	N/A	N/A	Reappointment	APP	OBGYN
Smith, Katherine T., CRNP	Reappointment	APP Non-Privileged	Internal Medicine	Reappointment	APP Non-Privileged	Internal Medicine	N/A	N/A	N/A

Smith, Laura S., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Sokol, Joshua R., MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Somers, David W., MD	N/A	N/A	N/A	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A
Stagner, Courtnee C., CRNP	N/A	N/A	N/A	Reappointment	APP	Family Medicine	N/A	N/A	N/A
Strickland, Michael C., MD	Reappointment	Consulting	Pediatrics	N/A	N/A	N/A	Reappointment	Consulting	Pediatrics
Sugg Jr., Joseph H., MD	Reappointment	Consulting	Surgery	Reappointment	Consulting	Surgery	N/A	N/A	N/A
Tenorio Velasquez, Daniela, MD	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Tenorio Velasquez, Daniela, MD	Reappointment	Active	Pediatrics	Reappointment	Consulting	Pediatrics	Reappointment	Active	Pediatrics
Theriot, Emily K., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Thompson, Taryn R., PA	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine	Reappointment	APP	Internal Medicine
Tillman III, William H., MD	Reappointment	Consulting	Psychiatry	Reappointment	Consulting	Psychiatry	N/A	N/A	N/A
Todd, Ashton W., MD	Reappointment	Community Staff	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Tomlinson, Michael P., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Tong, Eugene, MD	Reappointment	Consulting	Radiology	Reappointment	Consulting	Radiology	N/A	N/A	N/A
Trupp, Austin H., MD	Reappointment	Active	Radiology	Reappointment	Active	Radiology	Reappointment	Active	Radiology
Upton Jr., Charles C., MD	N/A	N/A	N/A	Reappointment	Active	Anesthesiology	N/A	N/A	N/A
VanDerHeyden, Thomas C., MD	N/A	N/A	N/A	Reappointment	Active	Emergency Medicine	N/A	N/A	N/A
Varner, Stephen T., MD	Reappointment	Active	OB/GYN	Reappointment	Active	OB/GYN	Reappointment	Active	OB/GYN
Veerbadhran Gurunathan, Sakteesh, M	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine	Reappointment	Active	Internal Medicine
Williams, Austin L., CRNA	Reappointment	APP	Anesthesiology	Reappointment	APP	Anesthesiology	N/A	N/A	N/A
Williams, Peyton E., CCC-A	Reappointment	APP	Surgery	Reappointment	APP	Surgery	Reappointment	APP	Surgery
Zloty, Peter, MD	Reappointment	Community Staff	Surgery	Reappointment	Community Staff	Surgery	N/A	N/A	N/A
Change Requests	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Name	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**	**Type/Status**	**Category**	**Department**
Adams, Mason G., MD	N/A	N/A	N/A	Adding Privileges	Active	Internal Medicine	Adding Privileges	Active	Internal Medicine
Butts, Charles C., MD	N/A	N/A	N/A	Adding Privileges	Active	Surgery	Adding Privileges	Active	Surgery
Sabobeh, Mohammad, MD	Added Privileges	Active	Emergency Medicine	N/A	N/A	N/A	Added Privileges	Active	Emergency Medicine
Sharma, Kamal P., MD	N/A	N/A	N/A	Adding Privileges	Coverage	Pediatrics	Adding Privileges	Coverage	Pediatrics
Slaughter, Kevin A., MD	N/A	N/A	N/A	Adding Privileges	Active	Surgery	Adding Privileges	Active	Surgery
Resigned/Retired	**USA Health Children's & Women's Hospital**			**USA Health University Hospital**			**USA Health Ambulatory Care**		
Name	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**	**Reason**	**Date**	**Department**
Ahmed, Ibraham, MD	N/A	N/A	N/A	Resigned	01/10/2026	Pediatrics	N/A	N/A	N/A
Alford, Hannah G., MD	Resigned	10/28/2025	OBGYN	Resigned	10/28/2025	OBGYN	Resigned	10/28/2025	OBGYN
Alkharabsheh, Omar A., MD	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Anguiano Jr., Ariel	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Bayer, Danielle E., MD	N/A	N/A	N/A	Resigned	10/21/2025	Internal Medicine	N/A	N/A	N/A
Boudreaux, Randall C., MD	Resigned	01/01/2026	Anesthesiology	Resigned	01/01/2026	Anesthesiology	N/A	N/A	N/A
Broughton, William A., MD	Retired	12/31/2025	Internal Medicine	Retired	12/31/2025	Internal Medicine	Retired	12/31/2025	Internal Medicine
Buchanan, Lucas B., DO	N/A	N/A	N/A	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Chung, Allison M., Pharm.D.	N/A	N/A	N/A	Resigned	12/17/2025	Pediatrics	N/A	N/A	N/A
Clarke, Kelly A., CRNP	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Craig, Elizabeth A., DO	N/A	N/A	N/A	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Das, Abhijin, MD	Resigned	10/30/2025	Internal Medicine	Resigned	10/30/2025	Internal Medicine	Resigned	10/30/2025	Internal Medicine
DeLaO, Alexandra N., PA	Resigned	12/18/2025	Emergency Medicine	Resigned	12/18/2025	Emergency Medicine	Resigned	12/18/2025	Emergency Medicine
Edwards, Kane E., MD	N/A	N/A	N/A	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Gaston, Charles V., MD	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology
Gwaltney, Robin M., MD	Resigned	01/11/2026	Radiology	Resigned	01/11/2026	Radiology	N/A	N/A	N/A
Hanes, Charles R., MD	Retired	01/01/2026	OB/GYN	Retired	01/01/2026	OB/GYN	Retired	01/01/2026	OB/GYN
Henderson, Bret T., MD	Resigned	11/02/2025	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Honkanen, Mary H., MD	Retired	10/27/2025	Internal Medicine	Retired	10/27/2025	Internal Medicine	Retired	10/27/2025	Internal Medicine
Huls, Hallie R., MD	Resigned	12/15/2025	Anesthesiology	Resigned	12/15/2025	Anesthesiology	N/A	N/A	N/A
Hunt, Karras R., CRNP	Resigned	10/28/2025	Anesthesiology	Resigned	10/28/2025	Anesthesiology	N/A	N/A	N/A
Hutchison, Marshall J., DO	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology
Jones, Marnita M., CRNP	Resigned	10/28/2025	Anesthesiology	Resigned	10/28/2025	Anesthesiology	N/A	N/A	N/A
Kucik, Corry J., MD	Resigned	11/01/2025	Anesthesiology	Resigned	11/01/2025	Anesthesiology	N/A	N/A	N/A
Mancuso, Melissa S., MD	Resigned	12/05/2025	OB/GYN	Resigned	12/05/2025	OB/GYN	N/A	N/A	N/A
Markle, Charles S., MD	Resigned	01/10/2025	Neurology	Resigned	01/10/2025	Neurology	N/A	N/A	N/A
McCollum, Jeffrey S., CRNA	Resigned	12/18/2025	Anesthesiology	Resigned	12/18/2025	Anesthesiology	N/A	N/A	N/A
Miller, Michael J., MD	Resigned	01/01/2026	OB/GYN	Resigned	01/01/2026	OB/GYN	N/A	N/A	N/A
Noland, Dillon K., DO	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Olson, Marcus B., AT	Resigned	10/28/2025	Orthopaedics	Resigned	10/28/2025	Orthopaedics	N/A	N/A	N/A
Pallekonda, Vinay, MD	Resigned	12/08/2025	Anesthesiology	Resigned	12/08/2025	Anesthesiology	N/A	N/A	N/A
Parmley, Richard T., MD	Resigned	01/05/2026	Pediatrics	Resigned	01/05/2026	Pediatrics	Resigned	01/05/2026	Pediatrics
Petersen, Bendt, MD	Resigned	01/03/2026	Orthopaedics	Resigned	01/03/2026	Orthopaedics	N/A	N/A	N/A

Romani, Jr., William R., MD	Resigned	12/18/2025	Radiology	Resigned	12/18/2025	Radiology	Resigned	12/18/2025	Radiology
Scott, Vincent S., MD	Resigned	10/28/2025	OBGYN	Resigned	10/28/2025	OBGYN	Resigned	10/28/2025	OBGYN
Steffler, Brad A., MD	Retired	10/8/2025	Radiology	Retired	10/8/2025	Radiology	Retired	10/8/2025	Radiology
Tallent, Eric A., MD	Resigned	10/28/2025	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Trisel, Zachary M., MD	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine	Resigned	10/28/2025	Internal Medicine
Trupp, Austin H., MD	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology	Resigned	11/26/2025	Radiology
Van Kirk, Christian S., MD	Resigned	10/28/2025	Radiology	Resigned	10/28/2025	Radiology	N/A	N/A	N/A
Wallender, Aaron C., DDS, MD	N/A	N/A	N/A	Resigned	01/05/2026	Surgery	N/A	N/A	N/A
West, Sarah S., CRNP	Resigned	11/1/2025	Neurosurgery	Resigned	11/1/2025	Neurosurgery	Resigned	11/1/2025	Neurosurgery
White, Clinton A., CRNA	Resigned	12/18/2025	Anesthesiology	Resigned	12/18/2025	Anesthesiology	N/A	N/A	N/A
White, Parker A., MD	Resigned	12/14/2025	Orthopaedics	Resigned	12/14/2025	Orthopaedics	Resigned	12/14/2025	Orthopaedicsa
Winkler, Stuart S., MD	Resigned	11/1/2025	OBGYN	Resigned	11/1/2025	OBGYN	N/A	N/A	N/A

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC EXCELLENCE
AND STUDENT SUCCESS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Academic Excellence and Student Success Committee

December 3, 2025
3:12 p.m.

A meeting of the Academic Excellence and Student Success Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Ms. Chandra Brown Stewart, Chair, on Wednesday, December 3, 2025, at 3:12 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Chandra Brown Stewart, Steve Furr and Ron Jenkins were present and Luis Gonzalez participated remotely.
Members Absent:	Scott Charlton, Bill Lewis and Mike Windom.
Other Trustees:	Alexis Atkins, Meredith Hamilton, Arlene Mitchell, Jimmy Shumock and Jim Yance.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Nicole Carr, Shelby Dearman, Joel Erdmann, Monica Ezell, Natalie Fox, Sharon Fruh, Charlie Guest, Heather Hall, Buck Kelley, Andi Kent, Lisa LaCross, Spence Larche, Jackson Martin, Brooke Moreland, Mike Mitchell, Trista Stout-Parker (Rebuilding Together of South Alabama), Allen Parrish, Kristen Roberts, Claudia Sajtar, Dallas Schmidt, Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 21**, Ms. Brown Stewart called for consideration of the minutes for a meeting held on September 4, 2025, **Item 22**. On motion by Dr. Furr, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Ms. Brown Stewart called on Provost Kent to discuss **Item 23**, a resolution authorizing sabbatical awards for the period fall 2026 through spring 2027. (To view resolutions, policies and other documents authorized, refer to the minutes for the Board of Trustees meeting held on December 4, 2025.) On motion by Dr. Furr, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Provost Kent introduced **Item 24**, a resolution granting emeritus status to faculty retirees from the Division of Academic Affairs and conveying the Board's appreciation for their service to the University. On motion by Capt. Jenkins, seconded by Dr. Furr, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Provost Kent detailed a resolution authorizing conferral of an honorary doctorate degree to United States Senator Katie Boyd Britt, keynote speaker for Fall 2025 Commencement, **Item 25**. On motion by Dr. Furr, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

As to a report on the activities of the Division of Academic Affairs, **Item 26**, Provost Kent announced that the National Resource Center for the First Year Experience and Students in Transition recently awarded its annual Institutional Excellence for Students in Transition Award to USA's Second Year Experience program. For their efforts that made this achievement possible, she introduced Dr. Nicole Carr, Associate Vice President for Student Academic Success, Dr. Lisa LaCross, Associate Director for Faculty Development with the Innovation in Learning Center, and Ms. Dallas Schmidt, Associate Director of Student Academic Success, and also recognized Ms. Autumn Courtney, Assistant Director of Student Academic Success. Provost Kent presented the award to Dr. Carr, who then shared information on the initiatives being employed to strengthen student retention and graduation rates.

Provost Kent turned to Dr. Mitchell, who delivered a report on the activities of the Division of Student Affairs, **Item 27**. Dr. Mitchell provided background on the Student Affairs annual reports produced over 10 years and the content featured. With regard to the 2024-2025 Student Affairs Annual Report, he identified six strategic goals and presented examples of programming designed to achieve each goal, along with statistical information.

Concerning a report on the activities of the Office of Community Engagement, **Item 29**, Dr. Billingsley advised of a partnership with Rebuilding Together of South Alabama and introduced Ms. Trista Stout-Walker, the agency's Executive Director, who spoke on the nonprofit's mission and use of the South Serves portal to connect with University volunteers. Students involved in an agency project to help build an accessibility ramp at a home in the community – Mr. Jackson Martin, Philanthropy Chair of Phi Kappa Phi Fraternity, and Ms. Shelby Dearman, Ms. Brooke Moreland and Ms. Claudia Sajtar from the Department of Radiologic Sciences – introduced themselves and discussed the experience. Also recognized for her role in the partnership was Dr. Catherine Cooper, Department of Radiologic Sciences Chair.

Dr. Parrish presented a report on the activities of the Division of Research and Economic Development, **Item 28**. He advised of the marked growth in extramural funding awarded for` College of Nursing (the "College") research projects since 2018 – a demonstration, he noted, of the extraordinary work taking place at the College. He introduced Dr. Heather Hall, College of Nursing Dean, who detailed three projects that had garnered more than $7.4 million in grant support in total: "LEAP" (Leveling Education and Social Support Resources to Advance Professional Nursing Practice); "Nursing REEACH" (Nursing Recruitment and Education to Expand Access to Culturally aligned Healthcare) and "Identifying Stressors and Barriers to Accessing Care for Underrepresented Children with Type 1 Diabetes." Dr. Hall also recognized Dr. Sharon Fruh, the College's Associate Dean, who was in attendance.

There being no further business, the meeting was adjourned at 3:49 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Budget and Finance Committee

December 3, 2025
2:32 p.m.

A meeting of the Budget and Finance Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Mr. Lenus Perkins, Chair, on Wednesday, December 3, 2025, at 2:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Chandra Brown Stewart, Meredith Hamilton, Lenus Perkins, Jimmy Shumock and Steve Stokes were present.
Members Absent:	Ron Graham and Mike Windom.
Other Trustees:	Alexis Atkins, Steve Furr, Luis Gonzalez, Ron Jenkins, Arlene Mitchell and Jim Yance.
Administration & Guests:	Darren Baxley, Jim Berscheidt, Joél Billingsley, Jo Bonner, Joel Erdmann, Monica Ezell, Natalie Fox, Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, Mike Mitchell, Allen Parrish, Kristen Roberts, Steven Scyphers, Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 30**, Mr. Perkins called for consideration of the minutes for a meeting held on September 4, 2025, **Item 31**. On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Mr. Perkins called on Ms. Roberts to discuss the quarterly financial statements for the fiscal year ended September 30, 2025, **Item 32**. Ms. Roberts advised that updates to the draft financial statements were not anticipated, and she presented highlights from the statements, noting record total assets of approximately $2.7 billion, a total net position of approximately $786 million and an increase in net position of close to $124 million to end the year.

Mr. Perkins asked Ms. Roberts to explain **Item 33**, a resolution authorizing the President and the Vice President of Finance, or the equivalent senior financial officer, acting together with the Executive Vice President or the head of USA's Treasury Department, to open banking accounts or make treasury changes. (To view resolutions, policies and other documents authorized, refer to the minutes of the Board of Trustees meeting held on December 4, 2025.) On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Perkins called on Mr. Susman to address **Item 34**, a report on public safety. Mr. Susman commented on the University's obligation to publish campus crime data, as mandated by Clery Act regulations, and recognized those involved in this annual process that culminates in USA's *Annual Security and Fire Safety Report*. He introduced Mr. Darren Baxley, Director of Police

Administration, who discussed charts depicting on-campus offenses by category reported for 2022, 2023 and 2024 and for 2025 through October 29.

Mr. Perkins called on Mr. Kelley for a report on University facilities, **Item 35**. Mr. Kelley introduced Dr. Steven Scyphers, Chief Sustainability Officer/Associate Professor at the Stokes School of Marine and Environmental Sciences, who provided an update on the *Sustainability @ South* program, advising of a sustainability assessment completed in 2025 and the key priorities identified; a sustainability seminar series held in 2025; and new projects involving the installation of campus bioswales for storm water management and development of a synthesis center focused on the environment and health. He noted that both projects had received extramural funding. Additionally, Mr. Kelley gave an update on the Whiddon College of Medicine project as footage of the interior and exterior was shown.

There being no further business, the meeting was adjourned at 2:52 p.m.

Respectfully submitted:

Lenus Perkins, Chair

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Basic Financial Statements

Three Months Ended December 31, 2025

(Unaudited)

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

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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Basic Financial Statements
Three Months Ended December 31, 2025

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UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Management's Discussion and Analysis (Unaudited)
Three Months Ended December 31, 2025

Introduction

The following discussion presents an overview of the financial position and financial activities of University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at December 31, 2025 and 2024, 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 Athletic Fund, University of South Alabama Foundation for Research and Commercialization (FRAC), Providence Medical Network IPA, LLC (Providence IPA), and various billing entities are reported as blended component units. The University of South Alabama Foundation, USA Research and Technology Corporation, University of South Alabama Health Care Authority, South Alabama Medical Science Foundation, Providence Foundation, and Gulf Coast TotalCare are discretely presented.

Financial Highlights

At December 31, 2025 and 2024, the University had total assets and deferred outflows of approximately $2,709,843,000 and $2,401,740,000, respectively; total liabilities and deferred inflows of approximately $1,906,223,000 and $1,712,238,000, respectively; and net position of approximately $803,620,000 and $689,502,000, respectively.

There was an overall increase in unrestricted cash balances between 2024 and 2025 of approximately $10,492,000, or 5%, to $202,502,000, and an overall decrease in restricted cash balances between 2024 and 2025 of approximately $7,454,000, or 32%, to $16,044,000.

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, 2025 and 2024. 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.

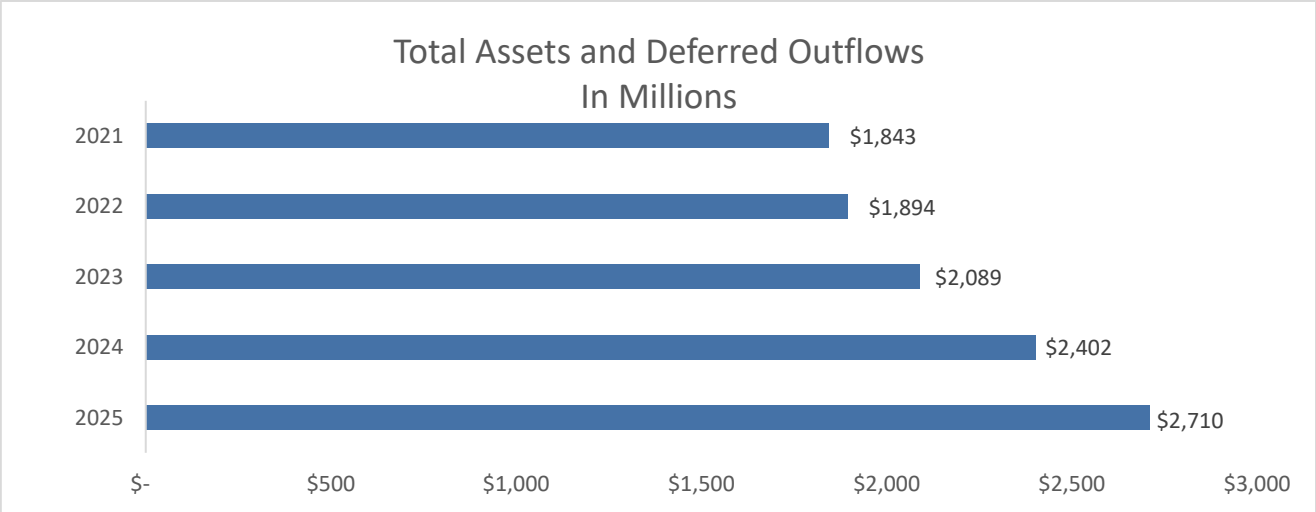
Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, accounts receivable, other, patient receivables, and investments. Of these amounts, restricted and unrestricted cash and cash equivalents, accounts receivable, other, patient receivables, and investments comprise approximately 42%, 23%, 18%, and 10%, respectively, of current assets at December 31, 2025. Noncurrent assets consist primarily of capital assets, net, restricted investments, and lease receivables. Of these amounts, capital assets, net, restricted investments, and lease receivables comprise approximately 69%, 19% and 6%, respectively, of noncurrent assets at December 31, 2025.The increase in total assets and deferred outflows is attributed to an increase in capital assets and deferred outflows related to other postemployment benefits.

The condensed schedules of net position at December 31, 2025 and 2024 follow (in thousands):

Condensed Schedules of Net Position

		2025	2024
Assets:			
Current	$	517,201	503,343
Capital assets, net		1,184,403	1,088,605
Other noncurrent		540,744	548,519
Total assets		2,242,348	2,140,467
Deferred outflows		467,495	261,273
Total assets and deferred outflows	$	2,709,843	2,401,740
Liabilities:			
Current	$	278,136	261,756
Noncurrent		1,265,275	1,044,271
Total liabilities		1,543,411	1,306,027
Deferred inflows		362,812	406,211
Total liabilities and deferred inflows	$	1,906,223	1,712,238
Net position:			
Net investment in capital assets	$	632,938	513,204
Restricted, nonexpendable		86,563	84,362
Restricted, expendable		144,290	123,675
Unrestricted (deficit)		(60,171)	(31,739)
Total net position	$	803,620	689,502

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:

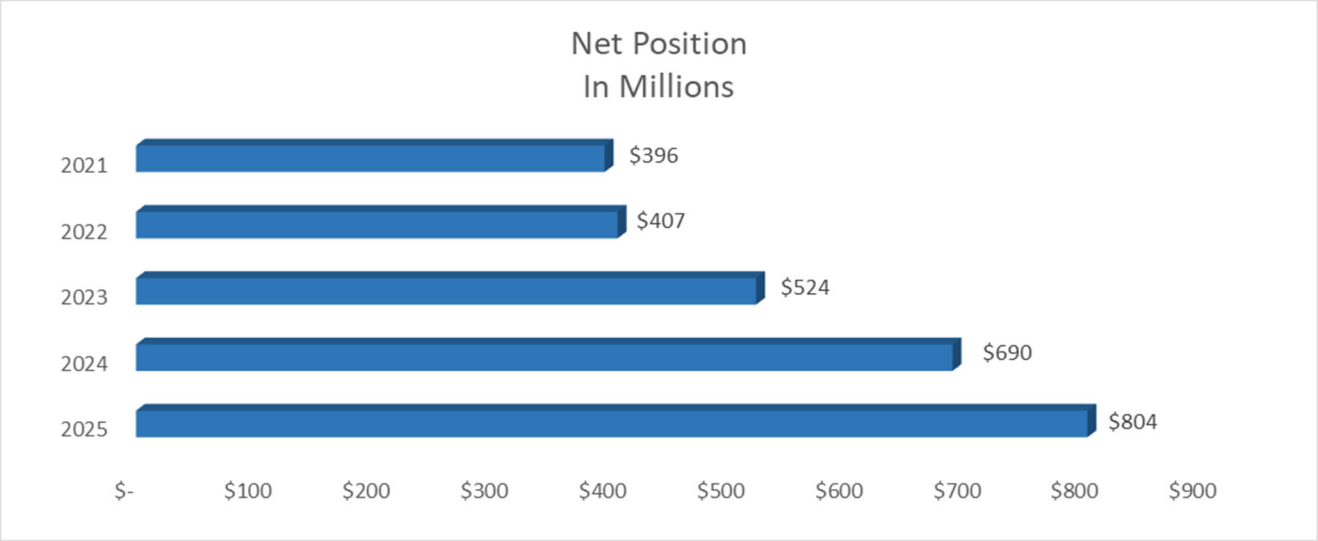
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

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 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, student programs, capital projects, and general operations. Also included in unrestricted net position at December 31, 2025 and 2024 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Net position of the University as of December 31 is as follows:



Restricted net position increased by approximately $22,816,000 between December 31, 2024 and 2025, primarily due to market increases on endowment investments and gifts to the University. Unrestricted net position (deficit) increased from approximately $(31,739,000) to $(60,171,000) between December 31, 2024 and 2025 due to a large increase in net other postemployment benefits. A summary of unrestricted net position (deficit) at December 31, 2025 and 2024 is summarized as follows (in thousands):

		2025	2024
Unrestricted deficit related to net pension liability	$	(279,777)	(349,710)
Unrestricted deficit related to net OPEB liability		(396,009)	(78,808)
Unrestricted net position related to other activity		615,615	396,779
Unrestricted net position (deficit)	$	(60,171)	(31,739)

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 tuition and fees (net of scholarship allowances), patient service revenues (net of provision for bad debts), most

noncapital grants and contracts, revenues from auxiliary enterprises, and sales and services of educational 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 state appropriations, net investment income, 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, and transfers to affiliates to fund operations.

The condensed schedules of revenues, expenses, and changes in net position for the three months ended December 31, 2025 and 2024 follow (in thousands):

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

	2025	2024
Operating revenues:		
Tuition and fees, net	$ 58,250	55,434
Patient service revenues, net	219,975	221,099
Federal, state, and private grants and contracts	12,814	13,207
Auxiiliary, net and other	43,766	34,751
	334,805	324,491
Operating expenses:		
Salaries and benefits	206,804	203,527
Supplies and other services	130,360	130,052
Other	29,302	27,499
	366,466	361,078
Operating loss	(31,661)	(36,587)

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Condensed Schedules of Revenues, Expenses, and Changes in Net Position (continued)

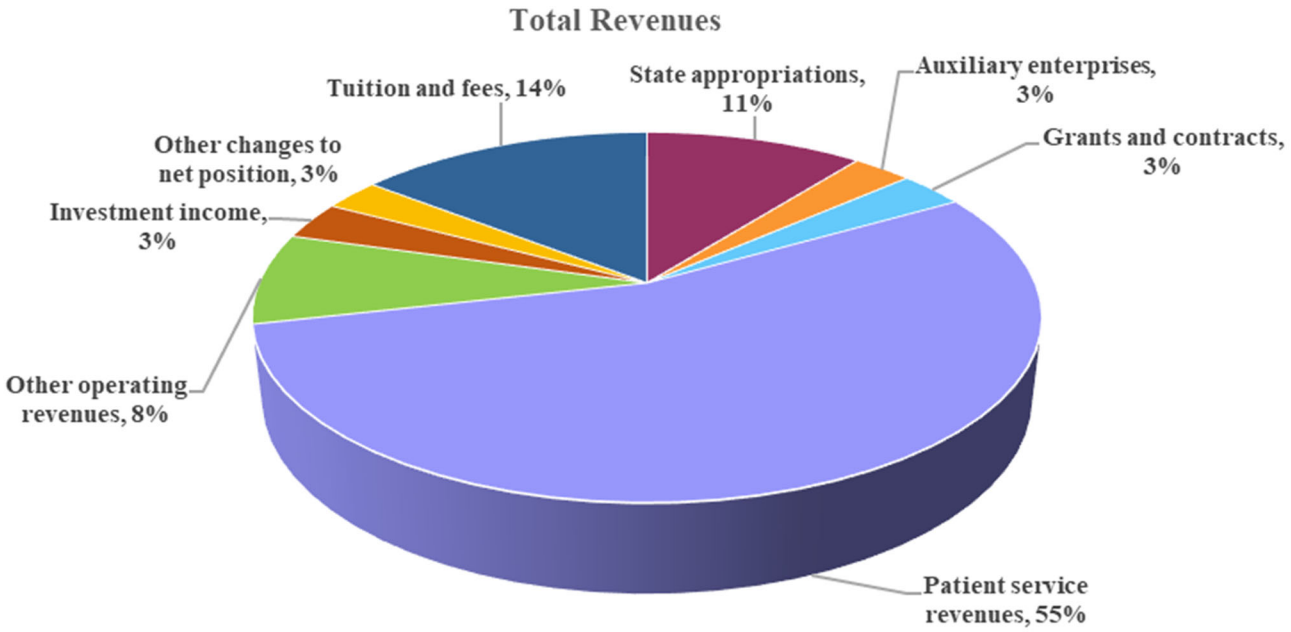
Nonoperating revenues (expenses):			
State appropriations	$	42,803	40,365
Net investment income		13,386	7,932
Other, net		(17,612)	(8,808)
Net nonoperating revenues		38,577	39,489
Income before capital appropriations, contributions and grants, and additions to endowment		6,916	2,902
Capital appropriations, capital contributions and grants, and capital additions to endowment		11,107	23,341
Increase in net position		18,023	26,243
Beginning net position		785,597	686,027
Cumulative effect of change in accounting principle and change to or within the financial reporting entity		—	(22,768)
Beginning balance, as adjusted		785,597	663,259
Ending net position	$	803,620	689,502

In fiscal year 2025, the University adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The adoption of the provisions of GASB Statement No. 101 resulted in an increase to current portion of other long-term liabilities of approximately $3,145,000 and other long-term liabilities, less current portion of approximately $21,046,000. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62,* beginning unrestricted net position was restated by approximately ($24,191,000) for the impact related to the adoption of GASB Statement No. 101. See note 13 for further discussion.

