

UNIVERSITY OF SOUTHERN INDIANA®



FINANCIAL REPORT | 2022-2023



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Additional copies of this report may be obtained from:

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 Telephone: 812-464-1967
 or from the website at



[USI.edu/about/administration-and-operations/financial-transparency](https://www.usi.edu/about/administration-and-operations/financial-transparency)

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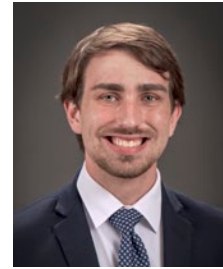
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Message from the President

The University of Southern Indiana witnessed several significant advancements in 2022–2023, including increased enrollment in underserved populations, larger state funding, awarding of notable grants, new programming, secured accreditations, and top rankings by *U.S. News and World Report*.

The Institution continues to represent underserved populations with students of color and international students making up a record 16.9% of the student population, up from the previous year's record of 15.9%. Overall undergraduate enrollment is 5,539. Total enrollment at USI, combining undergraduate, graduate and dual credit students taking courses in 33 high schools across the state through the College Achievement Program (CAP), is 9,178. In Fall 2022, 1,817 students were enrolled in the high school dual credit CAP program. Statistics show those coming to the University with CAP credit have higher rates of retention and are more likely to graduate and graduate on time.

USI received significant support from the Indiana General Assembly, through appropriations during the 2022–2023 fiscal year. The University received an operating appropriation increase of \$2.8 million or 5.9% over the prior year. This results from the impressive performance of our faculty and staff in the metrics utilized by the Commission for Higher Education to determine its budget recommendations. Those metrics include student persistence, on-time graduation and overall graduation. The central tenets of these metrics are student retention and success. Our performance in these areas directly correlates with the collective effort of all our faculty and staff to create