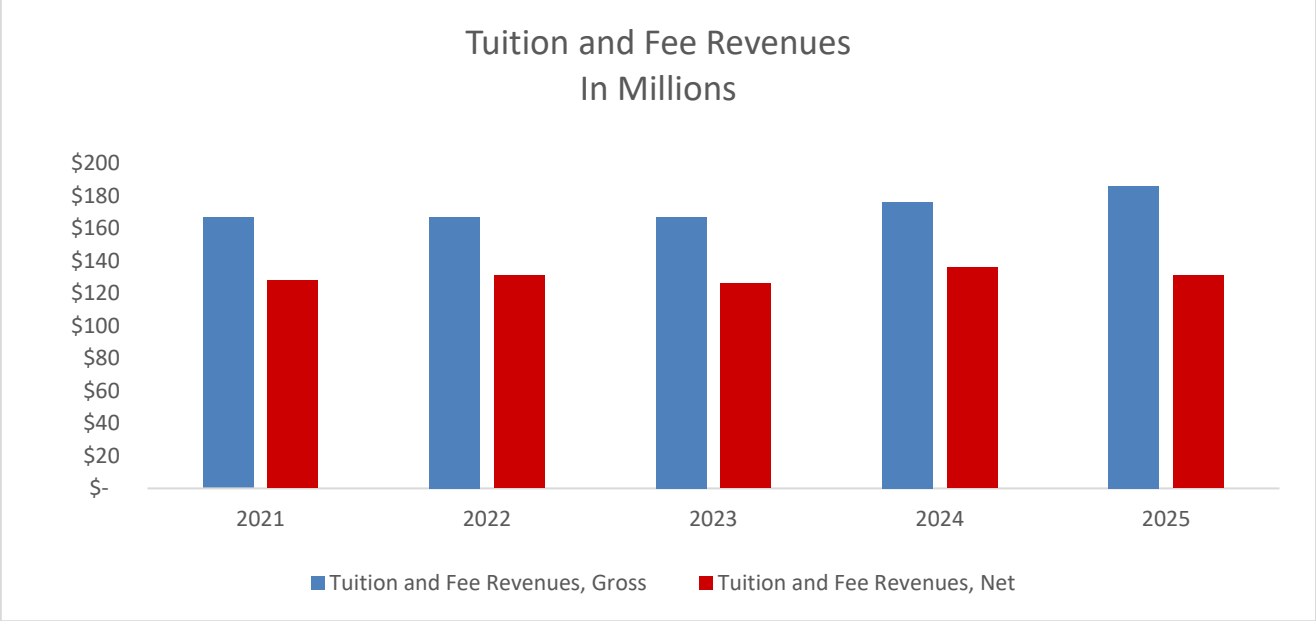
Prior to fiscal year 2025, the Jaguar Athletic Fund (JAF) and the USA Foundation for Research and Commercialization (FRAC) were not presented in the University's financial statements because they were not considered significant enough to warrant inclusion in the University's reporting entity. In fiscal year 2025, the University determined both JAF and FRAC would be included in the University's reporting entity going forward resulting in the University recognizing a change to or within the financial reporting entity by restating beginning unrestricted net position by approximately $1,423,000 in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*.

For the three months ended December 31, 2025, approximately 55% of total revenues of the University were patient service revenues, net. Excluding patient service revenues, tuition and fees charged to students represent the largest component of total University revenues, approximately 14% in 2025. In 2025, state appropriations represented approximately 11% of total revenues.

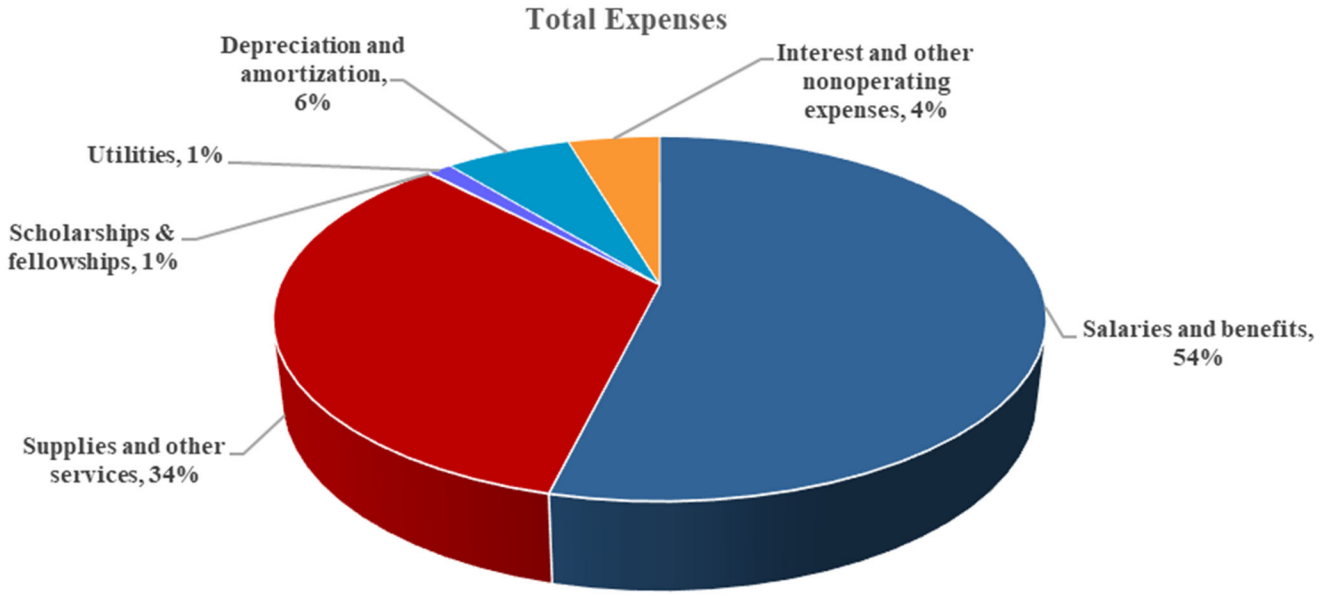
A summary of University revenues for the three months ended December 31, 2025 is presented as follows:



Net tuition revenues have generally remained steady in recent years. Tuition and fees, gross and net of scholarship allowances, for the past five fiscal years are as follows:

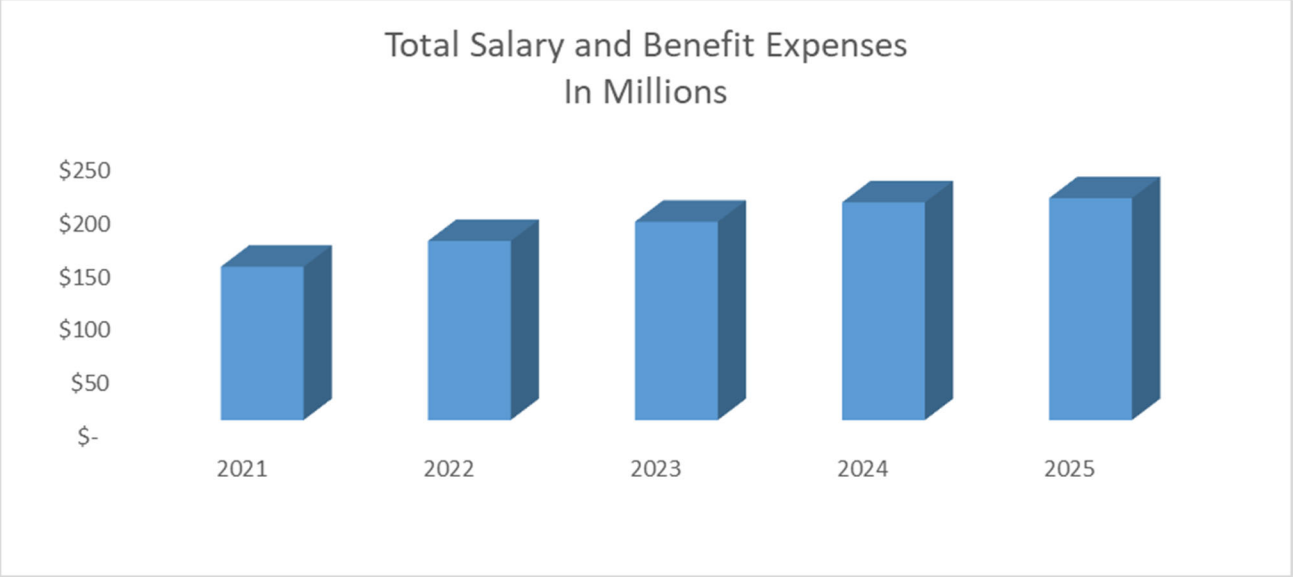


University expenses are presented using their natural expense classifications. A summary of University expenses for the three months ended December 31, 2025 is presented as follows:



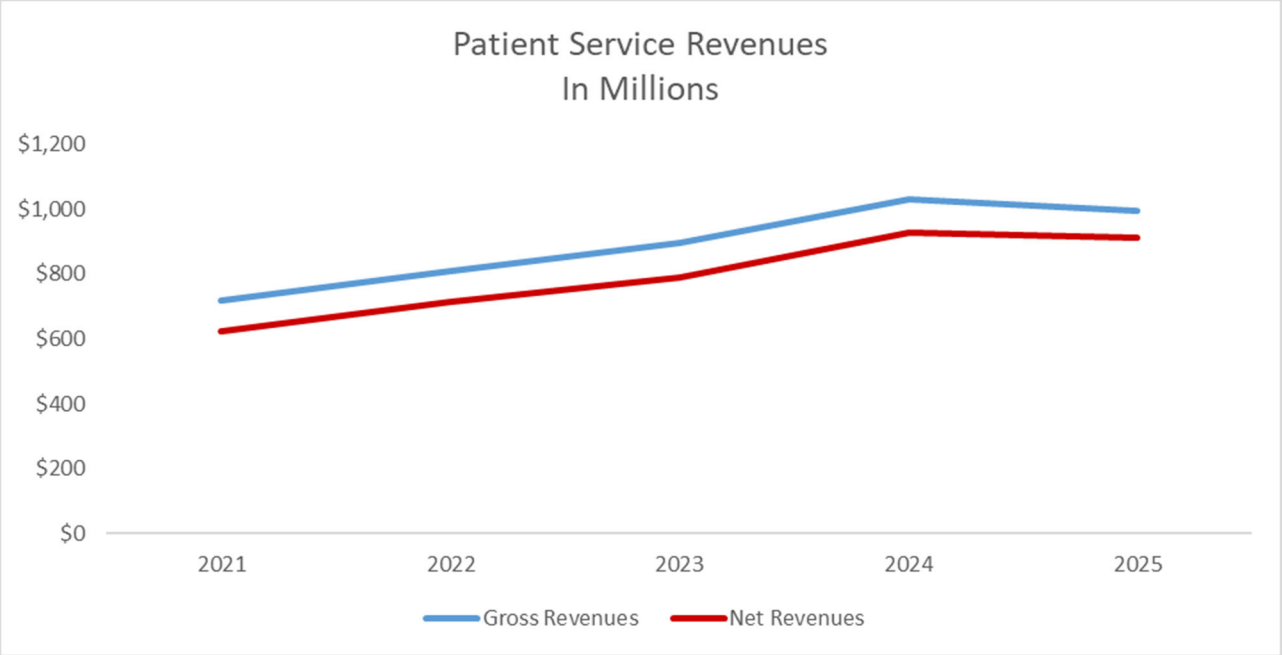
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships. Expenses related 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, 2025 and 2024, approximately 54% and 55% of the University's total expenses were salaries and benefits.



For the three months ended December 31, 2025 and 2024, the University reported an operating loss of approximately $31,661,000 and $36,587,000. 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 $18,023,000 for the three months ended December 31, 2025.

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

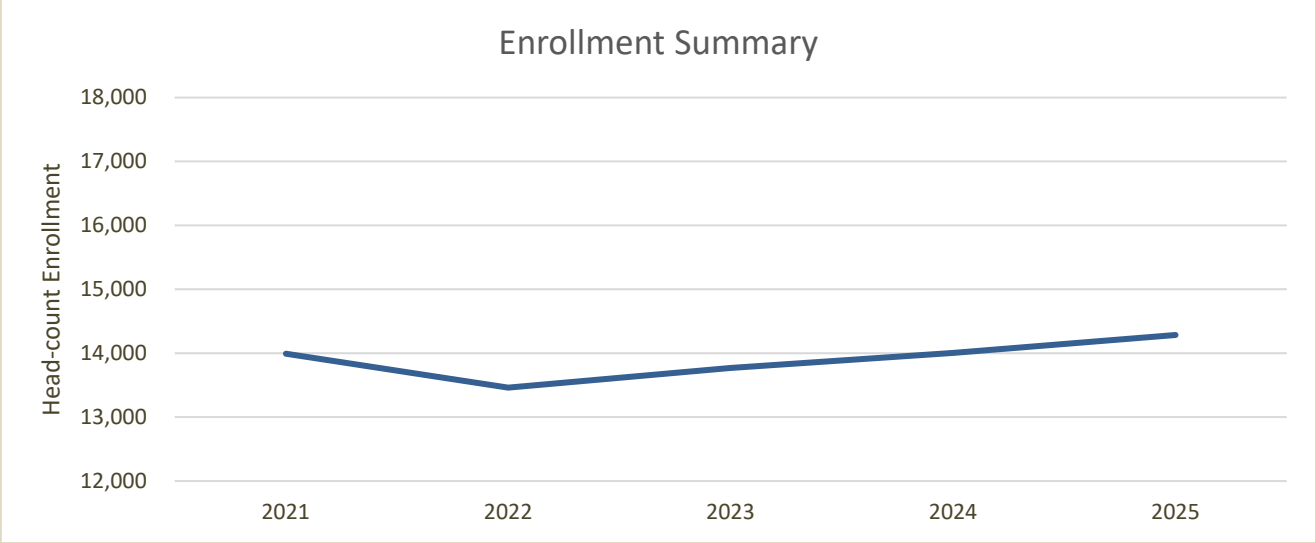
Total capital asset additions for the University were approximately $33,920,000 for the three months ended December 31, 2025. Significant construction projects that remain in progress as of December 31, 2025 include the new Whiddon College of Medicine Building and related utility improvements, USA Health MRI vault renovation, Science Laboratory Building renovation, Traditions renovation, Jaguar Marching Band Building, Providence Medical Office Park renovation, the new Generator for University Hospital, and the Humanities Building reroof and elevator modernization. Major projects completed and placed into service in fiscal year 2025 include: the Children's and Women's Hospital Pediatric Emergency Department expansion, Children's and Women's Tower renovation, Providence Hospital IT system migration, University Hospital's Hybrid Operating Room renovation, and the Stanky Field turf replacement. At December 31, 2025, the University had outstanding commitments of approximately $105,514,000 for various capital projects. Additional information regarding the University's capital assets is included in note 5.

The University's credit rating is A1 (Stable) 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 from negative to stable and affirmed its A1 issuer and revenue bond ratings in June 2024. Standard and Poor's Global Ratings affirmed the University's current rating in June 2024. Additional information regarding the University's debt is included in note 8.

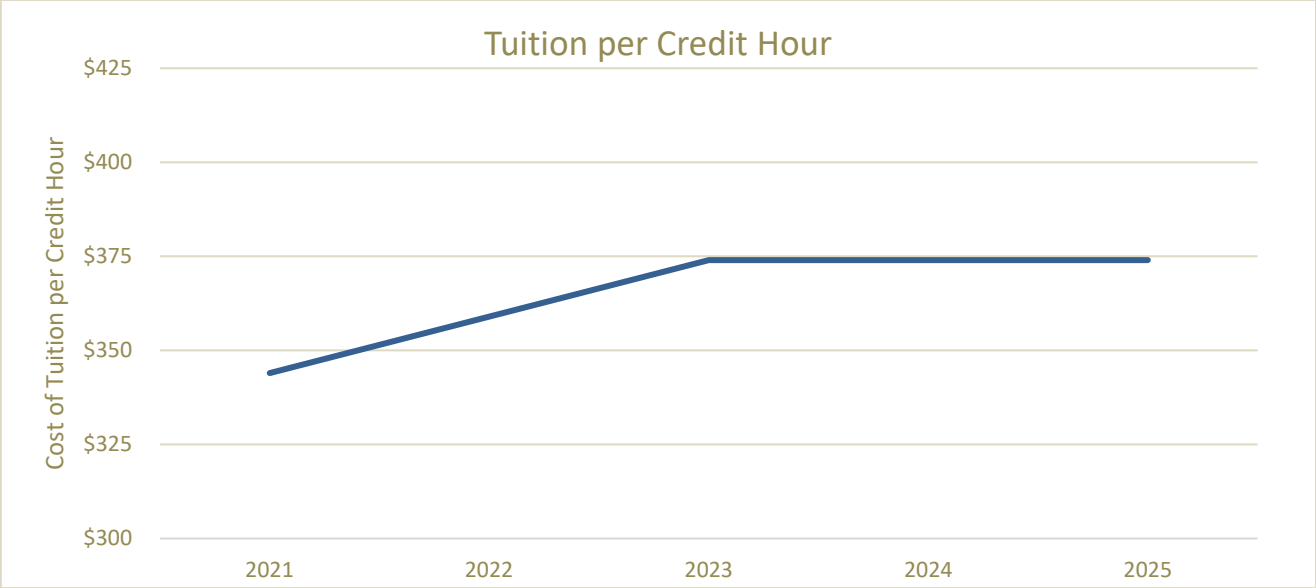
Economic Outlook

While tuition and fee rates per credit hour have increased over the past five years, there were declines in enrollment from Fall 2021 to 2022. The University experienced an increase in enrollment of approximately 2% annually each year beginning with 2022 through 2025. The rise in enrollment for Fall 2025 is due to the largest freshman class on record along with increased retention of upperclassmen.

The enrollment trend for the University between 2021 and 2025 is as follows:

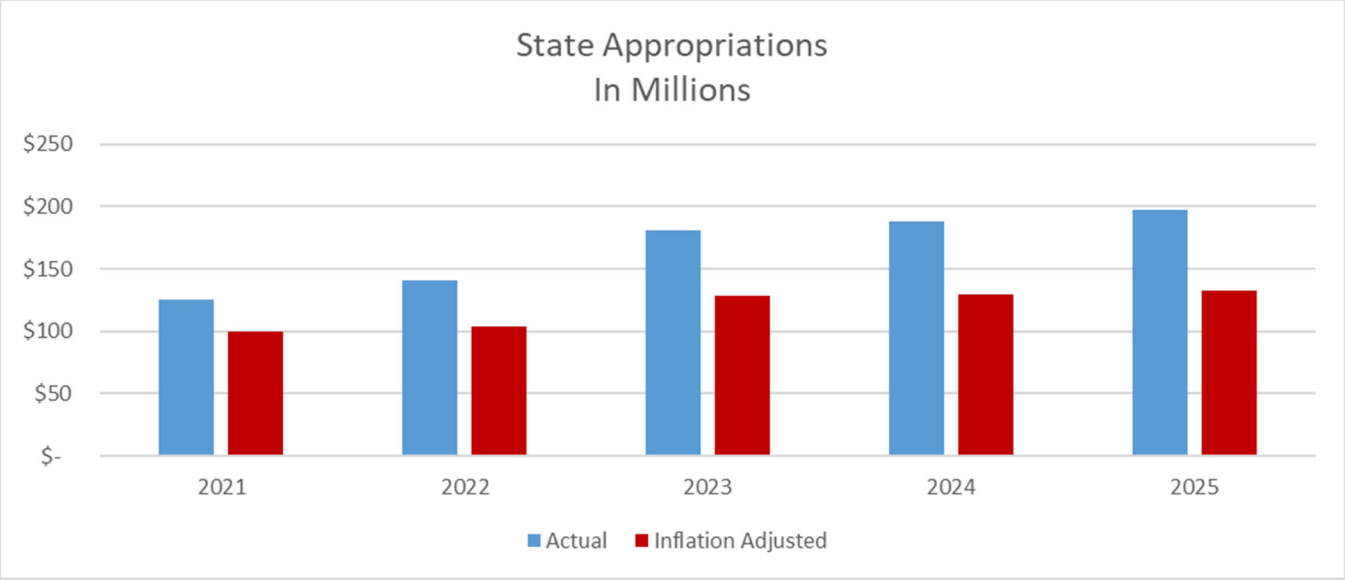


From 2021 to 2025, in-state tuition per credit hour for in-person classes increased by approximately 9%, with no increase from 2023 to 2025. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. Web tuition has decreased slightly during that period. The trend of in-state tuition per credit hour between 2021 and 2025 is as follows:



A state appropriation in the amount of approximately $161,458,000 and $150,375,000 was authorized for the years ended September 30, 2025 and 2024, respectively. Additional supplemental appropriations of approximately $35,990,000 and $37,533,000 were received in 2025 and 2024 for advancement and technology, capital project improvements, certain academic and healthcare initiatives, and equipment. A state appropriation in the amount of approximately $171,210,000, representing an increase of approximately 6%, has been authorized for the year ending September 30, 2026. While no announcement has been made, the University is aware that reductions in the 2026 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.

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; Vice President of Finance; University of South Alabama Administration Building Suite 353, Mobile, Alabama 36688. These basic financial statements can be obtained from our website at https:// 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, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	202,502
Restricted cash and cash equivalents		16,044
Investments		51,580
Patient receivables (net of allowance for doubtful accounts of $71,727)		95,321
Accounts receivable, other		119,416
Notes receivable, net		1,003
Prepaid expenses, inventories, and other		24,626
Lease receivable, current portion		6,709
Total current assets		517,201
Noncurrent assets:		
Restricted investments		331,814
Investments		87,219
Other noncurrent assets and accounts receivable		25,382
Lease receivable, less current portion		96,329
Capital assets, net		1,184,403
Total noncurrent assets		1,725,147
Total assets		2,242,348
Deferred outflows		467,495
Total assets and deferred outflows		2,709,843
Current liabilities:		
Accounts payable and accrued liabilities		104,684
Unrecognized revenues		104,655
Deposits		2,594
Current portion of other long-term liabilities		12,576
Current portion lease and subscription obligations		26,884
Current portion of long-term debt		26,743
Total current liabilities		278,136
Noncurrent liabilities:		
Net pension liability		279,777
Net other postemployment benefits liability		396,009
Other long-term liabilities, less current portion		84,515
Lease and subscription obligations, less current portion		56,320
Long-term debt, less current portion		448,654
Total noncurrent liabilities		1,265,275
Total liabilities		1,543,411
Deferred inflows		362,812
Total liabilities and deferred inflows		1,906,223
Net position:		
Net investment in capital assets		632,938
Restricted, nonexpendable:		
Scholarships		51,860
Other		34,703
Restricted, expendable:		
Scholarships		53,435
Other		90,855
Unrestricted deficit		(60,171)
Total net position	$	803,620

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, 2025

(In thousands)

Operating revenues:		
Tuition and fees (net of scholarship allowances of $1,029)	$	58,250
Patient service revenues (net of provision for bad debts of $23,517)		219,975
Federal grants and contracts		6,122
State grants and contracts		2,822
Private grants and contracts		3,870
Auxiliary enterprises (net of scholarship allowances of $32)		11,695
Other operating revenues		32,071
Total operating revenues		334,805
Operating expenses:		
Salaries and benefits		206,804
Supplies and other services		130,360
Scholarships and fellowships		355
Utilities		4,712
Depreciation and amortization		24,235
Total operating expenses		366,466
Operating loss		(31,661)
Nonoperating revenues (expenses):		
State appropriations		42,803
Net investment income		13,386
Interest expense		(5,156)
Other nonoperating revenues		—
Other nonoperating expenses		(12,456)
Net nonoperating revenues		38,577
Income before capital appropriations, capital contributions and grants, and additions to endowment		6,916
Other changes in net position		
Capital appropriations		1,262
Capital contributions and grants		6,410
Additions to endowment		3,435
Total other changes in net position		11,107
Increase in net position		18,023
Net position:		
Beginning of year		785,597
End of period	$	803,620

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, 2025

(In thousands)

Cash flows from operating activities:		
Receipts related to tuition and fees	$	7,451
Receipts from and on behalf of patients and third-party payers		218,915
Receipts from grants and contracts		23,500
Receipts related to auxiliary enterprises		3,765
Payments to suppliers and vendors		(152,998)
Payments to employees and related benefits		(217,146)
Payments for scholarships and fellowships		(355)
Other operating receipts		26,388
Net cash used in operating activities		(90,480)
Cash flows from noncapital financing activities:		
State appropriations		42,803
Endowment gifts		3,435
Agency funds received		263
Agency funds disbursed		(114)
Student loan program disbursements		(450)
Student loan program receipts		465
Other nonoperating revenues		23,683
Other nonoperating expenses		(10,580)
Net cash provided by noncapital financing activities		59,505
Cash flows from capital and related financing activities:		
Capital contributions and grants		6,410
Purchases of capital assets		(34,364)
Proceeds from sales of capital assets		24
Proceeds from leases		2,882
Principal payments on capital debt		(11,143)
Interest payments on capital debt		(10,390)
Net cash used in capital and related financing activities		(46,581)
Cash flows from investing activities:		
Interest and dividends on investments		4,139
Purchases of investments		(35,155)
Proceeds from sales of investments		17,500
Net cash used in investing activities		(13,516)
Net decrease in cash and cash equivalents		(91,072)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year		309,618
End of period	$	218,546

(Continued)

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

Statement of Cash Flows

Three Months Ended December 31, 2025

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(31,661)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		24,235
Changes in assets and liabilities, net:		
Student receivables		(64,830)
Net patient receivables		555
Grants and contracts receivables		11,487
Other receivables		(19,216)
Prepaid expenses, inventories, and other		(4,446)
Accounts payable and accrued liabilities		(25,368)
Unrecognized revenues		18,764
Net cash used in operating activities	$	(90,480)
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents classified as current assets	$	202,502
Restricted cash and cash equivalents classified as current assets		16,044
Total cash and cash equivalents	$	218,546
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net decrease in fair value of investments recognized as a component of net investment income	$	(1,073)
Payments on behalf of the University by the Alabama Public School and College Authority reducing purchases of capital assets		1,262
Net increase in lease and subscription obligations		8,008
Loss on disposals of capital assets		(21)

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

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

Consolidated Statements of Financial Position

September 30, 2025

(In thousands)

Assets		
Cash and cash equivalents	$	1,231
Investments:		
Securities, at fair value		293,288
Timber and mineral properties		181,992
Real estate		6,428
Other investments		5,822
Other assets		560
Total assets		489,321
Liabilities and Net Assets		
Liabilities:		
Other liabilities		635
Total liabilities		635
Net assets:		
Without donor restrictions		61,587
With donor restrictions		427,099
Total net assets		488,686
Total liabilities and net assets	$	489,321

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, 2025

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, losses, and other support:			
Net realized and unrealized gains on investments	$ 1,267	$ 18,378	$ 19,645
Rents, royalties, and timber sales	1,232	18	1,250
Interest and dividends	677	124	801
Gifts	—	90	90
Interfund interest	(204)	204	—
Net assets released from program restrictions	181	(181)	—
Total revenues, gains, losses, and other support	3,153	18,633	21,786
Expenditures:			
Program services:			
Faculty support	—	—	—
Scholarships	171	—	171
Other academic programs	41	—	41
Total program service expenditures	212	—	212
Management and general	897	—	897
Other investment expense	239	—	239
Depreciation and depletion expense	626	—	626
Total expenditures	1,974	—	1,974
Change in net assets	1,179	18,633	19,812
Net assets – beginning of year	60,408	408,466	468,874
Net assets – end of period	$ 61,587	427,099	488,686

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, 2025

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	2,202
Lease receivable, current portion		3,051
Prepaid expenses and other current assets		81
Accrued interest receivable		58
Total current assets		5,392
Noncurrent assets:		
Capital assets, net		16,603
Lease receivable, less current portion		11,597
Total noncurrent assets		28,200
Total assets		33,592
Deferred outflows		289
Total assets and deferred outflows		33,881
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		371
Unrecognized rent revenue		265
Notes payable, current portion		1,112
Total current liabilities		1,748
Noncurrent liabilities:		
Notes payable, less current portion		14,523
Total noncurrent liabilities		14,523
Total liabilities		16,271
Deferred inflows		13,844
Total liabilities and deferred inflows		30,115
Net position:		
Net investment in capital assets		1,353
Unrestricted		2,413
Total net position	$	3,766

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, 2025

(In thousands)

Operating revenues	$	971
Operating expenses:		
Building management and operating expenses		275
Depreciation and amortization		294
Legal and administrative fees		81
Insurance		24
Total operating expenses		674
Operating income		297
Nonoperating revenues (expenses):		
Interest expense		(184)
Interest income		17
Other		114
Net nonoperating expenses		(53)
Increase in net position		244
Net position:		
Beginning of year		3,522
End of period	$	3,766

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 Net Position

December 31, 2025

(In thousands)

Current assets:		
Cash and cash equivalents	$	4,173
Restricted cash and cash equivalents		437
Patient receivables (net of allowance for doubtful accounts of $26,054)		32,356
Accounts receivable, other		3,514
Inventories		2,308
Lease receivable, current portion		959
Other current assets		774
Total current assets		44,521
Noncurrent assets:		
Capital assets, net		132,156
Investments		406
Lease receivable, less current portion		3,170
Total noncurrent assets		135,732
Total assets		180,253
Current liabilities:		
Accounts payable and accrued liabilities		29,519
Accrued salaries and wages		3,926
Long-term debt, current portion		247
Lease and subscription obligations, current portion		7,379
Other current liabilities		1,944
Total current liabilities		43,015
Noncurrent liabilities:		
Long-term debt, less current portion		21,176
Lease and subscription obligations, less current portion		96,024
Other noncurrent liabilities		2,382
Total noncurrent liabilities		119,582
Deferred inflows		3,802
Total liabilities and deferred inflows		166,399
Net position:		
Net investment in capital assets		7,330
Restricted		437
Unrestricted		6,087
Total net position	$	13,854

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

Three Months Ended December 31, 2025

(In thousands)

Operating revenues:		
Patient service revenues (net of provision for bad debts of $5,690)	$	72,986
Other operating revenues		13,510
Total operating revenues		86,496
Operating expenses:		
Salaries and benefits		42,576
Building and equipment expenses		5,277
Medical and surgical supplies		21,738
Other expenses		18,236
Depreciation and amortization		2,586
Total operating expenses		90,413
Operating loss		(3,917)
Nonoperating revenues (expenses):		
Investment income		73
Support from University of South Alabama		9,400
Interest expense		(1,428)
Other nonoperating expenses		(2)
Total nonoperating revenues, net		8,043
Increase in net position		4,126
Net position at beginning of year		9,728
Net position at end of period	$	13,854

See accompanying notes to basic financial statements.

PROVIDENCE FOUNDATION

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

Statement of Financial Position

September 30, 2025

(In thousands)

Assets		
Cash and cash equivalents	$	4,487
Investments		5,671
Accounts Receivable		10
Land and land improvements, net		98
Total assets		10,266
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses		30
Total liabilities		30
Net assets:		
Without donor restrictions		9,462
With donor restrictions		774
Total net assets		10,236
Total liabilities and net assets	$	10,266

See accompanying notes to basic financial statements.

PROVIDENCE FOUNDATION
(A Component Unit of the University of South Alabama)

Statement of Activities

Three Months Ended September 30, 2025

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions of cash and other financial assets	$ 21	36	57
Contributed nonfinancial assets	82	—	82
Net investment income	326	—	326
Net assets released from restrictions	10	(10)	—
Net assets transferred	214	(214)	—
Total revenues and other support	653	(188)	465
Expenses:			
Direct program services:			
Program services	10	—	10
Total program services	10	—	10
Supporting services:			
General and administrative	758	—	758
Fundraising	40	—	40
Net assets transferred			
Total supporting services	798	—	798
Total expenses	808	—	808
Change in net assets	(155)	(188)	(343)
Net asset adjustment			—
Net assets at beginning of year	9,617	962	10,579
Net assets at end of period	$ 9,462	774	10,236

See accompanying notes to the financial statements.

GULF COAST TOTALCARE
(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

December 31, 2025

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	1,055
Certificate of deposit - restricted		250
Accounts receivable		568
Prepaid expenses		11
Total current assets		1,884
Total assets		1,884
Liabilities:		
Current liabilities:		
Accounts payable		1,146
Total current liabilities		1,146
Total liabilities		1,146
Net position:		
Restricted		250
Unrestricted		488
Total net position	$	738

See accompanying notes to basic financial statements.

GULF COAST TOTALCARE

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

Statement of Revenues, Expenses, and Changes in Net Position

Three Months Ended December 31, 2025

(In thousands)

Operating revenues:		
Contract service revenue	$	2,477
Total operating revenues		2,477
Operating expenses:		
Third-party administrative fees		2,242
Management fees		180
Other		6
Total operating expenses		2,428
Operating income		49
Nonoperating revenues:		
Interest income		2
Total nonoperating revenues		2
Increase in net position		51
Net position:		
Beginning of year		686
End of period	$	737

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, 2025, the University reports University of South Alabama Foundation (USA Foundation), USA Research and Technology Corporation (the Corporation), the University of South Alabama Health Care Authority (HCA), Providence Foundation, and Gulf Coast TotalCare (Gulf Coast) as discretely presented component units. Each of these entities issue separate audited financial statements, which can be obtained by contacting Kristen Roberts, Vice President for Finance, University of South Alabama Administration Building, Suite 353, Mobile, Alabama 36688.

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 Athletic Fund (JAF); USA Foundation for Research and Commercialization (FRAC); 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; Providence Medical Network IPA, LLC (Providence IPA); USA Health Rehabilitation Services, 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.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF) 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.

In October 2023, through the acquisition of Ascension Providence, the University obtained joint ownership of HighProv, LLC, and Providence Home Medical Services, LLC. HighProv, LLC and Providence Home Medical Services, LLC are currently included in investments in the basic financial statements in accordance with GASB Statement No.14.

(b) 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.

(c) 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 is maintained and managed in its separate GLTF for which the University, HCM, SAMSF, the Corporation, and HCA are the only participants. 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.

(d) Jaguar Athletic Fund

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. JAF is a legally separate entity whose officers and directors are approved by the University's Board of Trustees. JAF is reported as a blended component unit.

(e) Providence Medical Network IPA, LLC

Through the Ascension Providence acquisition in October 2023, the University became the sole member of the Providence Medical Network IPA, LLC (Providence IPA). The Providence IPA is a legally separate entity reported as a blended component unit and operates as an independent physician association. Revenues of approximately $6,866,000, excluding significant transactions between the University and the IPA, are included within other operating revenues on the statement of revenues, expenses, and changes in net position. Expenses of approximately $6,866,000, excluding

significant transactions between the University and the IPA, are included within supplies and other services on the statement of revenues, expenses, and changes in net position. The Providence IPA has a calendar year-end, which differs from the University's September 30 year-end. In accordance with GASB Statement No. 14 and Statement No. 61, the University has included the Providence IPA's financial statements as of and for the year ended December 31, 2024 in the University's financial statements as of and for the three months ended December 31, 2025.

(f) USA Foundation for Research and Commercialization

USA Foundation for Research and Commercialization (FRAC) is a not-for-profit corporation that was organized for the purpose of providing support to the University to foster research and educational initiatives for both students and faculty. FRAC is a legally separate entity whose officers and directors are approved by the University's Board of Trustees. FRAC has one wholly owned subsidiary, NovALtech, LLC. FRAC is reported as a blended component unit.

(g) 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; USA Health Community Providers, LLC; and USA Health Rehabilitation Services 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.

(h) 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 IPA, LLC; USA Health Daphne Family Practice, LLC; USA Mobile County ASC; USA Health HCA Providence Hospital, LLC; and USA Health Providence Retail Pharmacy, LLC. 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.

During fiscal year 2023, HCA obtained a 51% equity interest in 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. 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. The remaining 49% of USA BC ASC is owned by individual physician investors. USA BC ASC Holdco has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the September 30, 2025 statement of net position as a noncurrent investment.

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. 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, 2024 in HCA's financial statements as of December 31, 2025. Exclusive of transactions between HCA and the IPA totaling approximately $737,000, IPA revenues and expenses of approximately $6,110,000 and $6,110,000, respectively, are included within the statement of revenues, expenses, and changes in net position. For the three months ended December 31, 2025, the IPA has paid approximately $1,112,000 in claims to HCA.

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. FPI has a calendar year-end, which differs from HCA's September 30 year-end. HCA's capital account balance is presented on the December 31, 2025 statement of net position as a noncurrent investment.

Since inception, HCA's operations have been partially funded by the University, with total support amounting to approximately $9,400,000 for the three months ended December 31, 2025. 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, 2025 are discretely presented.

(i) 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. The USA Foundation has two wholly owned subsidiaries, Knollwood Development, Inc. and Shubuta Timber Services, Inc. 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, 2025 were approximately $7,524,000 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. 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 as of and for the three months ended September 30, 2025 in the University's financial statements as of and for the three months ended December 31, 2025. 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, 2025 are discretely presented.

(j) 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. Due to 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, 2025 are discretely presented.

During the three months ended December 31, 2025, the Corporation engaged in several transactions with the University. The University was charged approximately $447,000 during the three months ended December 31, 2025 for rental space as described in note 6. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged approximately $90,000 for such services during the three months ended December 31, 2025. 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.

(k) Providence Foundation

The University became the sole corporate member of the Providence Foundation in December 2024. The Providence Foundation is a not-for-profit corporation whose purpose is to further promote, support and engage in any charitable, scientific, and educational activities established by the University. Total distributions received or accrued by the University for the three months ended December 31, 2025 were approximately $414,000 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. Providence Foundation presents its financial statements in accordance with standards issued by the FASB. Providence Foundation is reported in separate financial statements because of the difference in the financial reporting framework since Providence Foundation follows FASB rather than GASB. Providence 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, GASB Statement No. 61 and GASB Statement No. 100, the University has included Providence Foundation's statements for the three months ended September 30, 2025 in the University's financial statements as of December 31, 2025. The accompanying statement of financial position and statement of activities for the Providence Foundation as of and for the three months ended September 30, 2025 are discretely presented.

(l) Gulf Coast TotalCare

Gulf Coast TotalCare (GCTC) 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. HCM is the sole corporate member of GCTC and appoints the Board of Directors. Based on GASB Statement No. 14, as amended by Statement No. 39, GCTC is a discretely presented component unit of HCM, which is a component unit of the University. GCTC 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 GCTC as of and for the three months ended December 31, 2025 are discretely presented.

GCTC contracted with HCM to provide management and administrative services for $0.50 per recipient member per month. For the three months ended December 31, 2025, GCTC remitted management fees to HCM totaling approximately $180,000. HCM makes contributions to GCTC based on cash flow needs. For the three months ended December 31, 2025, HCM made no cash contributions to GCTC.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of employer contributions to the Teachers' 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 Other Post-Employment Benefits (OPEB) plan, changes in actuarial and other assumptions related to the pension plan, the difference between the consideration provided and the net position acquired for South Coast Real Estate Venture, LLC through the Ascension Providence acquisition, and the loss on the defeasement of certain bond series.

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, gain on the refunding of certain bond series, and the value of contractual rights to lease revenue in future reporting periods.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) Capital Assets

Capital expenditures with a cost of $10,000 or more are capitalized 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 aggregate capital asset purchases, including renewals and renovations, are capitalized. Purchases for multiple items of minor equipment are evaluated to see if they are part of a single overall transaction, have a single objective, and meet or exceed the established aggregate threshold of $75,000. If a purchase of minor equipment meets the aggregate guidelines and has a useful life of two or more years, it is capitalized at cost once all items are received and placed into use. 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	10 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	3 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, 2025, no impairments were identified.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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.

(cc) 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.

(dd) 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.

(ee) 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.

(ff) 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.

(gg) Compensated Absences

The University accrues leave for employees that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as any leave that has been used but not yet paid or settled through noncash means. The accrual is based on historical leave usage, is inclusive of salary-related payments that are a function of the salary to be paid, and is measured using employee pay rates as of the date of the financial statements.

(hh) Recently Adopted Accounting Pronouncements

In fiscal year 2026, the University adopted the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model and enhance its effectiveness in providing information that is essential for

decision making and assessing a government's accountability. The impact to the University's basic financial statements in the adoption of this statement is still being determined.

In addition, the University adopted the provisions of GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets and requires disclosure of certain information regarding capital assets to be presented by major class. There was no significant impact to the University in the adoption of this statement.

(2) Income Taxes

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

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

(3) Cash and Cash Equivalents

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2025, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $19.2 billion. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of approximately $194,632,000 at September 30, 2025.

At December 31, 2025, restricted cash and cash equivalents consist of approximately $4,989,000 related to unspent bond cash, $1,444,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $8,481,000 related to restricted donations related to certain capital projects, $862,000 related to endowment funds, $248,000 related to the Providence IPA, and $20,000 related to security deposits.

(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.

The University holds a 50% equity interest in Providence Home Medical Services, LLC (Home Medical), a multimember limited liability company that was formed to own and operate a durable medical equipment provider. The University's capital account balance in Home Medical is considered an investment in a joint venture, pursuant to GASB Statements Nos. 14 and 61. The University's capital account balance is approximately $410,000 for the three months ended December 31, 2025 and is presented on the statement of net position as a noncurrent investment.

The University holds a 35% equity interest in HighProv, LLC (HighProv), a multimember limited liability company formed to construct, own, and operate a hotel facility. For the three months ended December 31, 2025, the University's capital account balance is approximately $711,000 and is presented on the statement of net position as a noncurrent investment.

Investments and restricted investments of the University, by type, at fair value at December 31, 2025 (in thousands) are as follows:

Commodity Mutual Fund/ETF	$	2,508
Common Stock		22,117
Corporate Bonds		11,511
Domestic Equity Mutual Fund/ETF		132,314
Fixed Income Fund of Funds		21,058
Fixed Income Mutual Fund/ETF		38,712
Global Equity Mutual Fund/ETF		807
Hedge Fund - Fund of Funds		45,027
International Equity Fund of Funds		12,911
International Equity Mutual Fund/ETF		34,367
Joint Ventures		1,121
Private Credit		17,227
Private Equity		20,081
Private REIT		4,623
Public REIT		62
Real Estate		10,804
U.S. Government Agency Securities		69,308
U.S. Treasury Securities		26,055
	$	470,613

At December 31, 2025, restricted investments consist of endowment funds and funds held in the PLTF and GLTF to pay insurance liability claims.

At December 31, 2025, approximately $2,100,000 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 December 31, 2025, the University had outstanding capital commitments to those funds of approximately $17,354,000.

(i) Credit Risk and Concentration of Credit Risk

Non-Endowment Cash Pool Investment Policy

The objective of the long-term fund is to maximize total return (capital appreciation and income) while managing the risk of significant principal decline.

The University Non-Endowment Long-Term Investment Policy requires that not more than 20% of the long-term fund's assets be allocated to any single actively managed fund and no more than 45% of the long-term fund's assets be allocated to a single fund of funds or multi-manager fund.

Endowment Fund Investment Policy

The objective of the endowment fund is to maximize total return (capital appreciation and income) while managing the risk of significant principal decline.

The University Endowment Fund Investment Policy requires that not more than 10% of the endowment fund's assets be allocated to any single actively managed fund, no more than 35% of the endowment fund's assets be allocated to a single fund of funds or multi-manager fund, and no more than 45% of the endowment fund's assets be allocated to a single investment firm.

The University's exposure to credit risk and concentration of credit risk at December 31, 2025 is as follows:

	Credit rating	Percentage of total investments
Corporate Bonds	Various	2.4 %
Fixed Income Fund of Funds	Various	4.5
Fixed Income Mutual Fund/ETF	Various	8.2
U.S. Government Agency Securities	Aa1	14.7
U.S. Treasury Securities	Aa1	5.5

(ii) Interest Rate Risk

At December 31, 2025 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
Corporate Bonds	$	11,511	367	7,917	2,468	759
Fixed Income Fund of Funds		21,058	—	—	21,058	—
Fixed Income Mutual Fund/ETF		38,712	—	980	37,732	—
U.S. Government Agency Securities		69,308	12,927	37,839	10,141	8,401
U.S. Treasury Securities		26,055	4,041	13,283	8,589	142
	$	166,644	17,335	60,019	79,988	9,302

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, 2025 (in thousands):

Description	Asset fair value measurements			
	Level 1	Level 2	Level 3	Total
Commodity Mutual Fund/ETF	$ 2,508	—	—	2,508
Common Stock	22,117	—	—	22,117
Corporate Bonds	—	11,511	—	11,511
Domestic Equity Mutual Fund/ETF	132,314	—	—	132,314
Fixed Income Mutual Fund/ETF	38,712	—	—	38,712
Global Equity Mutual Fund/ETF	807	—	—	807
International Equity Mutual Fund/ETF	34,367	—	—	34,367
Joint Ventures	—	—	1,121	1,121
Private Credit	—	319	469	788
Public REIT	62	—	—	62
Real Estate	—	—	10,804	10,804
U.S. Government Agency Securities	—	69,308	—	69,308
U.S. Treasury Securities	26,055	—	—	26,055
Total investments at fair value	$ 256,942	81,138	12,394	350,474
Investments measured at NAV:				
Fixed Income Fund of Funds				21,058
Hedge Fund - Fund of Funds				45,027
International Equity Fund of Funds				12,911
Private Credit				16,439
Private Equity				20,081
Private REIT				4,623
Total investments				$ 470,613

A roll-forward schedule for Level 3 financial instruments for the three months ended December 31, 2025 is as follows (in thousands):

Beginning balance	$	9,925
Purchases		—
Gifts		2,325
Net realized/unrealized gains		144
Sales		—
Transfers		—
Ending balance	$	12,394

(b) Health Care Authority

HCA 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 is approximately ($12,000) for the three months ended December 31, 2025, and is presented on the statement of net position as an investment.

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 three months ended December 31, 2025, HCA's capital account balance is approximately $418,000, and is presented on the statement of net position as an investment.

(c) Providence Foundation

The following table presents the financial assets subject to fair value measurement by valuation hierarchy level as of September 30, 2025:

		Level 1
Commingled Fixed Income Funds	$	1,496
Commingled Equity Funds		748
Marketable Equity Securities		3,407
Public REITs		20
Total recurring fair value measurements	$	5,671

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the three months ended December 31, 2025 is as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Land and other	$ 48,698	—	—	—	48,698
Intangible assets					
Certificate of need	225	—	—	—	225
Goodwill	1,207	—	—	—	1,207
Construction in progress	172,528	24,749	(1,118)	—	196,159
	222,658	24,749	(1,118)	—	246,289
Capital assets being depreciated or amortized:					
Land improvements	87,492	—	—	—	87,492
Lease commissions	57	—	—	—	57
Buildings, fixed equipment, and infrastructure	1,217,319	184	755	(22)	1,218,236
Other equipment	290,055	980	363	(1,313)	290,085
Library materials	105,084	—	—	—	105,084
Lease assets					
Buildings	8,497	—	—	—	8,497
Office space	13,727	—	(128)	—	13,599
Equipment	45,876	5,541	162	(2,803)	48,776
Subscription assets	77,546	2,466	91	(14,958)	65,145
	1,845,653	9,171	1,243	(19,096)	1,836,971
Less accumulated depreciation and amortization for:					
Land improvements	(45,637)	(1,160)	—	—	(46,797)
Lease commissions	(10)	(3)	—	—	(13)
Buildings, fixed equipment, and infrastructure	(483,005)	(9,397)	—	22	(492,380)
Other equipment	(216,995)	(4,480)	—	1,292	(220,183)
Library materials	(83,824)	(1,119)	—	—	(84,943)
Lease assets					
Buildings	(4,172)	(311)	—	—	(4,483)
Office space	(6,872)	(607)	128	—	(7,351)
Equipment	(14,423)	(1,966)	(162)	2,803	(13,748)
Subscription assets	(38,648)	(5,178)	(91)	14,958	(28,959)
	(893,586)	(24,221)	(125)	19,075	(898,857)
Capital assets being depreciated, net	952,067	(15,050)	1,118	(21)	938,114
Capital assets, net	$ 1,174,725	9,699	—	(21)	1,184,403

Depreciation and amortization of capital assets for the three months ended December 31, 2025 was approximately $24,221,000. In addition, the University amortizes bond costs of issuance that is included in other noncurrent assets and accounts receivable on the statement of net position. For the three months ended December 31, 2025, amortization of bond costs of issuance was approximately $14,000, resulting in total depreciation and amortization of approximately $24,235,000. See note 8 for additional details regarding bonds.

At December 31, 2025, the University had commitments of approximately $105,514,000 related to various capital projects.

For the three months ended December 31, 2025, the University received approximately $1,262,000 in capital grants from the Alabama Public School and College Authority for the site preparation and construction of the new College of Medicine facility, and this amount is included in capital appropriations on the statement of revenues, expenses, and changes in net position.

(b) USA Research and Technology Corporation

Changes in capital assets for the three months ended December 31, 2025 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	128	175	—	(111)	192
	351	175	—	(111)	415
Capital assets being depreciated or amortized:					
Land improvements	1,985	—	—	—	1,985
Buildings	29,004	8	—	—	29,012
Tenant improvements	3,623	14	—	—	3,637
Other equipment	421	—	—	—	421
Computer software	56	—	—	—	56
Lease commissions	321	—	—	—	321
Software subscriptions	3	—	—	—	3
	35,413	22	—	—	35,435
Less accumulated depreciation or amortization for:					
Land improvements	(1,831)	(5)	—	—	(1,836)
Buildings	(14,107)	(203)	—	—	(14,310)
Tenant improvements	(2,356)	(75)	—	—	(2,431)
Other equipment	(382)	(2)	—	—	(384)
Computer software	(53)	(1)	—	—	(54)
Lease commissions	(221)	(8)	—	—	(229)
Software subscriptions	(3)	—	—	—	(3)
	(18,953)	(294)	—	—	(19,247)
Capital assets being depreciated or amortized, net	16,460	(272)	—	—	16,188
Capital assets, net	$ 16,811	(97)	—	(111)	16,603

Depreciation and amortization expense totaled approximately $294,000 for the three months ended December 31, 2025.

Construction in progress totaled approximately $175,000 as of December 31, 2025 and include improvements to tenant suites in Buildings I, II, and III, and an HVAC replacement project in Building III. At December 31, 2025, the Corporation had outstanding commitments of approximately $340,000.

(c) Health Care Authority

A summary of HCA's capital assets activity for the three months ended December 31, 2025 is as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated or amortized:					
Construction in progress	$ —	3	—	—	3
Works of art	1	—	—	—	1
	1	3	—	—	4
Capital assets being depreciated or amortized:					
Buildings	33,058	—	—	—	33,058
Leasehold improvements	5,464	—	—	—	5,464
Equipment	4,140	—	—	(6)	4,134
Computer software	139	—	—	—	139
Lease assets:					
Buildings	98,578	—	—	—	98,578
Office space	4,844	—	—	—	4,844
Equipment	12,947	—	(596)	(4)	12,347
Subscription assets	866	—	—	(9)	857
	160,036	—	(596)	(19)	159,421
Less accumulated depreciation or amortization for:					
Buildings	(3,543)	(312)	—	—	(3,855)
Leasehold improvements	(1,699)	(139)	—	—	(1,838)
Equipment	(3,015)	(97)	—	4	(3,108)
Computer software	(105)	(1)	—	—	(106)
Lease assets:					
Buildings	(11,684)	(1,091)	—	—	(12,775)
Office space	(1,695)	(242)	—	—	(1,937)
Equipment	(3,227)	(614)	596	4	(3,241)
Subscription assets	(328)	(90)	—	9	(409)
	(25,296)	(2,586)	596	17	(27,269)
Capital assets being depreciated or amortized, net	134,740	(2,586)	—	(2)	132,152
Capital assets, net	$ 134,741	(2,583)	—	(2)	132,156

Depreciation and amortization expense totaled approximately $2,586,000 for the three months ended December 31, 2025.

(d) Providence Foundation

A summary of Providence Foundation's capital assets activity for the three months ended September 30, 2025 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Capital assets not being depreciated					
Land	$ 98	-	-	-	98
	98	-	-	-	98
Capital assets being depreciated:					
Land Improvements	139	-	-	-	139
	139	-	-	-	139
Less accumulated depreciation for:					
Land Improvements	(139)	-	-	-	(139)
	(139)	-	-	-	(139)
Capital assets being depreciated, net	-	-	-	-	-
Capital assets, net	$ 98	-	-	-	98

Capital assets as of September 30, 2025 are comprised of land valued at $98,000 and land improvements which have been fully depreciated for the three months ended September 30, 2025.

(6) Noncurrent Liabilities

(a) University of South Alabama

A summary of the University's noncurrent liability activity for the three months ended December 31, 2025 is as follows (in thousands):

	Beginning balance	Additions	Reductions	Adjustments	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt and lease and subscription obligations							
Bonds payable	$ 480,909	—	(5,324)	(762)	474,823	26,543	448,280
Notes payable	615	—	(41)	—	574	200	374
Lease and subscription obligations	82,046	8,008	(5,778)	(1,072)	83,204	26,884	56,320
Total long-term debt and lease and subscription obligations	563,570	8,008	(11,143)	(1,834)	558,601	53,627	504,974
Other noncurrent liabilities:							
Net pension liability	279,777	—	—	—	279,777	—	279,777
Net OPEB liability	396,009	—	—	—	396,009	—	396,009
Other long-term liabilities	94,014	4,325	(1,248)	—	97,091	12,576	84,515
Total other noncurrent liabilities	769,800	4,325	(1,248)	—	772,877	12,576	760,301
Total noncurrent liabilities	$ 1,333,370	12,333	(12,391)	(1,834)	1,331,478	66,203	1,265,275

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

A detail of the University's other long-term liabilities activity for the three months ended December 31, 2025 is as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Other long-term liabilities:						
Compensated absences	$ 38,021	-	-	38,021	10,574	27,447
Government advances	3,631	-	-	3,631	-	3,631
Professional Liability Trust Fund	41,850	3,970	(1,035)	44,785	1,959	42,826
General Liability Trust Fund	10,512	355	(213)	10,654	43	10,611
Total other long-term liabilities	$ 94,014	4,325	(1,248)	97,091	12,576	84,515

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 buildings, equipment, office space, and software subscriptions under leases expiring at various dates through 2039. Aggregate future minimum lease and subscription payments under noncancelable agreements as of December 31, 2025, by fiscal year, are as follows (in thousands):

		Principal	Interest	Total
2026	$	22,154	2,907	25,061
2027		19,798	2,797	22,595
2028		16,628	1,841	18,469
2029		10,649	1,058	11,707
2030		6,453	607	7,060
2031 – 2035		7,388	817	8,205
2036 – 2040		134	2	136
Lease and subscription obligations	$	83,204	10,029	93,233

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 of approximately $8,941,000 as of December 31, 2025.

The University leases space from the Corporation and HCA. As of December 31, 2025, the University had lease and subscription obligations of approximately $5,905,000 related to leases between the University and component units.

(b) USA Research and Technology Corporation

Changes in noncurrent liabilities for the three months ended December 31, 2025 are as follows (in thousands):

		Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$	15,906	—	(271)	15,635	1,112	14,523

(i) Notes Payable

Notes payable from direct borrowings consisted of the following as of December 31, 2025 (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$ 9,512
Hancock Whitney Bank promissory note, 3.08%, payable through 2031	6,123
	$ 15,635

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 December 31, 2025, the Corporation's debt service coverage ratio was 2.22 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

As of December 31, 2025, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes payable		
	Principal	**Interest**	**Total**
2026	$ 830	443	1,273
2027	1,144	554	1,698
2028	9,028	424	9,452
2029	574	135	709
2030	591	117	708
2031	3,468	35	3,503
Total	$ 15,635	1,708	17,343

(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, *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 December 31, 2025, the unamortized balance in deferred outflows was approximately $289,000.

(c) Health Care Authority

A summary of HCA's noncurrent liability activity for the three months ended December 31, 2025 follows (in thousands):

	Beginning balance	Additions	Reductions	Adjustments	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt	$ 21,478	—	(55)	—	21,423	247	21,176
Lease and subscription obligations	104,236	—	(1,033)	200	103,403	7,379	96,024
Other long-term liabilities	4,326	—	—	—	4,326	1,944	2,382
Total noncurrent liabilities	$ 130,040	—	(1,088)	200	129,152	9,570	119,582

Other long-term liabilities of liabilities related to compensated absences as required to be recorded by GASB 101. Amounts due within one year are included in current portion of other long-term liabilities.

Long-Term Debt

HCA entered into an agreement with Family Medical Investments, LLC to construct a medical office building on the USA Health Mapp Family 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 an interest rate of 4.79% in October 2022 to Family Medical Investments, LLC. The total balance of principal payments outstanding at December 31, 2025 is approximately $21,423,000. Upon conclusion of the agreement term, HCA will obtain ownership of the building.

At December 31, 2025, future debt service for long-term debt by year is as follows (in thousands):

	Debt service on long-term debt		
	Principal	Interest	Total
2026	$ 247	1,021	1,268
2027	291	1,008	1,299
2028	339	993	1,332
2029	389	976	1,365
2030	443	956	1,399
2031-2035	3,155	4,383	7,538
2036-2040	5,121	3,408	8,529
2041-2045	7,765	1,885	9,650
2046-2048	3,673	172	3,845
Total	$ 21,423	14,802	36,225

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 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 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 2055.

Aggregate future minimum lease payments under noncancelable agreements as of December 31, 2025 by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 6,165	2,438	8,603
2027	6,583	4,352	10,935
2028	5,626	4,069	9,695
2029	4,161	3,829	7,990
2030	3,415	3,661	7,076
2031-2035	10,893	16,525	27,418
2036-2040	12,533	13,878	26,411
2041-2045	15,617	10,796	26,413
2046-2050	19,453	6,956	26,409
2051-2055	18,957	2,175	21,132
	$ 103,403	68,679	172,082

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

The University has entered into two equipment lease agreements on behalf of Providence Hospital in the amount of approximately $2,930,000 for which the terms have not yet commenced. HCA will be responsible for making lease payments to the University for use of the equipment once the terms commence and an invoice is received. As of December 31, 2025, there are no other known lease or subscription commitments for which the terms have not yet commenced.

(7) Deferred Outflows and Inflows

(a) University of South Alabama

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 Bonds. 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-A Bonds. In 2024, the University acquired an 81% ownership interest in a legally separate entity, South Coast Real Estate Venture, LLC (South Coast), as part of the Ascension Providence acquisition. During 2024, the University acquired the remaining 19% ownership interest in South Coast and formally dissolved the entity. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the excess consideration provided over the net position acquired was recognized as a deferred outflow of resources and is being amortized over

338 months, the remaining service life of the capital assets acquired. Additionally, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions--an amendment of GASB Statement No. 27*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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, 2025 are summarized below (in thousands):

Loss on refunding of 2016-A bonds	$	4,237
South Coast acquisition		123
Pension		58,090
OPEB		405,045
	$	467,495

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 D 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 was recognized as a deferred inflow of resources and was being amortized over the remaining life of the Series 2016-B, C, and D Bonds. In August 2024, the University refunded the Series 2016-B, C, and D with the Series 2024-C Bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, Statement No. 63, and Statement No. 65, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow and is being amortized over the remaining life of the Series 2024-C Bonds.

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, 2025 are summarized below (in thousands):

Gain on refunding of 2016 Series B, C and D Bonds	$	2,477
Pension		72,549
OPEB		189,838
Leases		97,948
	$	362,812

(b) Health Care Authority

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 as of December 31, 2025 totaled approximately $3,802,000.

(8) Bonds Payable

Bonds payable consisted of the following at December 31, 2025 (in thousands):

University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033	$	14,969
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		3,742
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		2,342
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		1,875
University Facilities Revenue Refunding Bonds, Series 2016-A, 3.00% to 5.00% payable through November 2037		60,830
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037		26,121
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		11,855
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030		9,350
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040		31,515
University Facilities Revenue Bonds, Series 2021, 4%, payable through April 1, 2041		35,210
University Facilities Revenue Bonds, Series 2021-B 1.398%, payable through August 1, 2032		10,115
University Facilities Revenue Bonds, Series 2024-A, 5.0% through 2053 and 5.25% for 2054, payable through April 1, 2054		72,810
University Facilities Taxable Revenue Bonds, Series 2024-B, 4.753% to 5.233%, payable through April 1, 2035		17,165
University Facilities Revenue Bonds, Series 2024-C, 5%, payable through October 1, 2036		83,845
		429,494
Plus unamortized premium		46,410
Less unamortized debt extinguishment costs		(1,081)
	$	474,823

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 were redeemable beginning in June 2023. 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 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 were redeemable beginning April 2031. The Series 2021-B Bonds began maturing in August 2022 and are subject to redemption beginning August 2024. The Series 2023-A and 2023-B Bonds were amended and restated in April 2024, extending their final maturities to April 2025. The Series 2024-A Bonds begin maturing in April 2035 and are redeemable beginning April 1, 2034. The Series 2024-B Bonds begin maturing in April 2025 and are redeemable at the option of the University beginning April 1, 2034. The Series 2024-C Bonds begin maturing in April 2025 and are redeemable at the option of the University beginning April 1, 2034.

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 are 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 $4,237,000 at December 31, 2025. The principal outstanding on all defeased bonds is approximately $60,830,000 at December 31, 2025.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C, and D, with a face value totaling $100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of $4,539,000 was recorded as a deferred inflow and was being amortized over the remaining life of the Series 2016-B, C, and Bonds. In August of 2024, the University refunded the Series 2016-B, C, and D with the Series 2024-C Bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow and is being amortized over the remaining life of the Series 2024-C Bonds. The balance of the related net deferred inflow at December 31, 2025 totaled approximately $2,477,000.

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 July 2024, the University issued University Facilities Revenue Bonds Series 2024-A $72,810,000 and Taxable Series 2024-B $19,925,000. Proceeds of the Series 2024-A and 2024-B Bonds were used to refund the University Facilities Revenue Bonds (Draw-Down Loan) 2023-A and the University Facilities Revenue Bonds (Draw-Down Loan) 2023-B, the proceeds of which were used by the University to purchase and improve the healthcare facilities located at 6801 Airport Blvd., Mobile, AL, known as Providence Hospital.

In August 2024, the University issued University Facilities Revenue Bonds Series 2024-C $90,850,000. Proceeds of the Series 2024-C Bonds were used to refund the Amended and Restated University Facilities Revenue Refunding Bond Series 2016-B, 2016-C and 2016-D. The related interest rate swap agreement with Wells Fargo Bank was terminated using $14,745,000 of University funds to pay swap termination fees, accrued interest and other related costs.

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, 2025, no amounts were due or recorded in the basic financial statements.

Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal year is as follows at December 31, 2025 (in thousands):

	Debt service on notes and bonds				
	Bonds		Notes payable from direct borrowing		
	Principal	Interest	Principal	Interest	Total
2026	$ 17,961	10,282	161	20	28,424
2027	24,190	18,980	196	16	43,382
2028	25,200	17,994	191	7	43,392
2029	25,431	16,944	26	1	42,402
2030	25,642	15,870	—	—	41,512
2031–2035	125,825	62,063	—	—	187,888
2036–2040	95,510	32,975	—	—	128,485
2041–2045	34,935	19,108	—	—	54,043
2046–2050	33,635	10,428	—	—	44,063
2051–2054	21,165	2,849	—	—	24,014
Subtotal	429,494	$ 207,493	574	44	637,605
Plus (less):					
Unamortized bond premium	46,410		—		
Unamortized debt extinguishment costs	(1,081)		—		
Total	$ 474,823		574		

(9) Lease Receivables

(a) University of South Alabama

The University leases land, buildings, and suites to various lessees expiring at various dates through 2069. For the three months ended December 31, 2025, the University recognized a total of approximately $3,132,000 of inflows of resources from leases, of which $1,959,000 was recognized as lease revenue which is included in other operating revenues, and interest of approximately $1,173,000 which was recognized as a component of net 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
2026	$	5,697	2,442	8,139
2027		5,733	4,389	10,122
2028		5,725	4,121	9,846
2029		4,464	3,868	8,332
2030		3,510	3,684	7,194
2031–2035		11,331	16,555	27,886
2036–2040		12,534	13,882	26,416
2041–2045		15,618	10,799	26,417
2046–2050		19,455	6,959	26,414
2051–2055		18,960	2,178	21,138
2056–2060		3	2	5
2061–2065		4	1	5
2066–2069		4	-	4
Lease receivable	$	103,038	68,880	171,918

Of the $103,038,000 lease receivable, approximately $96,969,000 is related to leases between the University and its component units.

(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. Space in Buildings I, 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, 2025, the Corporation recognized no operating expense reimbursement income.

Space under lease to the University was 95,334 and 80,092 square feet at December 31, 2025 and 2024, respectively.

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 initial lease was terminated in December 2022 and replaced with a new lease with an initial term of 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, 2025. 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, 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.

For the three months ended December 31, 2025, the Corporation recognized approximately $85,000 and $103,000, respectively, in revenues related to short-term leases and a total of approximately $998,000 and $909,000, respectively, of inflows of resources from financing leases, of which approximately $884,000 and $799,000, respectively, was recognized as lease revenue and approximately $114,000 and $110,000, 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
2026	$	2,525	313	2,838
2027		2,098	345	2,443
2028		2,092	280	2,372
2029		1,832	217	2,049
2030		1,096	171	1,267
2031–2035		1,359	654	2,013
2036–2040		1,301	472	1,773
2041–2045		1,640	247	1,887
2046–2050		487	51	538
2051–2055		149	23	172
2056–2057		69	2	71
Lease receivable	$	14,648	2,775	17,423

(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, 2025, HCA recognized a total of approximately $264,000 of inflows of resources from leases, of which approximately $218,000 was recognized as lease revenue and approximately $46,000 was recognized as interest income. 63% of total lease revenue recognized was attributable to subleases to the University. The other 37% of total lease revenue is attributable to unrelated third parties. 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 December 31, 2025, by fiscal year, are as follows (in thousands):

	Principal	Interest	Total
2026	$ 742	123	865
2027	880	135	1,015
2028	939	93	1,032
2029	534	57	591
2030	365	37	402
2031-2035	174	121	295
2036-2040	30	110	140
2041-2045	37	102	139
2046-2050	46	93	139
2051-2055	57	82	139
2056-2060	72	67	139
2061-2065	89	50	139
2066-2070	112	27	139
2071-2073	52	4	56
	$ 4,129	1,101	5,230

As of December 31, 2025, 51% of the total lease receivable balance amount reflected on the accompanying statement of net position is related to subleases to the University.

(10) Patient Service Revenues

(a) University of South Alabama

The University of South Alabama Health System (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 settlements 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, 2021. 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 13% of USA Health's net patient service revenues for the three months ended December 31, 2025.

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 28% of USA Health's net patient service revenues for the three months ended December 31, 2025.

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 three months ended December 31, 2025, the University received net supplemental payments from this program of approximately $19,919,000, which is included in patient service revenues on the statement of revenues, expenses, and changes in net position.

Revenues from the Medicaid program accounted for approximately 23% of USA Health's net patient service revenues for the three months ended December 31, 2025.

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 net patient service revenues for the three months ended December 31, 2025 follows (in thousands):

Gross patient service revenues	$	644,418
Less:		
Provision for contractual and other adjustments		(400,926)
Provision for bad debts		(23,517)
	$	219,975

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. USA Health also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. USA Health estimates the provision for bad debts for patients with deductibles and coinsurance and for 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 three months ended December 31, 2025, there were no changes in estimates of the provision for bad debts recognized.

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 three months ended December 31, 2025 (in thousands):

		Gross patient service revenues	**Percentage**
Blue Cross	$	139,790	22
Medicaid		141,207	22
Medicare Advantage		132,485	20
Medicare		67,345	11
Commercial		79,407	12
Other		51,710	8
Self pay		32,474	5
	$	644,418	100 %

The University provides charity care to patients who meet specific financial need criteria, as outlined in its USA Health Financial Assistance Policy. Charity care is defined as services provided to patients who are unable to pay for all or part of their care and for whom no expectation of payment exists. Costs are calculated based on the cost-to-charge ratio which is applied to the amounts of services provided to qualifying patients. The estimated cost of charity care provided for USA Health University Hospital and USA Health Children's & Women's Hospital during the three months ended December 31, 2025 is as follows (in thousands):

	USA Health University Hospital	USA Health Children's & Women's Hospital
Approximate charges foregone, based on established rates	$ 5,971	273
Percentage of charity care charges to total charges	31%	40%

(b) Health Care Authority

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.

A summary of the basis of reimbursement with major third-party payors 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, HCA 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. HCA is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by HCA and audits by the Medicare fiscal intermediary.

HCA acquired Providence Hospital on October 1, 2023. HCA had no prior responsibility for filing Providence Hospital's Medicare cost report prior to that date. HCA filed its first Medicare cost report for the year ended September 30, 2024, on February 27, 2025, for review and audit by the Medicare fiscal intermediary. No audit work has been completed at this time.

Revenues from the Medicare program accounted for approximately 16% of HCA's gross patient service revenues for the three months ended December 31, 2025.

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 22% of HCA's gross patient service revenues for the three months ended December 31, 2025.

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.

Revenues from the Medicaid program accounted for approximately 5% of HCA's gross patient service revenues for the three months ended December 31, 2025.

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

The composition of net patient service revenues for the three months ended December 31, 2025 is as follows (in thousands):

Gross patient service revenues	$ 307,128,000
Provision for contractual and other adjustments	(228,452,000)
Provision for bad debts	(5,690,000)
Net patient service revenues	$ 72,986,000

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 for 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.

Providence Hospital provides charity care to patients who meet specific financial need criteria, as outlined in the USA Health Providence Financial Assistance Policy. Charity care is defined as services provided to patients who are unable to pay for all or part of their care and for whom no expectation of payment exists. Costs are calculated based on the cost-to-charge ratio which is applied to the amounts of services provided to qualifying patients. The estimated cost of charity care provided during the three months ended December 31, 2025 was approximately $446,000.

Approximate charges forefone, based on established rates (in thousands)	$ 1,900
Percentage of charity care charges to total charges	23%

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 three months ended December 31, 2025 (in thousands):

	Gross patient service revenues	Percentage
Medicare Advantage	$ 110,939,000	36 %
Blue Cross	67,492,000	22
Medicare	50,922,000	16
Other	39,989,000	13
Self pay patients	21,563,000	7
Medicaid	14,237,000	5
Health maintenance organization	1,986,000	1
	$ 307,128,000	100 %

(11) Business and Credit Concentrations

(a) University of South Alabama

The University grants credit to patients, substantially all of whom reside in the University's service area. The University 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 December 31, 2025 is as follows:

Blue Cross	17 %
Medicaid	13
Medicare Advantage	22
Medicare	12
Commercial	12
Other	9
Self Pay	15
	100 %

(b) Gulf Coast TotalCare

During the three months ended December 31, 2025, the Alabama Medicaid Agency (AMA) paid Gulf Coast TotalCare (Gulf Coast) $1.26 per member serviced per month, as well as service payments based on the actual care management services provided. Gulf Coast contracted with Triton Health Systems, LLC ("Triton") to provide the care management services to covered Medicaid recipients. All payments to Gulf Coast from the AMA for these services are remitted to Triton, less 9.50% ($700,000 annual minimum) for management and administrative services performed by Gulf Coast.

Medicaid contract service revenues received from the AMA comprised 100% of Gulf Coast's operating revenues for the three months ended December 31, 2025. Third-party administration fees paid to Triton comprised 92% of Gulf Coast's operating expenses for the three months ended December 31, 2025.

(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. Act 2022-222 amended benefits for Tier 2 members, and they are now eligible for retirement after 31 years of creditable service and are entitled to an annual retirement benefit, with a 2% reduction for each year under 62, 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 13.57% of annual pay for Tier 1 members and 12.60% 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 $25,978,000 for the year ended September 30, 2025 are included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

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

At September 30, 2025, the University reported a liability of approximately $279,777,000 for its proportionate share of the collective net pension liability. At September 30, 2025, the collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the University's proportion of contributions to the pension plan was 2.150783%, which was a decrease of 0.04068% from its proportion measured as of September 30, 2023 of 2.191463%.

For the year ended September 30, 2025, the University recognized pension expense of approximately $22,166,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2025, 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	$ 27,821	2,017
Changes of assumptions	4,291	—
Net difference between projected and actual earnings on pension plan investments	—	45,881
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	24,651
Employer contributions subsequent to measurement date	25,978	—
	$ 58,090	72,549

At September 30, 2025, approximately $25,978,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. 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:	
2026	$ (9,881)
2027	4,789
2028	(20,168)
2029	(15,177)
2030	—
Thereafter	—
	$ (40,437)

(e) Actuarial Assumptions

The total pension liability as of September 30, 2025 was determined by an actuarial valuation as of September 30, 2023, 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, including inflation
** Includes inflation

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of an actuarial experience study for the period from October 1, 2015 through September 30, 2020, and a discount rate of 7.45%. Mortality rates for TRS were based on the Pub-2010 Teacher Below Median tables set forward by two years and further 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	1.5
	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, 2025 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):

		1% Decrease (6.45)%	Current rate (7.45)%	1% Increase (8.45)%
University's proportionate share of collective net pension liability	$	389,007	279,777	187,836

(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, 2024 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, 2024. The auditors' report dated February 27, 2025 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, 2024 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 approximately $76,000 included in the statement of revenues, expenses, and changes in net position representing 115 employees for the three months ended December 31, 2025.

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 approximately $2,995,000 included in the statement of revenues, expenses and changes in net position representing 2,682 employees participating in this plan for the three months ended December 31, 2025. 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, 2025, 338 employees participated in this plan. All eligible employees are fully vested in their accounts under this plan immediately upon contributing.

(b) Compensated Absences

In fiscal year 2025, the University adopted the provisions of Statement No. 101, *Compensated Absences*, which requires the University to recognize a liability for leave that has not been used if it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, as well as leave that has been used but not yet paid or settled through noncash means. 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 paid time off (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 unused leave of approximately $38,021,000 at December 31, 2025. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying financial statements.

(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, 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 approximately $8,175,000 for the year ended September 30, 2025 and are included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

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

At September 30, 2025, the University reported a liability of approximately $396,009,000, for its proportionate share of the net OPEB liability. At September 30, 2025, the net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the University's proportion of

contributions to the OPEB plan was 4.307503%, which was an increase of 0.207525% from its proportion measured as of September 30, 2023 of 4.099978%.

For the year ended September 30, 2025, the University recognized OPEB expense of approximately $21,812,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2025, 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	$ 184,682	85,470
Changes of assumptions	136,383	56,029
Net difference between projected and actual earnings on OPEB plan investments	—	9,770
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,805	38,569
Employer contributions subsequent to the measurement date	8,175	—
	$ 405,045	189,838

At September 30, 2025, approximately $8,175,000 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, 2026.

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

Year ending September 30:	
2026	$ 43,809
2027	37,602
2028	18,561
2029	34,143
2030	55,985
Thereafter	16,932
	$ 207,032

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2025 was determined by an actuarial valuation performed as of September 30, 2023, 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	3.89 %
Municipal bond index rate at prior measurement date	4.53 %
Projected year for fiduciary net position to be depleted	2040
Single equivalent interest rate at the measurement date	4.32 %
Single equivalent interest rate at prior measurement date	7.00 %
Healthcare cost trend rate	
Pre-Medicare eligible	6.75 %
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.50 %
Medicare eligible	4.50 %
Year of ultimate trend rate	
Pre-Medicare eligible	2033
Medicare eligible	2028
Optional plans trend rate	2.00 %

* Includes 2.75% wage inflation

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

*** Initial Medicare trend rates are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiation period.

Mortality rates were based on the Pub-2010 Teacher Below Median tables set forward by two years and further 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, 2023 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, 2025 was 4.32%. 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, which is currently $800 per non-university active member. 9.751% of the employer contributions were used to assist in funding retiree benefit payments in fiscal year 2024. It is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point, based on budget projections, the monthly employer rate will increase to $904 in fiscal year 2026, $1,114 in fiscal year 2027, and then will increase with inflation at 2.5% starting in fiscal year 2028. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by 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 2122.

(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):

		1% Decrease (3.50)%	Current rate (4.50)%	1% Increase (5.50)%
University's proportionate share of collective net OPEB liability	$	318,556	396,009	495,885

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 4.32%, as well as what the net OPEB liability would be if calculated using one percentage point lower 3.32% or one percentage point higher 5.32% than the current rate (in thousands):

		1% Decrease (3.32)%	Current rate (4.32)%	1% Increase (5.32)%
University's proportionate share of collective net OPEB liability	$	481,060	396,009	328,044

(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, 2024. The supporting actuarial information is included in the GASB Statement No. 75 Report for PEEHIP prepared as of September 30, 2024. 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, 2025. 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 $911,000 for the three months ended December 31, 2025 and are included in salaries and benefits expense on the statement of revenues, expenses and changes in net position. 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 three months ended December 31, 2025 for the PLTF, GLTF, and health plan are summarized as follows (in thousands):

Balance, beginning of year	$	66,211
Premiums and other additions		34,735
Claims, administrative fees paid, and other reductions		(30,121)
Balance, end of period	$	70,825

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, 2025, the University had certain related-party transactions with affiliates as described below.

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. For the three months ended December 31, 2025, SAMSF had total assets of approximately $14,306,000, net assets of approximately $14,305,000, and total revenues of approximately $224,000. SAMSF made contributions of approximately $30,000 to support clinical trials and research at the University for the three months ended December 31, 2025. Contributions from SAMSF are presented as private grants and contracts revenues on the statement of revenues, expenses, and changes in net position for 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 the University. This not-for-profit corporation had no financial activity for the three months ended December 31, 2025.

(17) Commitments and Contingencies

(a) Grants and Contracts

At December 31, 2025, the University had been awarded approximately $79,552,000 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 in the normal course of business. 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 December 31, 2025, 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 95,334 square feet at December 31, 2025. See note 9 for additional details.

(e) Gulf Coast TotalCare Letter of Credit

In connection with Gulf Coast TotalCare's participation in the Alabama Coordinated Health Network, it was required to establish a $250,000 irrevocable standby letter of credit for the sole benefit of the Alabama Medicaid Agency. The letter of credit was obtained through Hancock Whitney Bank and expires on December 30, 2026. The letter of credit is collateralized by a certificate of deposit. No amounts were advanced on the letter of credit during the three months ended December 31, 2025.

(18) Functional Expense Information

Operating expenses by functional classification for the three months ended December 31, 2025 are as follows (in thousands).

	2025
Instruction	$ 35,610
Research	7,159
Public service	4,456
Academic support	10,591
Student services	12,306
Institutional support	6,615
Operation and maintenance of plant	5,064
Scholarships	202
USA Health	254,002
Auxiliary enterprises	6,226
Depreciation and amortization	24,235
	$ 366,466

(19) Blended Component Units

As more fully described in note 1, HCM, PLTF, GLTF, Providence IPA, JAF, FRAC and other billing related entities 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, 2025 follows (in thousands):

Current assets	$	26,903
Noncurrent assets		66,997
Total assets		93,900
Current liabilities		31,532
Noncurrent liabilities		53,436
Total liabilities		84,968
Net position	$	8,932
Operating revenues	$	138,034
Operating expenses		(139,509)
Operating loss		(1,475)
Nonoperating revenues		1,916
Nonoperating expenses		—
Change in net position	$	441

(20) Recently Issued Accounting Pronouncements

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, which is effective for fiscal years beginning after June 15, 2026. The primary objective of Statement No. 105 is to improve financial reporting requirements for subsequent events in order to enhance consistency in application and to better meet the information needs of financial statement users.

The effect of the implementation of GASB Statement No. 105 on the University has not yet been determined.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

DATE: March 2, 2026

TO: Jo Bonner, President

FROM: Kristen Roberts, Vice President of Finance

SUBJECT: Parameters Resolution - Series 2026 Revenue Bonds and Special Bridge Loan Obligations

Attached is a parameters resolution authorizing the issuance of Series 2026 Revenue Bonds and, if necessary, Special Bridge Loan Obligations. The proposed financing includes the new Medical School Building, student housing facilities (Traditions and Central House), refunding of the Series 2016 Bonds, and redemption of the 2026 ASC Note.

Series 2026 Bonds – Key Parameters

- Aggregate Principal: ≤ $260 million
- Interest Rate Limits: Fixed ≤ 5.50% (tax-exempt) and ≤ 7.00% (taxable); Variable (Bridge Loan, if necessary) SOFR + up to 1.25% (tax-exempt) and SOFR + up to 1.50% (taxable)
- Maturity Limits: Series 2016 refunding bonds final maturity ≤ Nov. 1, 2036; average maturity ≤ 9 years. All other bonds final maturity ≤ 30 years; average maturity ≤ 22 years.

Special Bridge Loan Obligations (if issued separately) – Key Parameters

- Aggregate Principal: ≤ $60 million
- Interest Rate Limits: Fixed ≤ 4.25% (tax-exempt) and ≤ 5.25% (taxable); Variable SIFMA + up to 1.35% (tax-exempt) and SIFMA + up to 1.70% (taxable)

No Series 2026 Bonds or Special Bridge Loan Obligations may be issued after April 1, 2027.

With your approval, this item will be presented to the Board of Trustees for consideration. I recommend adoption of the resolution.

KR/du
Attachment

A RESOLUTION AUTHORIZING THE ISSUANCE OF UNIVERSITY FACILITIES REVENUE BONDS TAXABLE UNIVERSITY FACILITIES REVENUE BONDS AND SPECIAL BRIDGE LOAN OBLIGATIONS

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 as follows:

(1) it is necessary, advisable, in the best interest of the University that the University design, acquire, construct, renovate, install, furnish and equip various capital improvements, equipment and assets including, without limitation, (i) a new medical school building (the "New Medical School Improvements"), (ii) two buildings, one presently known as the "Traditions Building" and the second known as "Central House", to serve as a new student housing facilities for use by the University (the "Student Housing Improvements"), and (iii) various other public capital improvements, assets, and equipment for the University (such improvements, together with the New Medical School improvements and the Student Housing Improvements, the "2026 Improvements");

(2) the University heretofore issued its $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds"), and under the Indenture those of the Series 2016 Bonds maturing on November 1, 2027, and thereafter, may be redeemed by the University at any time and from time to time, on November 1, 2026, and on any date thereafter, at and for a price equal to 100% of the principal amount of Series 2016 Bonds to be redeemed plus accrued interest to the date set for redemption (the "2016 Bonds Redemption Price");

(3) due to the currently favorable interest rate environment, the University, acting upon the advice of PFM Financial Advisors LLC, municipal advisor to the University ("PFM"), has determined it to be necessary, wise, and in the best interest of the University to refinance the Series 2016 Bonds, and the University intends to call for redemption and payment all of the Series 2016 Bonds for redemption and payment on the earliest date feasible and permissible, all as more particularly described herein;

(4) the University heretofore issued and delivered a short-term Promissory Note dated January 21, 2026 (the "2026 Note") in the principal amount of $15,100,000 to Renasant Bank ("Renasant") to finance the costs of purchasing and acquiring an ambulatory surgery center, and under the agreements between the University and Renasant the University may redeem and retire the 2026 Note at any time at and for a price equal to 100% of the principal amount to be redeemed plus accrued interest to the date set for such redemption and payment;

(5) the University has determined to issue various series of bonds (collectively, the "Series 2026 Bonds") under 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 (the "Trustee") to finance and/or refinance certain costs of the 2026 Improvements (including without limitation reimbursement of cash previously spent by the University for such improvements), the costs of refunding the Series 2016 Bonds, and costs of redeeming and retiring the 2026 Note, all as more particularly described and set forth herein;

(6) proceeds of the Series 2026 Bonds may also be used to pay (i) the costs and expenses of issuing the Series 2026 Bonds, (ii) the premium for one or more municipal bond insurance policies (each, a "Bond Insurance Policy"), if obtained, respecting some or all maturities of the Series 2026 Bonds, and (iii) such other costs as shall be necessary and advised by PFM to the University in connection with the issuance and sale of Series 2026 Bonds; and

(7) in connection with financing certain 2026 Improvements and certain refinancing obligations of the University described above, the University may determine to enter one or more short-term "bridge loan" arrangements (hereinafter defined as a "Bridge Loan Financing") under which Series 2026 Bonds or other debt obligations of the University may be issued, and per the authority herein granted the University may refinance any such Bridge Loan Financing (including without limitation the debt obligations issued under or in connection with such arrangements) with proceeds of Series 2026 Bonds.

(b) Series 2026 Bonds to be Issued as Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. The Series 2026 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 Series 2026 Bonds shall be designated "Series 2026" (unless such bonds are issued in the calendar year 2027 in which case the "2026" in said designation, and in the designation identified in any of the exhibits herein attached, shall be changed to "2027"), and each series shall be given a letter designation after "Series 2026" (e.g. "Series 2026-A"; "Series 2026-B") based upon the chronological order in which such series is issued; provided, if two or more series of Series 2026 Bonds are issued on the same date, then the larger principal amount shall receive the first available letter, and each additional series shall be lettered in alphabetical order; provided, any Series 2026 Bonds issued on a federally taxable basis ("Taxable Series 2026 Bonds") on such date shall receive the last alphabetical letter without regard to principal amount (with any two or more Taxable Series

2026 Bonds issued on the same date being lettered in alphabetical order with the larger principal amount receiving the first available letter).

(3) the persons to whom the Series 2026 Bonds are to be delivered are set forth in Section 7 hereof;

(4) the Series 2026 Bonds are to be issued by sale in accordance with, and at the sale price set forth in, Section 7 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) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond");

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

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

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

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

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

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

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

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

(xiii) $72,810,000 University Facilities Revenue Bonds, Series 2024-A, dated July 22, 2024 (the "Series 2024-A Bonds");

(xiv) $19,925,000,000 Taxable University Facilities Revenue Bonds, Series 2024-B, dated July 22, 2024 (the "Series 2024-B Bonds"); and

(xv) $90,850,000 University Facilities Revenue Bonds, Series 2024-C, dated August 22, 2014 (the "Series 2024-C Bonds").

The Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2015 Bond, the Series 2016 Bonds, 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, the Series 2021-B Bond, the Series 2024-A Bonds, the Series 2024-B Bonds, and the Series 2024-C Bonds are herein collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2026 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds".

(6) The only bonds outstanding under the Indenture at the time of adoption of this resolution are the Outstanding Bonds; and

(7) the Series 2026 Bonds are being issued for the various purposes described in Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver (i) as respects those of the Series 2026 Bonds issued through the Underwriters, as directed by the Underwriters specified in Section 7 hereof upon payment of the purchase price for such Series 2026 Bonds, and (ii) as respects those of the Series 2026 Bonds issued in connection with a Bridge Loan Financing, as directed by the Vice President of Finance of the University (the "Vice President of Finance").

Section 2. General; Authorization of Series 2026 Bonds. (a) The Board does hereby authorize the financing and/or refinancing of (i) 2026 Improvements, (ii) the 2026 Note, and (iii) the 2016 Bonds Redemption Price.

(b) To enable the financings and/or refinancings described under this resolution (including, without limitation, the refinancing of any Bridge Loan Financing, as hereinafter defined), the Board does hereby authorize and approve the issuance of various series of University Facilities Revenue Bonds, further designated as set forth in Section 1(b)(2) hereof, any of which such bonds, if issued on a federally tax-exempt basis, are herein called "Tax-Exempt Series 2026 Bonds", and any of which such bonds, if issued on a federally taxable basis, are herein called "Taxable Series 2026 Bonds". Each such series of Series 2026 Bonds shall be dated its date of initial issuance, and shall be issued under such terms, conditions and provisions as are to be set out in the Supplemental Indenture or Supplemental Indentures hereinafter described, which terms, conditions and provisions shall be determined in accordance with the following plan of financing (the "Plan of Finance"):

(i) any series of Series 2026 Bonds (other than if issued at a variable rate in connection with a Bridge Loan Financing) shall bear interest at a fixed rate, payable semiannually, if issued on the public bond market through the Underwriters, and payable semiannually or on such other basis as shall be determined by the Vice President of Finance, if issued in connection with any short-term or "bridge loan" financing, including without limitation through a direct placement or by means other than a public offering through the public bond market.

(ii) for any series of Series 2026 Bonds issued in connection with a Bridge Loan Financing to bear interest at a variable rate, (I) if such bond is issued on a federally tax-exempt basis the said interest rate shall be calculated using a base index of SOFR or any other index as shall be recommended by PFM, plus a spread recommended by PFM and acceptable to the President of the University (the "President") and the Vice President of Finance, or either of them, that does not exceed 125 basis points, and (II) if such bond is issued on a federally taxable basis the said interest rate shall be calculated using a base index of SOFR or any other index as shall be recommended by PFM, plus a spread recommended by PFM and acceptable to the President and the Vice President of Finance, or either of them, that does not exceed 150 basis points.

(iii) The aggregate principal amount of all Series 2026 Bonds authorized hereunder shall not exceed $260,000,000.

(iv) No maturity of any series of Tax-Exempt Series 2026 Bonds issued at a fixed rate may bear interest at a rate exceeding 5.50%, and no maturity of any series of Taxable Series 2026 Bonds issued at a fixed rate may bear interest at a rate exceeding 7.00%.

(v) As to each date of issuance of Tax-Exempt Series 2026 Bonds, the true interest cost of all Tax-Exempt Series 2026 Bonds issued on such date (taking into account any original issue discount or original issue premium) may not exceed 5.50%.

(vi) As to each date of issuance of Taxable Series 2026 Bonds, the true interest cost of all Taxable Series 2026 Bonds (taking into account any original issue discount or original issue premium) issued on such date may not exceed 7.00%.

(vii) As to any series of Series 2026 Bonds issued to refund Series 2016 Bonds, such Series 2026 Bonds shall have a final maturity not later than November 1, 2036, and shall have a weighted average maturity of no longer than 9 years.

(viii) As to any series of Series 2026 Bonds issued to finance the 2026 Improvements, refinance the Series 2026 Note, or refinance any Bridge Loan Financing hereunder authorized, such series of Series 2026 Bonds shall have a final maturity not later than 30 years from their date of issuance and shall have a weighted average maturity of no longer than 22 years.

(ix) No Series 2026 Bonds authorized under this resolution shall be issued and delivered after April 1, 2027, and, anything in this resolution to the contrary notwithstanding, the year designation for any Series 2026 Bonds issued on or after January 1, 2027 shall be referred to as "2027" (e.g., "Series 2027-[__] Bonds").

Section 3. Authorization of Bridge Loan Financings; Special Bridge Loan Obligations. (a) The Board does hereby authorize the University to enter one or more arrangements for short term "bridge loan" financing, including, without limitation, through a direct placement or by means other than an offering through the public bond market (a "Bridge Loan Financing") to finance or refinance any of the 2026 Improvements or any of the refinancings described in Section 1(a) above, as determined by the President and the Vice President of Finance, or either of them. A Bridge Loan Financing may be incurred on a federally taxable or federally tax-exempt basis based upon the advice and recommendation of bond counsel to the University and as determined by the President and the Vice President of Finance, or either of them, and may be in the form of a loan with (i) proceeds delivered at the time of closing, (ii) proceeds made available in advances on a “draw-down” basis over time upon request and satisfaction by the University of certain conditions, or (iii) proceeds delivered on such other basis as determined by the President and the Vice President, or either of them. Proceeds from any Special Bridge Loan Obligations (hereinafter defined) issued in connection with a Bridge Loan Financing shall be applied to pay the costs of issuance of such obligations (including any fees or charges of the Lender, fees of PFM, fees of bond counsel to the University, and other customary fees and charges), to pay the costs of the improvements financed thereby (including reimbursement to the University), and to redeem, retire and pay the obligations to be redeemed and retired thereby.

(b) The obligation of the University to pay a Bridge Loan Financing may (i) be

evidenced by or otherwise include one or more Series 2026 Bonds, or (ii) be evidenced by or otherwise include one or more bonds, notes, or other debt obligations of the University not constituting Series 2026 Bonds (such bonds, notes or other obligations not constituting Series 2026 Bonds herein called "Special Bridge Loan Obligations"). The lender or lenders for any Bridge Loan Financing shall be determined by the President and the Vice President, or either of them.

(c) As respects any Special Bridge Loan Obligation (*i.e.*, any bond, note, or other debt obligation of the University not constituting Series 2026 Bonds issued in connection with a Bridge Loan Financing) the following shall be satisfied:

(i) the principal amount of such Special Bridge Loan Obligation, together with all other Special Bridge Loan Obligations incurred under the authority of this resolution, shall not exceed $60,000,000.

(ii) the dates of payment of the principal of and interest thereon shall be determined by the President and the Vice President of Finance, or either of them.

(iii) as respects Special Bridge Loan Obligations issued on a federally tax-exempt basis, the interest rate, if fixed, shall not exceed 4.25% per annum, and the interest rate, if variable, shall be calculated using a base index of SIFMA or any other index as shall be recommended by PFM, plus a spread recommended by PFM and acceptable to the President and the Vice President of Finance, or either of them, that does not exceed 135 basis points.

(iv) as respects Special Bridge Loan Obligations issued on a federally taxable basis, the interest rate, if fixed, shall not exceed 5.25% per annum, and the interest rate, if variable, shall be calculated using a base index of SIFMA or any other index as shall be recommended by PFM, plus a spread recommended by PFM and acceptable to the President and the Vice President of Finance, or either of them, that does not exceed 170 basis points.

Section 4. Source of Payment of University Debt. (a) **Series 2026 Bonds**. The principal of and the interest on all Series 2026 Bonds shall be payable from Pledged Revenues as defined in the Indenture. The Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 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.

(b) **Special Bridge Loan Obligations**. The principal of and interest on any Special Bridge Loan Obligations may be unsecured, may be payable from and secured by any funds of the University lawfully available for such purpose, or may be payable from and secured by any specific funds or assets of the University, all as shall be determined by the President and the Vice President for Finance, or either of them, on behalf of the University.

Section 5. Series 2026 Bonds Payable at Par. All remittances of principal of and interest on the Series 2026 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 Series 2026 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 Series 2026 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 6. Authorization of Supplemental Indentures; Authorization of Bridge Loan Financing Documents. (a) In connection with the issuance of any Series 2026 Bonds, the Board does hereby authorize and direct the President and the Vice President of Finance, or either of them, to execute and deliver, for and in the name and behalf of the University, to the Trustee, a Supplemental University Facilities Trust Indenture dated the date of such series of Series 2026 Bonds in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit I 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 Series 2026 Bonds to be issued under such Supplemental Indenture and as further 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 Series 2026 Bonds to be issued thereunder; and, further, the Board 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 each Supplemental Indenture the corporate seal of the University and to attest the same. Each Supplemental Indenture shall be 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, and as shall have been further supplemented and amended prior to the date of such Supplemental Indenture (together with the Supplemental Indenture then to be delivered, the "Indenture"). Each Supplemental Indenture shall be updated to reflect issuance of Additional Bonds hereunder authorized and outstanding as of the date such Supplemental Indenture is executed and delivered.

(b) In connection with any Bridge Loan Financing, the Board does hereby authorize such loan agreements, credit agreements, financing and advance agreements, or other agreements, documents, collateral agreements, and instruments as shall be necessary or desirable to memorialize the terms of such Bridge Loan Financing (collectively, "Bridge Loan Financing

Documents"), and does further authorize and approve the issuance of any Series 2026 Bonds (provided the same comply with the Plan of Finance) or any Special Bridge Loan Obligations (provided the same comply with the provision of Section 3(c) hereof) in connection therewith. The Board does hereby authorize and direct the President and the Vice President of Finance, or either of them, to execute and deliver, for and in the name and behalf of the University, any and all Bridge Loan Financing Documents and any Special Bridge Loan Obligations, by and on behalf of the University.

Section 7. Sale of Series 2026 Bonds; Bond Insurance. (a) Series 2026 Bonds sold through the public bond market using an underwriter/broker-dealer shall be sold to BofA Securities, J.P. Morgan, and Truist Securities, or such additional or other underwriters/broker-dealers as shall be determined by the President or Vice President of Finance and noted on the Certificate of Compliance as provided below (collectively, the "Underwriters"). In connection with the sale of Series 2026 Bonds to Underwriters, the Board does hereby authorize and direct the President and the Vice President of Finance, 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 Vice President of Finance, 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), updated to contain the final pricing terms of the Series 2026 Bonds to be issued pursuant to the applicable Bond Purchase Agreement and as further reflected in the Certificate of Compliance. Series 2026 Bonds issued pursuant to a Bond Purchase Agreement 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 such Bond Purchase Agreement and the Supplemental Indenture corresponding to such series of Series 2026 Bonds. Any broker-dealer or underwriter not listed in the first sentence of this subsection (a) that the University engages to purchase Series 2026 Bonds shall be named as such in the Certificate of Compliance hereinafter described, and shall be deemed part of the list of names in the first sentence of this subsection (a) above as if stated in full therein.

(b) Series 2026 Bonds sold or issued in connection with a Bridge Loan Financing shall be sold to the lender, bank, financial institution or other purchaser (the "Lender") identified and recommended by PFM and approved by the President and the Vice President of Finance, or either of them. The name of the Lender respecting any Bridge Loan Financing for which Series 2026 Bonds are issued shall be included in the Certificate of Compliance hereinafter described, and the name or names of such Lender or Lenders, as the case may be, shall be deemed part of this Section 7(b) as if stated in full herein.

(c) The President and the Vice President of Finance, 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 Series 2026 Bonds if such officer or PFM determines, at or around the sale of such Series 2026 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 such Series 2026 Bonds insured by, and as a result of, such policy.

Section 8. Preliminary Official Statements; Official Statements. (a) The Board does hereby authorize and direct the President and the Vice President of Finance, or either of them, with respect to any Series 2026 Bonds to be issued on the same date through the public bond market to cause to be finalized and circulated by the Underwriters, a Preliminary Official Statement respecting such Series 2026 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 such Series 2026 Bonds, (ii) preliminary principal amounts and relevant preliminary pricing information for such Series 2026 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 such Series 2026 Bonds, and (iv) such other material information concerning such Series 2026 Bonds, all as such officers, either independently or upon consultation with the Underwriters, bond counsel to the University and/or PFM, shall determine necessary or desirable for inclusion in such Preliminary Official Statement. The President and the Vice President of Finance, or either of them, are hereby authorized to cause any such 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 Series 2026 Bonds.

(b) The Board does hereby authorize and direct the President and the Vice President of Finance, or either of them, to execute, for and in the name and behalf of the University, an Official Statement with respect to any series of Series 2026 Bonds sold through the public bond market, corresponding to the Preliminary Official Statement used for the sale of such Series 2026 Bonds, dated the date of sale of such Series 2026 Bonds, in substantially the form of the Preliminary Official Statement circulated to prospective investors of such Series 2026 Bonds, with such changes as shall be necessary to conform to the provisions of this resolution to reflect the final pricing terms of such Series 2026 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 such Series 2026 Bonds (if not included in the Preliminary Official Statement circulated by the Underwriters prior to sale of such Series 2026 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 Vice President of Finance, or either of them, and acceptable to the Underwriters. The Board does hereby declare that any Official Statement so executed by the President or the Vice President of Finance shall be the Official Statement of the University with respect to such Series 2026 Bonds issued in connection therewith.

Section 9. Authorization of Continuing Disclosure Agreements. The President and the Vice President of Finance, 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 any Series 2026 Bonds sold through the public bond market, 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 Vice President of Finance, or either of them (the "Continuing Disclosure Agreement"). The Continuing Disclosure Agreement is to be entered into contemporaneously with

the issuance of the Series 2026 Bonds sold in connection therewith in order to assist the Underwriters of such Series 2026 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 10. Execution and Delivery of Series 2026 Bonds. The Board does hereby authorize the President and the Vice President of Finance, or either of them, to execute the Series 2026 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 Series 2026 Bonds and to attest the same by signing the Series 2026 Bonds, and the President and the Vice President of Finance (or either of them) are hereby authorized and directed to deliver the Series 2026 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 Series 2026 Bonds and to deliver them to the Underwriters, upon payment to the University of the purchase price therefor.

Section 11. Designated Officials. Each of the President and the Vice President of Finance 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 (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 12. Application of Proceeds of Series 2026 Bonds; Application of Proceeds of Special Bridge Loan Obligations. (a) With respect to any series of Series 2026 Bonds, the entire proceeds derived by the University from the sale thereof, less and except the underwriter's discount to be retained by the Underwriters, the premium for any Bond Insurance Policy, if any, obtained for such Series 2026 Bonds to be wired directly by the Underwriters to the provider thereof, and any commitment fee or other charges levied by any Lender under a Bridge Loan Financing, as the case may be, shall be applied and used for the purposes herein described and as shall be specified in the Supplemental Indenture under which such Series 2026 Bonds are issued once updated to reflect the terms of the Certificate of Compliance respecting such Series 2026 Bonds, or as otherwise directed pursuant to a written order from the President and the Vice President of Finance, or either of them.

(b) Proceeds derived from any Special Bridge Loan Obligations shall be used and applied as set forth in the Bridge Loan Financing Documents referable thereto.

Section 13. Call of Series 2016 Bonds; Redemption of 2026 Note. (a) The

Board does hereby elect to redeem and pay, and does hereby call for redemption and payment, on the 2016 Bonds Redemption Date, all of the Series 2016 Bonds at and for a redemption price equal to 100% of the principal amount of the Series 2016 Bonds outstanding plus accrued interest thereon to the 2016 Bonds Redemption Date. The President and the Vice President of Finance, 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 2016 Bonds. Proceeds to redeem and retire the Series 2016 Bonds may be deposited into such fund or account under the Indenture as shall be identified by the University, 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 Vice President of Finance, on behalf of the University) for the defeasance and retirement of the Series 2016 Bonds (an "Escrow Trust Agreement"), all as shall be determined by the President or the Vice President of Finance acting on the advice of PFM and Bond Counsel to the University. The Board does hereby approve any Escrow Trust Agreement, and does further authorize the President and the Vice President of Finance, or other of them, to execute the same by and on behalf of the University.

(b) The Board does hereby elect to redeem and pay, and does hereby call for redemption and payment, upon the additional direction of the President and the Vice President of Finance, or other of them, the 2026 Note. The call and redemption of the 2026 Note, if so directed by the President and the Vice President of Finance, or either of them, shall be on such date as may be identified by the President and the Vice President of Finance, or either of them, but in no event more than thirty (30) days following issuance of the Series 2026 Bonds or the Special Bridge Loan Obligations issued to pay such redemption price. The President and the Vice President of Finance, 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 2026 Note, if so determined to occur by the President and the Vice President, or either of them. Proceeds to redeem and retire the 2026 Note shall be held by the University and remitted to Renasant on the date set for redemption and payment of the 2026 Note.

Section 14. Timing of Issuances; Forward Delivery Agreements; General Authorization. (a) For the avoidance of doubt, various series of Series 2026 Bonds and Special Bridge Loan Obligations may be issued at various times and from time to time under the authority of this resolution up to, but not after, April 1, 2027.

(b) There is hereby authorized to be entered one or more forward delivery agreements or similar agreements respecting Series 2026 Bonds to be issued in connection with the refinancing of the Series 2016 Bonds, or with respect to any other Series 2026 Bonds issued under the authority of this resolution, and the President and the Vice President of Finance, or either of them, are hereby authorized to execute and deliver the same by and on behalf of the University.

(c) The President, the Vice President of Finance, 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 11 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. 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 any and all instruments authorized under this resolution and to attest the same.

Section 15. 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.

EXHIBIT I
FORM OF SUPPLEMENTAL INDENTURES

TWENTY-FOURTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

between

UNIVERSITY OF SOUTH ALABAMA

and

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

Dated _____, 20__

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EXHIBIT A - [Specimen Municipal Bond Insurance Policy]

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

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

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

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

(viii) $18,440,000 Taxable University Facilities Revenue Bonds, Series 2019-B, dated

February 7, 2019 (the "Series 2019-B Bonds");

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

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

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

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

(xiii) $72,810,000 University Facilities Revenue Bonds, Series 2024-A, dated July 22, 2024 (the "Series 2024-A Bonds");

(xiv) $19,925,000,000 Taxable University Facilities Revenue Bonds, Series 2024-B, dated July 22, 2024 (the "Series 2024-B Bonds"); and

(xv) $90,850,000 University Facilities Revenue Bonds, Series 2024-C, dated August 22, 2014 (the "Series 2024-C 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, the Series 2016 Bonds, 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, the Series 2021-B Bond, the Series 2024-A Bonds, the Series 2024-B Bonds, and the Series 2024-C Bonds (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 (i) to [pay the costs, including reimbursement to the University for cash paid the same, of purchasing, acquiring, renovating, equipping and installing various public capital improvements consisting of a new medical school building and two buildings to serve as a new student housing facilities for use by the University (the "2026 Improvements")]; [redeem, defease, and retire the University's $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 maturing [_____] and thereafter (the "Refunded Series 2016 Bonds")]; and [refinancing that certain short-term Promissory Note dated January

21, 2026 (the "2026 Note") in the principal amount of $15,100,000 issued to Renasant Bank ("Renasant"), and (ii) pay certain issuance costs with the issuance of Additional Bonds[, including without limitation the premium for the municipal bond insurance policy issued for those of the Additional Bonds hereinafter defined as the "Insured Series 2026-[__] 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 2026-[__] 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 Vice President of Finance 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.

["**Insurance Policy**" means the municipal bond insurance policies issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series 2026-C Bonds as provided therein, the specimen policy being set forth on Exhibit A hereto.]

["**Insured Series 2026-[__] Bonds**" means those of the Series 2026-[__] Bonds maturing on [__] 1 in the years [____] through and including [____].

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

"**Interest Payment Date**" means, with respect to the Series 2026-[__] Bonds, each [_____1] and [____] 1, commencing [_____] 1, [____].

"**Record Date**" as used in the Indenture shall be, with respect to the Series 2026-C Bonds, the [____] 15 and [_____] 15 immediately preceding each Interest Payment Date.

"**Series 2026-[__] Bonds**" means the [Taxable] University Facilities Revenue Bonds, Series 2026-__, authorized to be issued in the aggregate principal amount of $_____ and dated ____, 2026.[1]

NOW, THEREFORE, THIS TWENTY-FOURTH 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 2026-[__] Bonds hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

ARTICLE I

[1] In the event more than 1 series to be issued then revise defined terms to include additional series.

SERIES 2026-[_] BONDS

ARTICLE II Authorization and Description of the Series 2026-[__] Bonds.[2] (a) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "University Facilities Revenue Bonds, Series 2026-[__]", dated [_____, 2026, which shall be issued in the aggregate principal amount of $[_____]. The Series 2026-[__] Bonds shall mature and become payable on April 1 and, as respects the final maturity, on [_____] 1, in the years and amounts shown below. Interest shall be payable on [_____] 1, [____], and on each Interest Payment Date thereafter, and the Series 2026-[__] 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	Principal Amount	Interest Rate

(b) The Series 2026-[__] Bonds shall be issued in denominations of $5,000 or any multiple thereof. The Series 2026-[__] 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 2026-[__] Bonds.

[2] In the event more than 1 series of bonds to be issued revise to include additional paragraphs for each additional series.

ARTICLE III Optional Redemption Provisions. (a) Those of the Series 2026-[__] Bonds having stated maturities on [_____] 1, [___], 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 2026-[__] Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on [___] 1, [___], and on any date thereafter, at and for a redemption price for each Series 2026-[__] Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(b) Those of the Series 2026-[__] Bonds having stated maturities on [_____] 1, [___], 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 2026-[__] Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on [___] 1, [___], and on any date thereafter, at and for a redemption price for each Series 2026-[__] Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(c) **Mandatory Redemption.** (i) [____] Term Series 2026-[__] Bonds. Those of the Series 2026-[__] Bonds having a stated maturity in [___] are subject to mandatory redemption (with those to be redeemed to be selected by the Trustee by lot) in the following principal amounts on April 1 in the following years at a redemption price with respect to each Series 2026-[__] Bond (or portion thereof) redeemed equal to the principal amount so redeemed:

Year	Principal Amount to be Redeemed

In the event that the University shall have partially redeemed the [____] Term Series 2026-[__] Bonds or shall have provided for a partial redemption of such [____] Term Series 2026-[__] Bonds in such a manner that the [____] Term Series 2026-[__] Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any

part (but only in integral multiples of $5,000) of the principal amount of such [____] Term Series 2026-[__] Bonds so redeemed or to be redeemed to the reduction of the principal amount of [____] Term Series 2026-[__] Bonds required to be redeemed pursuant to the schedule set forth immediately above on any [____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.

(ii) [___] Term Series 2026-[__] Bonds. Those of the Series 2026-[__] Bonds having a stated maturity in [____] are subject to mandatory redemption (with those to be redeemed to be selected by the Trustee by lot) in the following principal amounts on [____] 1 in the following years at a redemption price with respect to each Series 2026-[__] Bond (or portion thereof) redeemed equal to the principal amount so redeemed:

Year	Principal Amount to be Redeemed

In the event that the University shall have partially redeemed the [____] Term Series 2026-[__] Bonds or shall have provided for a partial redemption of such [____] Term Series 2026-[__] Bonds in such a manner that the [____] Term Series 2026-[__] Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any part (but only in integral multiples of $5,000) of the principal amount of such [____] Term Series 2026-[__] Bonds so redeemed or to be redeemed to the reduction of the principal amount of [____] Term Series 2026-[__] Bonds required to be redeemed pursuant to the schedule set forth immediately above on any [____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.

ARTICLE IV Payments into Bond Fund; Method of Payment.

ARTICLE V 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 2026-[__] Bonds when due. The principal of the Series 2026-[__] Bonds shall be payable at maturity at the designated office of the Trustee in the City of Jacksonville, Florida. Interest on the Series 2026-[__] 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 2026-[__] Bonds. The principal and the interest on the Series 2026-[__] Bonds shall be payable only upon maturity and only upon surrender of such Series 2026-[__] Bonds to the Trustee. All installments of principal of and interest on each Series 2026-[__] 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 2026-[__] Bond. The Trustee may establish one or more accounts within the Bond Fund for the Series 2026-[__] Bond.

ARTICLE VI **Issued in Book-Entry Form.** The Series 2026-[__] 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 2026-[__] Bonds, places and manner of payment of Series 2026-[__] Bonds, and requirements for presentment of Series 2026-[__] Bonds shall be subject to the standard procedures of DTC.

ARTICLE VII Form of Series 2026-[__] Bonds.[3] The form of Series 2026-[__] 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 2026-[__]**

[3] In the event additional series of bonds to be issued then include similar form of bond for each additional series.

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, [____], and [semiannually] thereafter on each [____] 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 2026-[__] 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 2026-[__] 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-Fourth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2026-[__] 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 2026-[__] 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) $32,000,000 original principal amount University Facilities

Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (b) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (c) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (d) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, [(e) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016], (f) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (g) $47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (h) $18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (i) $19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, (j) $37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, (k) $40,555,000 University Facilities Revenue Bonds, Series 2021, dated March 10, 2021, (l) $15,387,000 University Facilities Revenue Bond, Series 2021-B, dated July 8, 2021, (m) $72,810,000 University Facilities Revenue Bonds, Series 2024-A, dated July 22, 2024, (n) $19,925,000 Taxable University Facilities Revenue Bonds, Series 2024-B, dated July 22, 2024, (o) $90,850,000 University Facilities Revenue Bonds, Series 2024-C, dated [_____], 2024, and [(p) _____], (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 2026-[__] 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 "[Taxable] University Facilities Revenue Bond, Series 2026-[__]", and is authorized to be issued in the aggregate principal amount of $[_____].

Those of the Series 2026-[__] Bonds having a stated maturity on [_____] 1, [_____], 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 [_____] 1, [_____], 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 2026-[__] 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.

[Those of the Series 2026-[__] Bonds having stated maturities on [_____], [_____], and [_____] are subject to mandatory redemption at the times, in the manner and on the conditions as are set forth in the Indenture.]

The Series 2026-[__] 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 2026-[__] 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 2026-[__] 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).

ARTICLE VIII Execution and Delivery of the Series 2026-[__] Bonds. The Series 2026-[__] 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.

ARTICLE IX Application of Proceeds from Sale of Series 2026-[__] Bonds. (a) The entire proceeds derived by the University from the sale of the Series 2026-[__] Bonds [(less the [underwriting discount]/[lender fee] of $[_____] to be retained by the [Underwriters]/[Lender], and less [_____] shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

ARTICLE X *[the sum of $[_____] from proceeds of the Series 2026-[__] Bonds shall be deposited into the 2026 Construction Fund and used for payment of the 2026 Improvements.]*

ARTICLE XI *[the sum of $[_____] shall be deposited into the special fund or account created in the Escrow Trust Agreement and used for payment of the redemption price of the Refunded Series 2016 Bonds.]*

ARTICLE XII *[the sum of $_____ shall be remitted, as directed in writing by the University, to Renasant Bank for payment of the redemption price of the 2026 Note.]*

ARTICLE XIII *[the sum of $_____ shall be used to refinance the Bridge Loan Financing as more particularly set forth in writing delivered to the Trustee by an Authorized University Officer.]*

ARTICLE XIV *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 2026-[__] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series 2026-[__] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series 2026-[__] Bonds to be remitted by the Trustee to the University pursuant to written instructions from an Authorized University Officer.*

ARTICLE XV The President of the University and the Vice President of Finance 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 2026-[__] Bonds pending application thereof for the redemption and payment of any of the obligations described in (a) above to the date the same are to be redeemed and paid.

ARTICLE XVI
BOOK-ENTRY ONLY SYSTEM

The Series 2026-[__] Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2026-[__] Bonds. Purchasers of such Series 2026-[__] Bonds will not receive physical delivery of Series 2026-[__] Bond certificates. For purposes of this Supplemental Indenture, so long as all of the Series 2026-[__] Bonds are in the custody of DTC, references to Series 2026-[__] Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the Series 2026-[__] Bonds. The Series 2026-[__] 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 2026-[__] Bond will be issued for each maturity of the Series 2026-[__] 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 2026-[__] Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026-[__] Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, except in the event that use of the book-entry system for the Series 2026-[__] Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026-[__] 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 2026-[__] Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026-[__] Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2026-[__] Bond documents. For example, Beneficial Owners of Series 2026-[__] Bonds may wish to ascertain that the nominee holding the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2026-[__] BONDHOLDERS UNDER THE TWENTY-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 2026-[__] BONDS WITH RESPECT TO LESS THAN ALL OF THE SERIES 2026-[__] BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED SERIES 2026-[__] BONDHOLDER.

For every transfer and exchange of the Series 2026-[__] 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 2026-[__] Bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Series 2026-[__] 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 2026-[__] Bonds, Series 2026-[__] Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series 2026-[__] Bonds will be payable upon surrender of the Series 2026-[__] Bonds at the designated office of the Trustee; (ii) Series 2026-[__] Bonds may be transferred or exchanged for other Series 2026-[__] Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series 2026-[__] Bonds will be issued in denominations as described in the front portion of the Official Statement under "THE SERIES 2026-[__] 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 2026-[__] 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.[4]

ARTICLE XVII

4 This Article II to be used only for Series 2026 Bonds not issued in connection with Bridge Loan Financings.

CERTAIN PROVISIONS REGARDING THE INSURER

ARTICLE XVIII[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 Obligations, it shall retain its rights of subrogation hereunder and under the Insurance Policy.]

Section 18.1 Requirements of the Insurer.[5]

ARTICLE XIX
MISCELLANEOUS

ARTICLE XX 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 2026-[__] 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 2026-[__] Bonds. With respect to any question arising under this Section , the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.[6]

(b) **Series 2026-[__] Bonds not to be "Private Activity Bonds"**. The University will not apply the proceeds of the Series 2026-[__] Bonds in any manner that would cause the Series 2026-[__] Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code.[7]

(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 2026-[__] Bonds from being considered "arbitrage bonds" within the meaning of Section 148 of the Code.[8]

(d) **Provisions Respecting Registration of Series 2026-[__] Bonds to Comply with Provisions of Code**. The University and the Trustee recognize that the provisions of the Code require that the Series 2026-[__] Bonds be in "registered form" and that, in general, the Series 2026-[__] Bonds must be registered as to both principal and interest and any transfer of the Series 2026-[__] 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

5 To be updated with insurer language if a Policy to be issued. University also may enter a side agreement, that may include the Trustee as party, if insurer requirements not to be included as part of this Supplemental Indenture.
6 To be included only for federally tax-exempt Series 2026 Bonds.
7 To be included only for federally tax-exempt Series 2026 Bonds.
8 To be included only for federally tax-exempt Series 2026 Bonds.

respect to any question which may arise pertaining to the transfer, exchange or reissuance of the Series 2026-[__] Bonds. [9]

[9] To be included only for federally tax-exempt Series 2026 Bonds.

ARTICLE XXI Confirmation of Indenture; Vice President for Finance**.** 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. The

ARTICLE XXII 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.

ARTICLE XXIII 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 2026-[__] Bonds.

ARTICLE XXIV 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.

ARTICLE XXV No Broker Confirmations**.** The University agrees that broker confirmations of investments in connection with the Series 2026-[__] 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.

ARTICLE XXVI 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.

ARTICLE XXVII Special Provisions Respecting Bridge Loan Financing.

[(a) **Private Loan**. The University acknowledges and agrees that the initial holder of the Series 2026-[__] Bond (for purposes of this Section [__], the "Lender") is acquiring it in evidence of a private loan and in that connection the Series 2026-[__] Bond shall not be (i) assigned a separate rating by any municipal securities rating agency, (ii) registered with The Depositary Trust Company or any other securities depository, (iii) issued pursuant to any type of offering document or official statement, or (iv) assigned a CUSIP number by Standard & Poor's CUSIP Service.

(b) **Participations**. The University agrees that the Lender and any subsequent holder of the Series 2026-[__] Bond may from time to time enter into a participation agreement or

agreements with one or more persons (herein called "the Participants"), pursuant to which the Participants may be given participations in the Series 2026-[__] Bond and that the Participants may from time to time similarly grant to one or more other persons (also included in the term "Participants") subparticipations in the Series 2026-[__] Bond; provided (i) no participation shall increase any liability of the University, (ii) the University shall not have any direct obligation to a Participant, whether respecting the payment of any portion of debt service on the Series 2026-[__] Bond, delivery of its audited financial statements, or otherwise, and (iii) the University shall correspond and deal only with the holder of the Series 2026-[__] Bond on any matters respecting the Series 2026-[__] Bond, the loan evidenced thereby, this Indenture, or any matters relating to the foregoing. The holder of the Series 2026-[__] Bond may divulge to any Participant all information, reports, financial statements, certificates and documents obtained by it from the University. Prior to entering into any such participation agreement, the holder of the Series 2026-[__] Bond shall (i) notify the University in writing of such participation and the identity of each Participant, and (ii) take commercially reasonable steps to protect the confidentiality of financial and other information of the University that may be provided by the holder of the Series 2026-[__] Bond to a Participant.

(c) **Role of the Lender; Waiver of Jury Trial.** (i) The University understands, acknowledges and agrees as follows:

(1) that the Lender and its representatives are not registered municipal advisors and do not provide advice to municipal entities or obligated persons with respect to municipal financial products or the issuance of municipal securities (including regarding the structure, timing, terms and similar matters concerning municipal financial products or municipal securities issuances) or engage in the solicitation of municipal entities or obligated persons for the provision by non-affiliated persons of municipal advisory services and/or investment advisory services; and

(2) with respect to this Indenture, the Series 2026-[__] Bond, and any other information, materials or communications provided by the Lender: (I) the Lender and its representatives are not recommending an action to any municipal entity or obligated person; (II) the Lender and its representatives are not acting as an advisor to any municipal entity or obligated person and do not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to any municipal entity or obligated person with respect to this Indenture, information, materials or communications; (III) the Lender and its representatives are acting for their own interests; and (IV) the University has been informed that the University should discuss this Indenture, the Series 2026-[__] Bond, and all matters relating thereto and any such other information, materials or communications with any and all internal and external advisors and experts that the University deems appropriate before acting on this Indenture or any such other information, materials or communications.

(d) **Waiver of Jury Trial**. To the extent permitted by applicable law, each of the University and the Lender irrevocably and voluntarily waives any right it may have to a trial by jury with respect to any controversy or claim between the University and the Lender, whether arising in contract or tort or by statute, including but not limited to any controversy or claim that arises out of or relates to this Indenture and/or the Series 2026-[__] Bond.

(e) **Patriot Act**. The Authority represents and warrants to the Lender that neither it nor any of its principals, members, partners or affiliates, as applicable, is a Person named as a

Specially Designated National and Blocked Person (as defined in Presidential Executive Order 13224) and that it is not acting, directly or indirectly, for or on behalf of any such person. The Authority further represents and warrants to the Lender that the Authority and its principals, shareholders, members, partners, or affiliates, as applicable, are not directly or indirectly engaged in, nor facilitating, the transactions contemplated by this transaction on behalf of any Person named as a Specially Designated National and Blocked Person.

(f) **Audited Financial Statements**. So long as the Series 2026-[__] Bond remains outstanding, the University shall provide the Lender the audited financial statements of the University within 150 days following the close of each fiscal year of the University, commencing with the fiscal year ending September 30, 2026. This obligation may be satisfied by the University for any fiscal year by the timely filing by the University of its audited financial statements for such year on the Electronic Municipal Market Access ("EMMA") system provided by the Municipal Securities Rulemaking Board ("MSRB"), or such other public repository as shall be identified for such purpose by the MSRB or similar regulatory body.][10]

[Signature page follows]

[10] This section to be used only if Series 2026 Bonds to be issued for a Bridge Loan Financing for which lender requires provisions of this nature.

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 [_____], [2026/2027].

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 Jo 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 _____, [20__].

[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 [____], [20__].

[NOTARIAL SEAL]

_____
Notary Public

EXHIBIT A

Specimen Municipal Bond Insurance Policy



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.

SPECIMEN

EXHIBIT II
FORM BOND PURCHASE AGREEMENT

UNIVERSITY OF SOUTH ALABAMA

BOND PURCHASE AGREEMENT

$_____	**$_____**
University Facilities	**Taxable University Facilities**
Revenue Bonds	**Revenue Bonds**
Series 2026-[__]	**Series 2026-[__]**

_____, 202__

University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

[_____] (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 2026-[__] (the "Tax-Exempt Bonds"), and (ii) $_____ Taxable University Facilities Revenue Bonds, Series 2026-[__] (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Series 2026-[__] Bonds"). The Series 2026-[__] 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 2026-[__] 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 2026-[__] 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-[Fourth] Supplemental University Facilities Revenue Trust Indenture to be dated the date of the Series 2026-[__] Bonds (as so supplemented, the "Indenture"). The Series 2026-[__] Bonds are being issued for the purposes of [_____]. The Series 2026-[__] 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 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 2026-[__] Bonds and to offer and sell the Series 2026-[__] Bonds to certain dealers (including dealers depositing the Series 2026-[__] 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 2026-[__] Bonds to the Underwriters, and the obligation of the Underwriters to purchase and accept delivery of the Series 2026-[__] Bonds, that the entire aggregate initial principal amount of the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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-[Fourth] 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 2026-[__] 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 2026-[__] Bonds contained in the Indenture, the University Documents, the Series 2026-[__] Bonds and this Bond Purchase Agreement, and (v) apply the proceeds of the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds (the "Authorizing Resolution"), a copy of which has been furnished to the Representative, was duly adopted on March [__], 2026, 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds or in connection with the registration of the Series 2026-[__] 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 2026-[__] Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2026-[__] Bonds or the validity, due authorization and execution of the Series 2026-[__] Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2026-[__] Bonds as and when due, or from applying the proceeds of the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bond;

(2) if any event relating to or affecting the University or the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds for sale to the public.

(n) The University shall cooperate with the Underwriters and their counsel in any endeavor to qualify the Series 2026-[__] 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 2026-[__] 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. Except 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds or to enforce contracts for the sale of the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds or in any way contesting or affecting any authority for or the validity of the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds or the market price thereof, or the ability of the Underwriters to enforce contracts for the sale of the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2026-[__] 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; or

(xii) a material disruption in securities settlement, payment or clearance services affecting the Series 2026-[__] 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 [_____], 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 2026-[__] 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 2026-[__] Bonds and (ii) ["A+"] by [S&P Global Ratings] with respect to the Series 2026-[__] 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, 5, 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 2026-[__] Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2026-[__] Bonds or the validity, due authorization and execution of the Series 2026-[__] Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2026-[__] Bonds as and when due, or from applying the proceeds of the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 ["__"] by [_____] with respect to the Insured Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[___] 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 2026-[__] 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 2026-[___] 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 2026-[__] Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Series 2026-[__] Bonds, the Representative agrees to promptly report to the University the prices at which Series 2026-[__] 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 2026-[__]Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, the Underwriters will neither offer nor sell unsold Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds of each maturity allotted to it until either all Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026-[__] 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 2026-[__] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Series 2026-[__] 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 2026-[__] Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2026-[__] Bonds.

(e) The Underwriters acknowledge that sales of any Series 2026-[__] Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2026-[__] 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 2026-

[__] 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 2026-[__] 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 2026-[__] Bonds to the public),

(iii) a purchaser of any of the Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 [_____]; 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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,

[_____],
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 2026-[___]

Taxable University Facilities Revenue Bonds Series 2026-[__]

Underwriters

[_____]
[_____]
[_____]

EXHIBIT B-1

UNIVERSITY OF SOUTH ALABAMA

University Facilities Revenue Bonds
Series 2026-[__]

PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
AND REDEMPTION PROVISIONS

Maturity Schedule:

Maturity Date	Amount	Rate	Yield	Price

Redemption Provisions:

Optional Redemption. Those of the Series 2026-[__] 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 2026-[__] Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2026-[__] Bond redeemed plus accrued interest to the date fixed for redemption.]

Mandatory Redemption. Those of the Series 2026-[__] Bonds maturing on [_____] shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2026-[__] Bonds, at and for a redemption price, with respect to each such Series 2026-[__] 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 2026-[__]

PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
AND REDEMPTION PROVISIONS

Maturity Schedule:

Maturity Date	Amount	Rate	Yield	Price

Redemption Provisions:

Optional Redemption. Those of the Series 2026-[__] 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 2026-[__] Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2026-[__] Bond redeemed plus accrued interest to the date fixed for redemption.]

Mandatory Redemption. Those of the Series 2026-[__] Bonds maturing on [_____] shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2026-[__] Bonds, at and for a redemption price, with respect to each such Series 2026-[__] 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 2026-[__]

FORM OF ISSUE PRICE CERTIFICATE

Issue Price Certificate

This certificate is being delivered by [_____] (the "Representative") in connection with the issuance by the University of South Alabama (the "University") of its $_____ University Facilities Revenue Bonds, Series 2026-[__] (the "Series 2026-[__] Bonds"). The Series 2026-[__] 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 2026-[__] 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 2026-[__] Bonds as of the Sale Date. The offering prices in the pricing wire are the same as the Initial Offering Prices identified in Exhibit B-1 to the Bond Purchase Agreement.

2. **Offering at the Initial Offering Prices.** The Underwriters offered the Series 2026-[__] Bonds to the Public for purchase at the Initial Offering Prices identified in Exhibit B-1 to the Bond Purchase Agreement.

3. **Sale of the General Rule Maturities.** ***Appendix 2*** correctly identifies each Maturity of the Series 2026-[__]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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, means Series 2026-[__] Bonds with the same credit and payments terms. Series 2026-[__] Bonds with different maturity dates, or Series 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] 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 2026-[__] Bonds, and by bond counsel (Bradley Arant Boult

Cummings, L.L.P.) in connection with rendering its opinion that interest on the Series 2026-[__] 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 2026-[__] Bonds.

Dated: _____.

[_____],
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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2026

RATINGS:

Under no circumstances
re be any sale of the

	Underlying
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 2026-A Bonds and the Series 2026-B 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 2026-A Bonds and the Series 2026-B 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 2026-A Bonds and Series 2026-B Bonds. Bond Counsel to the University is also of the opinion that, under existing law, interest on the Series 2026-A Bonds, the Series 2026-B Bonds and the Series 2026-C Bonds is exempt from Alabama income taxation.

UNIVERSITY OF SOUTH ALABAMA

$_____*	$_____*	$_____*
University Facilities Revenue Bonds Series 2026-A	**University Facilities Revenue Bonds Series 2026-B**	**Taxable University Facilities Revenue Bonds Series 2026-C**

Dated: Date of Delivery **Due as shown on inside cover**

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

The above-referenced University Facilities Revenue Bonds, Series 2026-A (the "Series 2026-A Bonds"), University Facilities Revenue Bonds, Series 2026-B (the "Series 2026-B Bonds"), and Taxable University Facilities Revenue Bonds, Series 2026-C (the "Series 2026-C Bonds" and, together with the Series 2026-A Bonds and the Series 2026-B Bonds, the "Series 2026 Bonds") 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 2026 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2026 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2026 Bonds. The principal of and interest on the Series 2026 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2026 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2026 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 2026 BONDS - General Description" and in Appendix D hereto.

The Series 2026 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-Fourth] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2026 Bonds, the "Indenture") to (i) purchase, acquire and pay the costs of various public capital improvements for use by the University hereinafter defined as the "2026-A Improvements" and the "2026-B Improvements", (ii) refinance certain obligations issued by the University to refinance the purchase and acquisition of various public capital improvements for the University (hereinafter defined as the "Refunded Bonds"), and (iii) pay the costs of issuing the Series 2026 Bonds. See "PLAN OF FINANCE" herein. The principal of and interest on the Series 2026 Bonds

are limited obligations of the University payable from and secured solely by the Pledged Revenues, as defined and further described herein.

Certain Series 2026 Bonds are subject to redemption prior to maturity on such terms and as more fully described herein. The Series 2026 Bonds are not obligations or debts of the State of Alabama (the "State") nor will any principal of or interest on the Series 2026 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2026 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 2026 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 2026 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 2026 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 2026 Bonds in definitive form will be available for delivery through DTC on or about [_____], 2026.

Dated: _____, 2026

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[*] Preliminary; subject to change.

MATURITIES, AMOUNTS, RATES, YIELDS & CUSIPS

$_____[*]
University Facilities Revenue Bonds
Series 2026-A

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

$_____[*]
University Facilities Revenue Bonds
Series 2026-B

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

**$_____*
Taxable University Facilities Revenue Bonds
Series 2026-C**

Maturity	Principal Amount	Interest Rate	Yield	CUSIP(1)

* 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 2026 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 2026 Bonds and by the Underwriters on the Series 2026 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2026 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 2026 Bonds.

UNIVERSITY OF SOUTH ALABAMA

MEMBERS OF THE BOARD OF TRUSTEES

Kay Ivey, Ex Officio
Katherine Alexis Atkins
Scott A. Charlton
Steven P. Furr
William Ronald Graham
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PRESIDENT
Jo Bonner

VICE PRESIDENT OF FINANCE
Kristen Roberts, CPA

BOND COUNSEL
Bradley Arant Boult Cummings LLP
Birmingham, Alabama

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
Huntsville, Alabama

UNDERWRITERS
[_____]
[_____]

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 2026 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 2026 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2026 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.

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OFFICIAL STATEMENT

pertaining to

UNIVERSITY OF SOUTH ALABAMA

$_____*	$_____*	$_____*
University Facilities Revenue Bonds Series 2026-A	**University Facilities Revenue Bonds Series 2026-B**	**Taxable University Facilities Revenue Bonds Series 2026-C**

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 2026-A (the "Series 2026-A Bonds"), University Facilities Revenue Bonds, Series 2026-B (the "Series 2026-B Bonds"), and University Facilities Revenue Bonds, Series 2026-C (the "Series 2026-C Bonds" and, together with the Series 2026-A Bonds and the Series 2026-B Bonds, the "Series 2026 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-Fourth] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2026 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

Proceeds of the Series 2026-A Bonds will be used to pay the costs of the 2026-A Improvements (hereinafter defined) and pay the costs of issuing the Series 2026-A Bonds, proceeds of the Series 2026-B Bonds will be used to pay the costs of redeeming and retiring the Refunded Bonds (hereinafter defined) and pay the costs of issuing the Series 2026-B Bonds, and proceeds of the Series 2026-C Bonds will be used to pay the costs of the 2026-C Improvements (hereinafter defined) and pay the costs of issuing the Series 2026-C Bonds. See "PLAN OF FINANCE" herein for details as respects the various public capital improvements to be financed by the Series 2026-A Bonds and the Series 2026-C Bond, and for details regarding the plan for redemption, defeasance, and retirement of the Refunded Bonds.

Security

The Series 2026 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."

The Series 2026 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 2026 Bonds. Holders of the Series 2026 Bonds shall never have the right to demand payment of the Series 2026 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 2026 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 2026 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 2026 BONDS

General Description

The Series 2026 Bonds will be dated their initial date of delivery, and will bear interest (payable on [_____], and on each [October 1] and [April 1] thereafter until maturity) at the rates and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2026 Bonds will be issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

The Series 2026 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 2026 Bonds. Purchasers of such Series 2026 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2026 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 2026 Bonds. The Series 2026 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 2026 Bonds, one fully-registered bond certificate will be issued for each maturity, in the aggregate principal amount of such maturity of such series of the Series 2026 Bonds, and will be deposited with DTC. *See* Appendix D hereto for DTC payment and other related provisions.

As to each series of the Series 2026 Bonds, during any period in which Series 2026 Bonds of such series are not held in the Book-Entry System, principal of such Series 2026 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of such Series 2026 Bonds as they mature. Interest on Series 2026 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 2026 Bonds.

No charge will be made for any exchange or transfer of the Series 2026 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 2026 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

Those of the Series 2026 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 2026 Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2026 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 2026 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 2026 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 2026 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 2026 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2026 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2026 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2026 Bond.

PLAN OF FINANCE

2026-A Improvements

Proceeds from the Series 2026-A Bonds will be used to pay the costs of purchasing, acquiring, and developing (including reimbursement of prior costs paid for the same) of various public capital improvements of the University including, without limitation, (i) payment of a portion of the cost of designing, developing and constructing the New Medical School Building (including reimbursement to the University of cash previously spent by the University for such purpose), (ii) payment, including reimbursement to the University of cash heretofore spent, for the purchase, acquisition, renovation, improvement and equipping of an existing building to serve as a new student housing facility for use by the University, and (iii) [_____] (collectively, the "2026-A Improvements"). For additional information concerning the New Medical School Building see "NEW MEDICAL BUILDING" herein.

Refunding of Refunded Bonds

Proceeds from the Series 2026-B Bonds will be used to pay the costs of redeeming and retiring all outstanding maturities of the University's $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds"). Under the Indenture, those of the Series 2016 Bonds having a stated maturity in _____, and thereafter, are subject to early call for redemption and payment on [_____], and on any date thereafter, at and for a redemption price of 100% of the principal to be redeemed plus accrued interest to the date set for redemption (the "Redemption Price"). The University intends to call for redemption and payment all of the Series 2016 Bonds maturing in [_____] and thereafter (the "Refunded Bonds") for redemption and payment on a date that is not more than ninety (90) days from the date of issuance of the Series 2026-B Bonds (the "Refunded Bonds Redemption Date"). Proceeds from the Series 2026-B Bonds, together with interest earnings thereon, sufficient to timely pay maturing installments of principal and interest on the Refunded Bonds through and including the Refunded Bonds Redemption Date, and to pay the Redemption Price due on the Refunded Bonds Redemption Date, will be deposited into the Bond Fund of the Indenture or in a special escrow fund created under an agreement between the Trustee, as escrow agent, and the University, and used solely for payment of the Refunded Bonds as aforesaid.

2026-C Improvements

[_____] ***Note to working group: this may be described as a refunding if the sole purpose of the Series 2026-C Bonds is to pay-off the bridge loan for the Fairhope MAPP property facility. For now this is intentionally blank.***

SECURITY AND SOURCE OF PAYMENT

General

The University has previously issued various series of Bonds under the Indenture, of which fifteen series of Bonds are outstanding before giving effect to the issuance of the Series 2026 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) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond");

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

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

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

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

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

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

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

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

(m) $72,810,000 University Facilities Revenue Bonds, Series 2024-A, dated July 22, 2024 (the "Series 2024-A Bonds");

(n) $19,925,000,000 Taxable University Facilities Revenue Bonds, Series 2024-B, dated July 22, 2024 (the "Series 2024-B Bonds"); and

(o) $90,850,000 University Facilities Revenue Bonds, Series 2024-C, dated August 22, 2014 (the "Series 2024-C Bonds").

The Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2015 Bond, [the Series 2016 Bonds], 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, the Series 2021-B Bond, the Series 2024-A Bonds, the Series 2024-B Bonds, and the Series 2024-C Bonds are herein collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2026 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds".

Sources of Payment and Pledged Revenues

The Series 2026 Bonds will be issued under the Indenture, as supplemented and amended by a Twenty-[Fourth] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2026 Bonds (the "Twenty-[Fourth] 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 2026 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 2026 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 2026 Bonds except the Pledged Revenues.

The Series 2026 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 2026 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 2026 Bonds

Series 2026-A Bonds. The following sets forth the estimated debt service requirements of the Series 2026-A Bonds on a fiscal year basis:

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

* Preliminary; subject to change.

Series 2026-B Bonds. The following sets forth the estimated debt service requirements of the Series 2026-B Bonds on a fiscal year basis:

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

* Preliminary; subject to change.

Series 2026-C Bonds. The following sets forth the estimated debt service requirements of the Series 2026-C 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 2026 Bonds

The following table sets forth the scheduled debt service requirements on all Outstanding Bonds and the Series 2026 Bonds (and also reflects the defeasance of the Refunded Bonds) on a fiscal year basis:

Fiscal Year Ending Sept. 30	Series 2013 Bonds[1]	Series 2015 Bonds	Series 2017 Bonds	Series 2019 Bonds[2]	Series 2020 Bonds	Series 2021 Bonds[3]	Series 2024 Bonds[4]	Series 2024-C Bonds	Series 2026-A Bonds*	Series 2026-B Bonds*	Series 2026-C Bonds*	Total Debt Service*
2026	$3,470,942	$421,956	$2,981,688	$6,341,736	$2,903,600	$4,809,872	$6,009,943	$9,722,250				
2027	3,470,942	412,565	2,973,250	6,385,960	2,899,600	4,833,730	6,011,239	9,675,750				
2028	3,470,942	403,251	2,980,375	6,436,123	2,902,100	4,860,246	6,007,795	9,622,750				
2029	2,646,549	393,782	2,977,875	6,483,325	2,900,600	4,883,562	6,006,985	9,573,000				
2030	2,646,549	384,391	2,975,750	5,648,528	2,905,100	4,910,493	6,011,775	9,515,750				
2031	2,646,548	-	2,978,625	4,285,865	2,900,100	4,940,286	6,009,727	9,460,750				
2032	2,646,548	-	2,981,125	4,287,333	2,900,850	4,166,863	6,008,279	9,397,250				
2033	2,646,548	-	2,978,125	4,784,230	2,901,850	3,249,250	6,011,393	9,335,000				
2034	-	-	2,979,375	4,560,250	2,902,850	3,249,500	6,008,472	9,268,250				
2035	-	-	2,974,625	4,547,000	2,898,600	3,249,500	6,004,629	9,196,500				
2036	-	-	2,978,500	4,833,750	2,902,000	3,244,000	6,000,275	9,119,250				
2037	-	-	2,975,625	4,500,250	2,906,600	3,248,000	6,003,025	9,040,500				
2038	-	-	1,640,000	4,486,500	2,902,200	3,245,750	6,004,775	-				
2039	-	-	-	4,472,000	2,904,000	3,247,250	6,000,275	-				
2040	-	-	-	4,156,500	2,901,600	3,247,000	6,004,525	-				
2041	-	-	-	4,154,750	-	3,249,750	6,001,775	-				
2042	-	-	-	4,156,500	-	-	6,002,025	-				
2043	-	-	-	4,156,250	-	-	6,004,775	-				
2044	-	-	-	4,158,750	-	-	6,004,525	-				
2045	-	-	-	4,153,500	-	-	6,001,025	-				
2046	-	-	-	4,155,500	-	-	6,004,025	-				
2047	-	-	-	3,254,000	-	-	6,002,775	-				
2048	-	-	-	3,298,750	-	-	6,002,025	-				
2049	-	-	-	3,344,250	-	-	6,001,275	-				
2050	-	-	-	-	-	-	6,000,025	-				
2051	-	-	-	-	-	-	6,001,163	-				
2052	-	-	-	-	-	-	6,004,438	-				
2053	-	-	-	-	-	-	6,004,063	-				
2054	-	-	-	-	-	-	6,004,513	-				

* Preliminary; subject to change.

[1] Includes the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C Bond

[2] Includes debt service on Series 2019-A Bonds, Series 2019-B Bonds and the Series 2019-C Bond.

[3] Includes debt service on Series 2021 Bonds and the Series 2021-B Bond.

[4] Includes debt service on Series 2024-A Bonds and the Series 2024-B Bonds.

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, 2021, through September 30, 2025:

	2021	2022	2023	2024	2025
General Fees[1]	$167,432,000	$167,008,000	$166,501,000	$175,626,000	$185,643,000
Auxiliary Enterprises Revenues[1]	19,725,000	22,686,000	24,482,000	28,064,000	33,040,000
Children's & Women's Hospital Revenues[2]	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	$197,157,000	$199,694,000	$200,983,000	$213,690,000	$228,683,000

[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 fiscal year 2021 were approximately $128,040,000, and $18,507,000, respectively; for fiscal year 2022 were $130,677,000 and $21,562,000, respectively; for fiscal year 2023 were $125,929,000 and $23,227,000, respectively; for fiscal year 2024 were $135,733,000 and $26,830,000, respectively; and for fiscal year 2025 were $130,842,000 and $31,345,000, 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 2026 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, 2025, 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.

Following issuance of the Series 2026 Bonds, the total principal amount of indebtedness of the University payable from Pledged Revenues is estimated to be not greater than $[_____].

Maximum Annual Debt Service Requirement

The estimated Maximum Annual Debt Service Requirement respecting the Series 2026 Bonds and the Outstanding Bonds, based on the amortization schedules set forth above under "Debt Service Requirements – Outstanding Bonds and the Series 2026 Bonds", occurring in the fiscal year of the University ending September 30, [____] ($[_____]), is estimated to be covered [____] times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2025 ($228,683,000). *See* "Pledged Revenues" above.

Other University Debt

Energy Savings Agreement with Alabama Power. The University has entered into a ten (10) year agreement dated September 30, 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. This Agreement should conclude by the end of fiscal year 2026; however, additional amendments with APC require USA to make monthly payments through November 2035.

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 $15,000,000 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 approximately $4.40 million of payment obligations outstanding under the Master Lease Agreement as shown in the table below, which such amount bears interest at fixed annual rates as shown below, 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
BTS8	$807,987	7.25%	November 10, 2028
BTS9	761,885	6.12	December 27, 2025
BTS11	563,688	6.30	March 18, 2030
BTS12	2,130,463	5.77	September 18, 2030
BTS13	137,609	6.29	October 15, 2028

Rent Supplement Agreement for USA HCA. USA HCA (hereinafter defined) entered into an agreement with Family Medical Investments, LLC, an Alabama limited liability company and local physicians' group (the "Physicians' Group") to design, construct, and lease a medical office building on the USA Health Mapp Family Campus. Construction began in 2021 and was completed in October 2022, at which time the agreement commenced for an initial 15-year term, with two successive five-year extension options. USA HCA began making monthly payments in October 2022. As of September 30, 2025, the outstanding principal balance under USA HCA's agreement with Physicians' Group is approximately $21,478,000. Upon expiration of the agreement term, ownership of the building will transfer to USA HCA.

Under a Whole Building Lease Agreement (the "MOB Agreement") with Physicians' Group, the Physicians' Group caused the design, construction, and development of an approximately 51,000-square-foot medical office building (the "Medical Office Building") for lease to USA HCA. Pursuant to the MOB Agreement, USA HCA pays fixed annual base rent ("Base Rent") and additional amounts covering all operating expenses, including insurance, repairs, and maintenance ("Additional Rent"), as well as certain other costs and expenses upon the occurrence of specified events (the "Remaining Leasehold Obligations").

The University is also a tenant under a long-term real property lease pursuant to which certain healthcare operations and activities of USA Health and USA HCA are conducted within the facility. In connection with the MOB Agreement, the University entered into a Rent Supplement Agreement dated October 7, 2021, with the Physicians' Group, USA HCA, and TheFirst, a national banking association and construction lender to the Physicians' Group. Under the Rent Supplement Agreement, USA HCA is obligated to use its revenues to pay Base Rent, Additional Rent, and the Remaining Leasehold Obligations. If USA HCA fails to timely remit the full amount of such payments, the University has agreed to fund the shortfall to USA HCA.

Payments under the USA HCA Rent Supplement Agreement are not secured by pledged revenues under the Indenture or by any other special funds or assets of the University.

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; (i) one with a remaining principal balance of $9.70 million as of September 30, 2025, bearing interest at a fixed annual rate of 4.38%, and (ii) the other with a remaining outstanding principal amount of $6.30 million bearing interest at a fixed annual rate of 3.08%. For each such loan, the University has entered into 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.

Ambulatory Surgery Center Acquisition. In October 2025, USA HCA received notice for the option to exercise a right of first refusal related to the ASC Ground Lease and Development Agreement with HHRE USA Fairhope ASC, LLC (HHRE). The said development agreement allows USA HCA to have the right of first refusal in the purchase of an Ambulatory Surgery Center (the "ASC Building") located on a parcel of real property known as the "USA Health Mapp Family Campus", and to receive assignment of a ground lease related to the ASC Building (the "ASC Ground Lease") on which the building resides.

On November 13, 2025, USA HCA notified HHRE of its intent to exercise its right to purchase the ASC Building and receive assignment of the ASC Ground Lease at a price of $15,100,000, and said transaction closed the transaction in January 2026. The purchase was funded by the University (which received an assignment of the rights of USA HCA and, as a result of the transactions herein described, now owns the ASC Building) through a short-term bridge loan (the "ASC Building Loan") in the amount of $15,100,000, bearing interest, payable monthly, at a fixed per annum rate of 5.65%, from Renasant Bank. Principal of the said bridge loan matures and becomes payable on January 21, 2027. The University expects to finance the payment of all principal of this loan, along with any accrued but unpaid interest, with proceeds of one or more series of Additional Bonds issued under the Indenture (either with proceeds of Series 2026 Bonds or on parity of lien with the Series 2026 Bonds).

Future Debt

Campus Master Plan. In 2017, the Board of Trustees approved the University campus master plan, which covers 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.

Project Osprey. Building on a partnership announcement in October 2025, the University is evaluating an expansion of its collaboration with Airbus to establish an Airbus presence at USA's Research and Technology Park. The proposed project would support the potential relocation of Airbus's Mobile-based U.S. Engineering Center to the University's campus, and is intended to expand internship, research, and workforce development opportunities aligned with aerospace and advanced manufacturing programs. The University is in the early stages of financial planning for a potential issuance of Additional Bonds in late 2026 or early 2027 in an estimated principal amount of up to approximately $48.0 million to finance all or a portion of the project. Any such issuance would be subject to final project approval, market conditions, and required authorizations.

Refinancing of ASC Building Loan. The University intends to issue Additional Bonds in the amount of approximately $15,100,000 to pay and refinance the ASC Building Loan. See "Other University Debt" above.

NEW MEDICAL SCHOOL BUILDING

General. In December 2023, the University broke ground on a new, 250,000-square-foot Frederick P. Whiddon College of Medicine building (the "New Medical School Building") to house the USA College of Medicine. 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, it is expected that 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. The Whiddon College of Medicine at the University of South Alabama is one of 158 accredited MD-granting institutions in the United States, and one of only two in the state. More than 1,139 of its graduates are practicing medicine in Alabama.

The University anticipates construction of the New Medical School Building to be completed in December 2026.

Estimated Cost; Sources to Fund Construction. The New Medical School Building and related capital projects ("CoM Project") are estimated to cost approximately $296 million. Nearly half of the funds needed for the CoM Project have come from federal and state grants for which the University has already received, together with a relatively small amount of cash from the College of Medicine, including:

- $68.1 million from Alabama Public School and College Authority grants.
- $59.4 million from a National Institute for Standards and Technology grant.
- $5.1 million from cash on hand at the University.

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

- Approximately $39.3 million from the University of South Alabama Foundation, including property valued at approximately $10.5M.
- Approximately $11.1 million from a fundraising campaign specific to the New Medical School Building that is presently being developed by the University.
- 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 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 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).

The remainder (approximately $98.3 million) is anticipated to be funded from operating cash proceeds of bonds to be issued by the University under the Indenture on parity of lien with the Series 2026 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. Additionally, the University may lower the amount of the Prospective Medical School Parity Bond Issue should additional funds become available from ongoing fundraising initiatives.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of funds from sale proceeds of the Series 2026 Bonds are as follows:

Series 2026-A Bonds.

Sources of Funds
Principal Amount of Series 2026-A Bonds
[Plus/Less] [Net] Original Issue [Premium/Discount]
Total Sources

Uses of Funds
Payment of 2026-A Improvements
Costs of Issuance[1]
Total Uses

[1] Includes underwriting discount, legal and accounting fees, printing costs, rating agency fees, municipal advisory fees, and other expenses of issuance of the Series 2026-A Bonds.

Series 2026-B Bonds.

Sources of Funds
Principal Amount of Series 2026-B Bonds
[Plus/Less] [Net] Original Issue [Premium/Discount]
Total Sources

Uses of Funds
Redemption of Refunded Bonds
Costs of Issuance[1]
Total Uses

[1] Includes underwriting discount, legal and accounting fees, printing costs, rating agency fees, municipal advisory fees, and other expenses of issuance of the Series 2026-B Bonds.

Series 2026-C Bonds.

Sources of Funds
Principal Amount of Series 2026-C Bonds
[Plus/Less] [Net] Original Issue [Premium/Discount]
Total Sources

Uses of Funds
Redemption of Refunded Bonds
Costs of Issuance[1]
Total Uses

[1] Includes underwriting discount, legal and accounting fees, printing costs, rating agency fees, municipal advisory fees, and other expenses of issuance of the Series 2026-C Bonds.

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.

USA offers programs leading to 63 baccalaureate degrees, 38 master's degrees, an Education Specialist (Ed.S.) degree, 16 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.

Total enrollment for Fall 2025 was 14,285. Of those students, 9,530 were classified as undergraduate students, 4,755 were enrolled in graduate or professional programs, and 0 were unclassified. For the academic year 2024-2025, the University awarded 3,300 degrees, of which 1,793 were Baccalaureate Degrees, 1,172 were Master's Degrees, 267 were Doctoral degrees, and 68 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.

For the 2025-2026 academic year, the University employed 885 full-time faculty persons. Approximately 28.6% of faculty members are tenured. The University employs 9,464 persons in all categories.

The main campuses in Mobile, Alabama, consists of 159 major buildings, including hospital and medical related facilities. Those facilities include buildings currently providing approximately 2,814 beds (with capacity to expand up to 3,008 beds, if needed) available for student residency on campus.

The University's health system, known as USA Health, is composed of the USA Health University Hospital ("USAUH"), the USA Children & Women's Hospital ("USACW"), USA Health Providence Hospital, the USA Health Mitchell Cancer Institute ("USAMCI"), and USA Health Physicians Enterprise ("Physician Enterprise). USA Health provides primary and tertiary care for a multi-county service area. USAUH is a 406-licensed bed hospital which includes the region's only level I trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques.

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.

USAMCI is the region's only academic-based cancer research and treatment facility. It is housed in a state-of-the-art 125,000 square foot integrated clinical and research building, and provides comprehensive cancer care to 4.5 million people in a 150-mile radius.

Physician Enterprise consists of 700 medical providers (including USA HCA and Providence Hospital Community Providers) with over 300 academic faculty physicians and over 144 community physicians. 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, 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 is the anchor facility on a medical campus that includes other medical services and assets including, among other things, 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 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 Series 2024-A Bonds and the Series 2024-B Bonds (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-A Bonds or the Series 2024-B Bonds).

For its fiscal year ended September 30, 2025, the University reported grants and contracts revenue from Federal, State and private sources of approximately $60,776,000, and an additional $197,448,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2025 (net of scholarship allowances) were approximately $130,842,000, and net patient service revenues from USA Health during such period were approximately $913,243,000. *See* Appendix A.

Summary Enrollment Profile - Fall 2025
(Excluding Medical Residents)

	Fall 2025	
	Number	Percent
Covey College of Allied Health Professions	1,857	13.0%
College of Arts and Sciences	2,986	20.9%
Mitchell College of Business	1,150	8.1%
School of Computing	604	4.3%
College of Education & Professional Studies	1,729	12.1%
College of Engineering	1,141	8.0%
Graduate School	39	0.2%
College of Medicine	360	2.5%
College of Nursing	4,419	30.9%
Total	14,285	100.0%

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 2021 through 2025 (dollars in thousands).

	2021	2022	2023	2024	2025
Operating revenues:					
Tuition and fees, net of scholarship allowances	$128,040	$130,677	$125,929	$135,733	$130,842
Net patient service revenue	622,678	720,055	791,446	926,256	913,243
Federal, state and private grants and contracts	44,589	48,749	62,507	63,915	60,776
Other	65,388	80,440	80,143	106,387	134,467

Total	860,695	979,921	1,060,025	1,232,291	1,239,328
Operating expenses:					
Salaries and benefits	554,587	587,844	653,681	739,331	817,747
Supplies and other services	338,512	409,008	418,707	461,047	506,789
Other	97,399	98,038	115,211	139,699	135,134
Total	990,498	1,094,890	1,187,599	1,340,077	1,459,670
Operating loss	(129,803)	(114,969)	(127,574)	(107,786)	(220,342)
Nonoperating revenues (expenses):					
State appropriations	126,481	140,709	181,177	187,908	197,448
Investment income (loss)	54,294	(53,135)	42,889	83,382	59,728
Other, net	61,611	27,626	(2,920)	(18,269)	(14,206)
Net nonoperating revenues	242,386	115,200	221,146	253,021	242,970
Income (loss) before capital appropriations, capital contributions, grants, and additions to endowment	112,583	231	93,572	145,235	22,628
Capital appropriations, capital contributions, grants and additions to endowment	13,449	25,711	38,479	46,187	101,076
Change in net position	126,032	25,942	132,051	191,422	123,704
Beginning net position, before cumulative effect of change in accounting principle	216,278	342,310	361,188	493,239	684,661
Cumulative effect of change in accounting principle	-	(7,064)	-	-	(22,768)
Beginning net position- as adjusted	216,278	335,246	361,188	493,239	661,893
Ending net position	$342,310	$361,188	$493,239	$684,661	$785,597

The University's audited financial statements for the year ended September 30, 2025, 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:

	2025	2024	2023	2022	2021
Full-time faculty by rank:					
Professor	165	163	170	171	168
Associate Professor	225	225	210	205	192
Assistant Professor	383	354	346	356	361
Instructor	111	110	104	115	113
Lecturer	1	1	1	1	1
TOTAL	885	853	831	848	835
Full-time faculty by length of service:					
Up to 2 years	200	169	150	164	147
3-4 years	111	112	99	109	123
5-9 years	218	230	238	224	217
10-14 years	139	116	100	102	116
15+ years	217	226	244	249	232
TOTAL	885	853	831	848	835
Percent of faculty tenured	28.6%	30.5%	31.9%	31.8%	31.9%
Part-time faculty	343	339	330	399	471

	2025	2024	2023	2022	2021
Non-faculty	8,251	8,663	8,111	6,064	5,425
Total University employees	9,464	9,840	9,260	7,305	6,719

Student Enrollment and Trends

Enrollment Strategy. As reflected in the tables below, Fall 2025 represented a continuation of recent enrollment increases both in total enrollment and that of new incoming students which began in 2023. Notably, the 2025 entering first-time freshman class was the largest in university history the recently. Overall enrollment is up 2%, driven by undergraduates up by 3% (which is largely the result of increased first-time freshmen enrollment which was up for the third consecutive year and by 10%).

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 once again by the addition of hosting 55 *Jag-Day* Bus Tours (including students from all Mobile and Baldwin County high schools as well as schools in our FL and MS service area counties). Additionally, administration personally presented to juniors and seniors at more than 80 high schools throughout the state and region. High schools involved in *Jag-Days* and administration visits continue to show enrollment increases overall.

The University also continues to increase its digital footprint via additional electronic media name-buys and expanding other digital marketing tools. The Slate recruitment and admissions (CRM) system is five years old and continues to be expanded in order to more consistently engage prospective students and, more than ever before, engaging prospective student parents. The CRM was employed by the University to enhance electronic mail and digital marketing programs, and more recently to support recruitment event management to more effectively understand and react to student and parent engagement trends. Additionally, the Enrollment Services Unit (along with several other departments on campus) has integrated a new parent engagement platform (CampusESP) in order to encourage participation in parent online communities. Through these parent communities, it more effective for our departments to provide them with the most pertinent information about their student's college selection process and new-student transition.

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, both continue to be enhanced. The university also joined the state of Alabama's "Match" direct admission initiative this year and have received over 2,000 Alabama applicants through this process. These strategic actions are contributing to increased prospective student volumes and ultimately to freshmen applications and admissions moving into the Fall 2026 semester compared to last year at this time as noted below.

- Total records purchased by the University for marketing to prospective students is typically over 110,000
- Fall 2026 freshman applications vs. 2025: +900 (an increase of 8.0%%)
- Fall 2026 freshman admissions vs. 2025: +1000 (an increase of 11.0%)

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.

Short-Term Results. The University continues to be encouraged by the short-term results of its enrollment strategy as seen in Fall 2023, 2024, and 2025. Additional admissions counselors charged with recruitment of high school students, transfer students, and adult learners combined with enhanced prospective student volume purchases, expanded geographic market positioning 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 2025	Fall 2024	Fall 2023	Fall 2022	Fall 2021
Undergraduate	9,530	9,238	8,913	8,489	8,830
Graduate/Professional	4,755	4,762	4,854	4,972	5,159
Unclassified	0	3	1	2	3
Total	14,285	14,003	13,768	13,463	13,992

Applications, acceptances and matriculations for freshmen students:

	Fall 2025	Fall 2024	Fall 2023	Fall 2022	Fall 2021
Applications	13,532	12,948	12,629	12,510	11,779
Acceptances	9,747	9,159	8,677	8,163	8,325
Matriculations[(1)]	2,070	1,865	1,833	1,573	1,734
Percent of applicants accepted	72.0%	70.7%	68.7%	65.3%	70.7%
Percent of applicants enrolled	15.3%	14.4%	14.5%	12.6%	14.7%
Percent of acceptances enrolled	21.24%	20.36%	21.12%	19.27%	20.83%

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

Total enrollment by full-time equivalent[(1)]:

	Fall 2025	Fall 2024	Fall 2023	Fall 2022	Fall 2021
Undergraduate	8,786	8,434	8,147	7,722	8,053
Graduate/Professional	3,972	3,945	4,010	4,091	4,210
Total	12,758	12,379	12,157	11,813	12,263

(1) FTE enrollment is calculated using ACHE guidelines.

Retention rate for full-time freshmen entering in:

	Fall 2024	Fall 2023	Fall 2022	Fall 2021	Fall 2020
Number matriculated[(1)]	1,916	1,888	1,596	1,749	1,544
Number returned	1,434	1,430	1,217	1,203	1,096
Retention rate	75.8%	75.7%	76.3%	68.8%	71.0%

(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.

Test Scores

Average ACT scores of matriculated students for years shown:

Fall 2025	Fall 2024	Fall 2023	Fall 2022	Fall 2021
23.1	23.2	23.0	23.1	22.8

Geographic Concentrations of Students

	Fall 2025	Fall 2024	Fall 2023	Fall 2022	Fall 2021
Mobile County	4,892	4,920	4,878	4,783	5,005
Baldwin County	1,468	1,414	1,352	1,245	1,250
Other Alabama counties	2,686	2,532	2,444	2,458	2,645
Florida	983	964	929	928	1,001
Mississippi	1,463	1,375	1,294	1,257	1,286
Other states in the U.S.A.	2,526	2,511	2,584	2,517	2,589

International	267	287	287	275	216
Total	14,285	14,003	13,768	13,463	13,992

Main Schools in Competitive Group and Listed Tuition – 2025-2026 Academic Year:

The following lists the annual tuition for traditional students for the academic institutions listed:

	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	8,790	17,550	10,224	20,352
Alabama State University	8,328	16,656	9,888	19,776
Athens State University	7,890	15,780	9,120	15,792
Auburn University	11,352	34,056	11,340	34,020
Auburn University at Montgomery	11,370	25,500	11,496	25,800
Jacksonville State University	10,590	21,180	10,416	16,944
Troy University	12,720	25,440	11,400	22,800
University of Alabama	11,684	34,542	11,684	34,542
University of Alabama at Birmingham	11,640	28,980	11,856	29,064
University of Alabama in Huntsville	10,700	25,390	11,670	28,000
University of Montevallo	12,510	25,980	10,872	26,016
University of North Alabama	10,200	20,400	11,880	23,760
University of West Alabama	9,750	19,500	10,296	20,592
Regional reference group:				
University of Southern Mississippi	10,394	12,394	10,394	12,394
University of New Orleans	9,829	14,665	9,333	13,903
University of West Florida	6,360	19,241	9,062	24,894

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.

	2025-2026	2024-2025	2023-2024	2022-2023	2021-2022
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	374	374	359	344
Graduate	480	480	480	468	457
Out-of-state course fee, per semester hour					
Undergraduate	748	748	748	718	688
Graduate	960	960	960	936	914

College of Medicine

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

	2025-2026	2024-2025	2023-2024	2022-2023	2021-2022
Application fee	$75	$75	$110	$110	$110
Resource fee	508	508	508	508	508
Course fee, academic year					
In-state	35,233	34,307	34,207	33,211	31,934
Out-of-state	70,466	68,414	68,414	66,422	63,868

Degrees Awarded

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Baccalaureate	1,793	1,772	1,809	1,868	1,954
Masters	1,172	1,223	1,266	1,205	1,233
Para-professional certificates	286	270	225	259	263
Professional:					
M.D.	68	74	74	75	69
Ph.D.	61	43	50	37	35
Au.D.	10	7	11	10	9
D.P.T.	39	40	38	40	40
D.N.P.	149	178	166	148	134
Ed.D.	8	10	4	7	4
Total (degrees only)[1]	3,300	3,347	3,418	3,390	3,478

[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:

	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021
Federal government:					
Student Loans	$115,747,729	$114,837,100	$110,033,582	$115,373,460	$120,701,783
Grants	29,037,728	22,187,024	18,739,184	18,728,734	18,094,936
Student employment	164,545	174,682	286,947	203,537	189,351
University:					
Loans	100,550	125,161	137,052	140,128	184,905
Scholarships	35,562,525	33,785,065	28,161,021	31,767,379	31,017,998
Total	$180,613,077	$171,109,032	$157,357,786	$166,213,238	$170,188,973

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, 2031
Dr. Scott A. Charlton	Physician	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
Meredith Mitchell Hamilton	Business Administration	September 30, 2027
Mr. Robert D. Jenkins, III	Business Administration	September 30, 2031
The Honorable Bill W. Lewis, II	Circuit Court Judge	September 30, 2031
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, 2031
Dr. Steven H. Stokes	Physician	September 30, 2029
The Honorable Michael P. Windom	Circuit Court Judge	September 30, 2031
Mr. James A. Yance	Attorney, Retired	September 30, 2027
The Honorable Kay Ivey	Governor, State of Alabama	Ex Officio

The University President falls under the Board of Trustees. The Executive Vice President and Provost, Athletic Director, General Counsel, USA Health CEO, and Vice President of Medical Affairs & Dean of the College of Medicine report to the University President. Nine Vice Presidents and the Executive Vice Provost fall under the Executive Vice President & Provost (the Vice President of Finance, Vice President of Administration, Vice President of Facilities Management, Vice President of Governmental Relations, Vice President of Development & Alumni Relations, Vice President & Dean of Student Affairs, Vice President of Marketing & Communications, Vice President of Research & Economic Development, and Vice President of Community Engagement).

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 Vice President of Finance of the University and Health System. Mrs. Roberts oversees the financial operations of the system, 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., Chief Financial Officer, and in 2025 became the Vice President of Finance. Mrs. Roberts is a CPA and holds a Bachelor's Degree in Accounting and a Master 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").

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 over 40 locations in 2026, and now employs over 7,300 full and part-time associates.

USA Health University Hospital ("USAUH"). 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.

USAUH has experienced significant growth across its inpatient and outpatient services. In December 2020, USAUH opened a new 32,000 square foot trauma center, which 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 32,437 in 2025. Additionally, in April of 2022, USAUH opened a freestanding emergency room ("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 FED handled 33,892 visits in FY 2025, and the imaging center processed 15,611 exams in fiscal year 2025.

Other outpatient procedural volume has grown as well. This includes gastroenterology cases which have grown by 150% over the last twelve years. Combined inpatient and outpatient surgery volume grew from 5,341 cases in 2014 to 9,851 cases in fiscal year 2025; an increase of approximately 84% since 2014. Inpatient volumes have also grown consistently year over year, with total discharges of 6,447 in 2014 growing to 12,654 total discharges in 2025; representing a 96% increase since between 2014 and 2025.

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
2025	$1,273,789,096
2024	1,188,155,847
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

USA Children's & Women's Hospital ("USACW"). 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 reached 12,983 in 2025, with delivery volume of 2,794 for the year. 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 6,094 cases in 2025, a growth rate of 90%. USACW has completed 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 over 35,000 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
2025	$710,407,703
2024	657,078,862
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

USA Mitchell Cancer Institute ("USAMCI"). 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 15 clinical faculty members and 11 advanced practice providers, while accelerating research to enhance care delivery for future patients. USAMCI reported 66,403 visits in fiscal year 2025, an increase of 56% since 2016.

In addition, USAMCI opened a specialty pharmacy in July 2018 and became provider-based with USACW in September 2019. 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
2025	$123,831,658
2024	110,509,194
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

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 seven 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 and HCA providers conducted more than 665,000 outpatient visits, in addition to managing over 235,000 inpatient days in the three hospitals.

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 335 residents and fellows in the advancement of medical care through medical research.

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

Year	**Gross Revenues**
2025	$450,875,348
2024	418,001,058
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 75 providers, 45 of which are physicians, and the Health System began fiscal year 2024 with the addition of seven new areas of primary care patient access.

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

Year	Gross Revenues
2025	$1,235,409,453
2024	1,092,011,287
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, 2025. *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 350, including approximately 70 University graduates.

FACILITIES

Certain Facilities

The University has 6,884,240 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, USA Health HCA Providence Hospital, and USA Health 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
2024-2025	646,732	178,306
Total	7,558,224	2,369,290

The University also has many other types of facilities used for student and student-related activities, such as a 25,450-seat multi-purpose stadium, opened in 2020, for use primary by the University of South Alabama Jaguars Division I football team, and many other athletic and related facilities.

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 2,814 beds (with capacity to expand up to 3,008 beds, if needed) are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 95.9% as of the fall census date with the Fall 2025 semester at 98.5%, which includes an additional 150 bed-spaces leased from a nearby apartment complex for overflow housing due to demand. Approximately 20.4% of total headcount enrollment occupied student housing

for the Fall 2025 semester.

For the Spring 2025 semester USA Housing maintained a 95.5% occupancy rate as of the spring census date, which includes an additional 228 bed-spaces leased from a nearby apartment complex. Approximately 18.7% of total headcount enrollment occupied student housing for the Spring 2025 semester.

For the Spring 2026 semester USA Housing maintained a 93.8% occupancy rate as of the spring census date, which includes an additional 150 bed-spaces leased from a nearby apartment complex. Approximately 20.8% of total headcount enrollment occupied student housing for the Spring 2025 semester.

Non-University Owned Housing. In addition to the approximately 3,008 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 2026 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, 2021, through September 30, 2025:

Fiscal year ended	Total Appropriations	
September 30	Authorized	Received
2025	$197,448,000	$197,448,000
2024	187,908,000	187,908,000
2023	181,177,000	181,177,000
2022	140,709,000	140,709,000
2021	126,481,000	126,481,000

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, 2025, were $224.9

million. Of the net endowment assets, $85.7 million are classified as restricted, nonexpendable, $139.2 million are classified as restricted, expendable, and $0.00 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, 2025:

Return-Seeking Assets (e.g., equities)	47.1%
Risk-Mitigating Assets (e.g., fixed income)	19.1
Diversifying Assets (e.g., alternatives)	33.8
Total	100.0%

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, 2025, its most recent audited fiscal year-end, were $469.9 million, and its net assets were $468.9 million at the same date. Assets are primarily invested in marketable securities (59%), timber and mineral properties (38%) and other assets (3%). Cash and non-cash distributions to the University over the past five fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2019, through June 30, 2025, as follows:

Fiscal Year Ended June 30,	Distributions
2025	$14,614,000
2024	18,332,000
2023	20,900,000
2022	23,762,000
2021	10,698,000
2020	10,280,000
2019	9,755,000

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 Twenty-[Fourth] Supplemental Indenture, to which Indenture and Twenty-[Fourth] 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 2026 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 2026 Bonds, each [___] 1 and [___] 1, commencing [___] 1, [___], 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 2026 Bonds, each [___] 1 commencing [___] 1, [_____] through and including [___] 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 Vice President of Finance (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 Vice President of Finance 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 2026 Bonds or adversely affects the rights or interests of [___] shall also be subject to the prior written consent of [_____].

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 [___] respecting acceleration of the Insured Series 2026 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, [___] shall be deemed the sole holder of the Insured Series 2026 Bonds and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2026 Bonds under the Indenture, and no default or Event of Default may be waived without the prior written consent of [___].]

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, Inc. ("S&P") have given the Series 2026 Bonds an underlying rating of ["___"] and ["___"], respectively.

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.

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 2026 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 above and on the cover page are not recommendations to buy, sell or hold the Series 2026 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 2026 Bonds. Neither the University nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2026 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 2026 Bonds, (ii) contesting or affecting the validity of the Series 2026 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 2026 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 2026 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 2026 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 2026-A Bonds and the Series 2026-B Bonds (together, the "Tax-Exempt Series 2026 Bonds") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds from gross income under Section 103 of the Code. As a result of amendments to the Code enacted pursuant to the Inflation Reduction Act of 2022, interest on the Tax-Exempt Series 2026 Bonds may be taken into account for purposes of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations", as defined in Section 59(k) of the Code.

We draw to your attention that interest income on the Series 2026-C Bonds is not excludable from federal income taxation.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2026 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 Tax-Exempt Series 2026 Bonds.

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 Tax-Exempt Series 2026 Bonds in order that interest on the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of any Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds.

Prospective owners of the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 the Tax-Exempt Series 2026 Bonds is greater than the principal amount thereof. Under existing law, any owner who has purchased a Tax-Exempt Series 2026 Bond in the initial public offering of the Tax-Exempt Series 2026 Bonds is required to reduce his basis in such Tax-Exempt Series 2026 Bond by the amount of premium allocable to periods during which he holds such Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bond.

Bank Qualification. The Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds could be affected by post-issuance events. *See* "SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2026 BONDS – Tax-Exempt Status of Tax-Exempt Series 2026 Bonds" herein. The Indenture does not provide for mandatory redemption of the Tax-Exempt Series 2026 Bonds or payment of any additional interest or penalty if a determination is made that the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds or the economic benefit of investing in the Tax-Exempt Series 2026 Bonds or if any other event or occurrence takes place that impacts the tax status of the Tax-Exempt Series 2026 Bonds.

CONTINUING DISCLOSURE

General

Under a Continuing Disclosure Agreement, dated the date of the Series 2026 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 2026 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 2026 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 2026 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.

Since August 2016 the University has operated under procedures intended to improve timeliness of its required filings under the Rule. The University also uses a template into which all financial and operating data can be compiled into a single document for continuing disclosure filings.

STATE NOT LIABLE ON SERIES 2026 BONDS

The Series 2026 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 2026 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 2026 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, 2025. 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 2026 BONDS

General

An investment in the Series 2026 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of Pledged Revenues to pay debt service on the Series 2026 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 2026 Bonds are an appropriate investment for them.

Holders of the Series 2026 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 2026 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 2026 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2026 Bonds will not be payable out of any money provided or appropriated to the University by the State of Alabama. Holders of the Series 2026 Bonds shall never have the right to demand payment of the Series 2026 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 2026 Bonds in accordance with the terms of the Indenture.

The remedies available to the registered holders of the Series 2026 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 2026 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 United States Justice Department ("DOJ") and the United States Health and Human Services 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.

Antitrust. The United States Federal Trade Commission ("FTC") and DOJ have in recent years increased their focus on enforcement of antirust laws against health care providers. At various times, the University and its component parts may be subject to an investigation or inquiry by the FTC, DOJ or any state governmental agency charged with the enforcement of antitrust laws, or subject to administrative or criminal and/or civil enforcement proceedings by a federal or state agency, as well as by private litigants.

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, payment policies aiming to reimburse providers at the same rate for identical outpatient procedures (so called site neutrality payments), 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) Congressional and administrative efforts seeking to tighten eligibility to the prescription drug discount program established under 340B of the federal Public Health Service (the "340B Program"), as well as efforts to eliminate or reduce the scope of the 340B Program or reduce related payments for the 340B Program.

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

(d) Environmental and hazardous waste disposal regulations.

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

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

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

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

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

(k) 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 2026 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 2026 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 2026 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.

Cybersecurity

General. Like many public universities and other large organizations, the University relies heavily on digital technologies to conduct its day-to-day operations. In the past several years, a number of entities, originating domestically and throughout the world, have sought to gain unauthorized access to digital systems of organizations (including "denial of service" attacks whereby a malicious actor aims to render a computer or other device, or group of computers and devises, unavailable to the intended user or users, "distributed denial-of service" attacks whereby multiple systems flood the bandwidth or resources of a target system, including two or more web servers, services, phishing attacks, ransomware attacks that permanently block use of electronic devises, including a network of devices, and various other types of malicious cyber tactics) for the purpose of misappropriating information, causing operational disruptions, extracting substantial financial payments from the target organization, and other malicious aims and results. These attempts include highly sophisticated efforts to electronically circumvent network security as well as more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access.

While the University maintains a network security system, policies and other measures intended to stop or contain such "cyber-attacks" no assurances can be given that such security systems will be successful. Breaches of the University's cyber-security efforts could result in, without limitation, inadvertent disclosure of protected or other confidential information, ransom attacks holding critical information hostage, impairment on the operations of the

University, and many other consequences that could materially and negatively impact the University, its finances, and its ability to timely pay debt service on the Series 2026 Bonds.

For additional information concerning the cyber-security policies of the University, see https://www.southalabama.edu/departments/csc/informationsecurity/securitypolicy.html

Change Healthcare Cyberattack. As has been widely reported, in February 2024 a ransomware attack now known as the "Change Healthcare Cyberattack" occurred on the information technology systems of Change Healthcare, an affiliate of Ascension ("Change Healthcare"). Change Healthcare is one of the largest health payment processing companies in the world and services many health care providers, including USA Health and USA HCA. This attack, among other things, resulted in a backlog of unpaid medical claims for many hospitals, physicians, and other health care providers. USA Health and USA HCA experienced similar delays in payment processing and collections due directly to the Change Healthcare Cyberattack. USA Health and USA HCA do not expect permanent loss on collecting these delayed payments.

Ascension Cyberattack Impact on USA Providence Hospital; Others. Cyber-attacks from service and other providers to the University can have a materially negative impact on the operations of the University. As has been widely reported, on May 8, 2024, Ascension Health Alliance ("Ascension"), an owner and operator of hospitals and other healthcare facilities across the country, experienced a ransomware attack on its information technology and related systems (the "Ascension Cyberattack"). At the time of that attack USA HCA was under a transition services agreement with an affiliate of Ascension pursuant to which, among other services, USA HCA utilized Ascension's information technology in the operations and activities of USA Providence Hospital. Operations at USA Providence Hospital were materially and negatively impacted by the Ascension Cyberattack, including issues with patient processing and services, access to information, billing and collections disruptions, and other similar issues.

USA Health Marketing Site. On August 19, 2024, the USA Health marketing site experienced a Distributed Denial of Service (DDoS) attack. Information Security was alerted by the Health-ISAC Threat Operations Center that a hacker group claimed responsibility. The FBI had obtained information from the dark web indicating that the Dark Storm Team hacking group was targeting "United States Healthcare" in general. USA set up a CloudFlare firewall to block all malicious IPs and setup a geofence for our site to prevent future attacks.

G4-Unlimited. October 19th, 2025, G4-Unlimited discovered that within the commercial datacenters used to host g4-Centricity for Vector platform customers, several Microsoft Windows servers had become encrypted. G4-Unlimited has subsequently confirmed this encryption activity was the result of a ransomware attack. To date, all available evidence indicates that activity by the threat-actor was confined to the datacenter network deployed for g4-Centricity hosting. USA Health's billing for oncology was impacted directly and disconnected. USA Health decided to transition to Cerner for oncology reimbursements.

Tax-Exempt Status of Tax-Exempt Series 2026 Bonds

It is expected that the Tax-Exempt Series 2026 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 ds 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds in order for the Tax-Exempt Series 2026 Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Tax-Exempt Series 2026 Bonds, use of the facilities financed by the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds, the University would be treated as the taxpayer, and the owners of the Tax-Exempt Series 2026 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Tax-Exempt Series 2026 Bonds could adversely affect the market value and liquidity of the Tax-Exempt Series 2026 Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Tax-Exempt Series 2026 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Tax-Exempt Series 2026 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Tax-Exempt Series 2026 Bonds could affect the tax-exempt status of the Tax-Exempt Series 2026 Bonds or the effect of investing in the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds or payment of any additional interest or penalty if a determination is made that the Tax-Exempt Series 2026 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 Tax-Exempt Series 2026 Bonds or the economic benefit of investing in the Tax-Exempt Series 2026 Bonds, or if any other event or occurrence takes place that impacts the tax status of the Tax-Exempt Series 2026 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 2026 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 2026 Bonds. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Series 2026 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 2026 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 Appendix B – "Proposed Form of Approval Opinion of Bond Counsel to the University."

MUNICIPAL ADVISOR

PFM Financial Advisors LLC ("PFM") is employed by the University to perform professional services in the capacity of municipal advisor. In its role as municipal advisor to the University, PFM has provided advice on the plan of financing and structure of the Series 2026 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 2026 Bonds are being purchased for reoffering by J.P. Morgan Securities LLC, Piper Sandler & Co., Raymond James & Associates, Inc., and Truist Securities, Inc. (collectively, the "Underwriters") at an aggregate purchase price of $100,369,320.95 (representing the initial par amount of the Series 2026 Bonds, less an underwriting discount of $311,883.90, plus original issue premium of $9,831,204.85). The public offering price of the Series 2026 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 2026 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 2026 Bonds from JPMS at the original price less a negotiated portion of the selling concession applicable to any Series

2026 Bonds that such firm sells.

Truist Securities is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by Truist Securities, Inc., member FINRA and SIPC and one of the Underwriters for the Series 2026 Bonds. Lending, financial risk management, and treasury management and payment services are offered by Truist Bank. Deposit products are offered by Truist Bank, Member FDIC. In its normal course of business Truist Bank may currently, or in the future, provide credit, treasury management, or other commercial banking services to the University. Truist Securities has entered into an agreement (the "Truist Distribution Agreement") with Truist Investment Services, Inc. ("TIS") for the retail distribution of certain municipal securities offerings, including the Series 2026 Bonds. Pursuant to the Truist Distribution Agreement, Truist Securities will share a portion of its underwriting compensation, as applicable, with respect to the Series 2026 Bonds with TIS. TIS is a subsidiary of Truist Financial Corporation.

STI Institutional & Government, Inc. is an affiliate of Truist Securities, Inc.. Accordingly, substantially all of the proceeds from the sale of the Series 2026 Bonds will be paid to an affiliate of one of the Underwriters (i.e., Truist Securities, Inc.) in order to refinance and retire the Refunded Bonds.

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 2026 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 2026 Bonds have been approved by the governing body of the University.

UNIVERSITY OF SOUTH ALABAMA

/s/ Jo Bonner
President

APPENDIX A

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

APPENDIX B

PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE UNIVERSITY

Proposed Form of Approval Opinion of Bond Counsel

_____, 2025

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 Facilities Revenue Bonds Series 2026-A	**University Facilities Revenue Bonds Series 2026-B**	**Taxable University Facilities Revenue Bonds Series 2026-C**

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 2026-A (the "Series 2026-A Bonds"), University Facility Revenue Bonds, Series 2026-B (the "Series 2026-B Bonds") and Taxable University Facility Revenue Bonds, Series 2026-C (the "Series 2026-C Bonds" and, together with the Series 2026-A Bonds and the Series 2026-B Bonds, the "Series 2026 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-[Fourth] Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2026 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 2026 Bonds and to execute and deliver the Indenture; that the Series 2026 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 2026 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 2026 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 2026-A Bonds and the Series 2026-B Bonds (together, the "Tax-Exempt Series 2026 Bonds"), the interest on the Tax-Exempt Series 2026 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. As a result of amendments to the Code enacted pursuant to the Inflation Reduction Act of 2022, interest on the Tax-Exempt Series 2026 Bonds may be taken into account for purposes of the alternative minimum tax imposed by Section 55(b)(2) of the Code on "applicable corporations", as defined in Section 59(k) of the Code. We express no opinion regarding tax consequences arising with respect to the Series 2024-C Bonds other than as expressly set forth herein.

We call to your attention that interest on the Series 2026-C Bonds is not excluded 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 2026 Bonds. We express no opinion with respect to the federal tax consequences to the recipient of the interest on the Series 2026 Bonds under any provision of the Code not referred to above.

The rights of the holders of the Series 2026 Bonds and the enforceability of the Series 2026 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 2026 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 2026 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 2026-A, in the aggregate principal amount of $_____,000 (the "Series 2026-A Bonds"), University Facilities Revenue Bonds, Series 2026-B, in the aggregate principal amount of $_____,000 (the "Series 2026-B Bonds"), and Taxable University Facilities Revenue Bonds, Series 2026-C, in the aggregate principal amount of $_____,000 (the "Series 2026-C Bonds" and, together with the Series 2026-A Bonds and the Series 2026-B 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-[Fourth] 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 [_____], 2026 (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, 2026.

(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, 2026, 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.

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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 [____], 2026.

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-C 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-C BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2024-C BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2024-C BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2024-C 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-C 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-C 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-C BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

APPENDIX E

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 2026-[__], in the aggregate principal amount of $[_____] (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-[Fourth] 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 [_____], [____] (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, 2026.

(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, 2026, 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 [____], [____].

UNIVERSITY OF SOUTH ALABAMA

By:_____
President

EXHIBIT V
FORM OF CERTIFICATE OF COMPLIANCE

This Certificate of Compliance is being delivered by the undersigned member of The Board of Trustees (the "Board") of The University of South Alabama (the "University"), in such member's capacity as a Designated Board Member, and by the undersigned [President of the University]/[Vice President of Finance 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 2026-[] (the "Series 2026-[___] Bond[s]") under, pursuant to and in accordance with that certain resolution adopted on March [__], 2026, by the Board (the "Authorizing Resolution"). The Plan of Finance for the Series 2026-[__] 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 Series 2026-[__] Bonds have been sold and are to be issued in accordance with the Authorizing Resolution and the Plan of Finance.

3. [Pursuant to Section 7(a) of the Authorizing Resolution, the Series 2026-[___] Bonds are being issued to [_____], as underwriters.]/[Pursuant to Section 7(b) of the Authorizing Resolution, the Lender acquiring the Series 2026-[__] Bond[s] is [_____].

IN WITNESS WHEREOF, this certificate and order has been executed on behalf of the Board and the University.

Dated: _____, 2026.

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 3, 2025
2:02 p.m.

A meeting of the Long-Range Planning Committee (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Mr. Ron Graham, Chair, on Wednesday, December 3, 2025, at 2:02 p.m. in the Board Room of the Frederick P. Whiddon Administration Building. Meeting attendance was open to the public.

Members:	Ron Graham, Meredith Hamilton, Ron Jenkins and Jim Yance were present.
Members Absent:	Scott Charlton and Bill Lewis.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Steve Furr, Luis Gonzalez, Arlene Mitchell, Lenus Perkins, Jimmy Shumock and Steve Stokes.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Joel Erdmann, Julie Estis, Monica Ezell, Natalie Fox, Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, Mike Mitchell, Allen Parrish, Kristen Roberts, Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 36**, Mr. Graham called on Dr. Estis for a report on institutional planning and assessment, **Item 38**. Dr. Estis, Associate Vice President for Institutional Effectiveness, reviewed that work to develop the next master plan for the period 2027 to 2037 (the "Plan") was progressing and mentioned the Plan's relationship to the University's strategic priorities. She and Mr. Kelley discussed components of this process over the production phases of assessment, master planning and deliverables, as well as the role of EDR (EskewDumezRipple) as consultant for this initiative.

Mr. Graham called for consideration of the minutes for a meeting held on September 4, 2025, **Item 37**. On motion by Mr. Yance, seconded by Ms. Hamilton, the Committee voted unanimously to adopt the minutes.

There being no further business, the meeting was adjourned at 2:09 p.m.

Respectfully submitted:

William Ronald Graham, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

Committee of the Whole

December 3, 2025
3:49 p.m.

A meeting of the Committee of the Whole (the "Committee") of the University of South Alabama (the "University," "USA") Board of Trustees (the "Board") was duly convened by Ms. Alexis Atkins, Chair *pro tempore*, on Wednesday, December 3, 2025, at 3:49 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, Steve Furr, Meredith Hamilton, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Steve Stokes and Jim Yance were present and Luis Gonzalez participated remotely.
Members Absent:	Scott Charlton, Ron Graham, Kay Ivey, Bill Lewis and Mike Windom.
Administration & Guests:	Jim Berscheidt, Joél Billingsley, Jo Bonner, Joel Erdmann, Monica Ezell, Natalie Fox, Charlie Guest, Buck Kelley, Andi Kent, Spence Larche, Mike Mitchell, Allen Parrish, Kristen Roberts, Margaret Sullivan, Peter Susman and Christina Wassenaar (Faculty Senate).

Following the attendance roll call, **Item 39**, Chair Atkins called for consideration of the minutes for a meeting held on September 4, 2025, **Item 40**. On motion by Mr. Shumock, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Chair Atkins called for consideration of **Item 41**, a resolution commending Mr. Owen Bailey for his many years of service to the University and USA Health, most recently as Chief Executive Officer of USA Health and Senior Associate Vice President for Medical Affairs. (To view resolutions, policies and other documents authorized, refer to the minutes for the Board of Trustees meeting held on December 4, 2025.) On motion by Ms. Mitchell, seconded by Mr. Shumock, 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 Atkins made a motion to convene an executive session for an anticipated duration of 15 minutes for the purpose of discussing pending or threatened litigation, **Item 42**. She stated Mr. Larche had submitted the required written declaration for the minutes and that adjournment of the meeting would be in effect immediately upon the conclusion of the executive session. Mr. Shumock seconded and, at approximately 3:50 p.m., the Committee voted unanimously to convene an executive session, as recorded herein:

AYES:
- Chair Atkins
- Ms. Brown Stewart

AYES continued:
- Dr. Furr
- Mr. Gonzalez
- Ms. Hamilton
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Dr. Stokes
- Mr. Yance

There being no further business, the meeting was adjourned at approximately 4:23 p.m.

Respectfully submitted:

Katherine Alexis Atkins, Chair *pro tempore*

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

RESOLUTION

COMMENDATION OF THE UNIVERSITY OF SOUTH ALABAMA POLICE DEPARTMENT

WHEREAS, the University of South Alabama – the Flagship of the Gulf Coast – is a leading higher education institution with over 14,000 students, nearly 12,000 employees and more than 100,000 alumni, and

WHEREAS, the University of South Alabama Police Department ("USAPD") is a fully sworn law enforcement agency accredited by the International Association of Campus Law Enforcement Administrators, and

WHEREAS, USAPD officers are certified through the Alabama Peace Officers Standards and Training Commission and are empowered under Alabama State Code § 16-55-10 to enforce state and local laws throughout Alabama, and

WHEREAS, the USAPD is supported by civilian staff that support law enforcement operations through effective dispatching, compliance oversight, security systems maintenance, and administrative support, and

WHEREAS, on March 2, 2026, an incident occurred where an individual posed an immediate threat to the campus community, and

WHEREAS, the USAPD responded immediately and implemented a coordinated and controlled response to the rapidly evolving situation, and

WHEREAS, through calm professionalism, sound tactics and clear communication, responding officers quickly gained compliance from the individual and resolved the encounter without injury to anyone, and

WHEREAS, the actions of the USAPD demonstrated exceptional bravery, preparedness and commitment to protecting the campus community during a critical incident,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby offers its sincere appreciation and gratitude to all members of the University of South Alabama Police Department for the professionalism, courage and dedication to duty that they exhibited during the response to the incident.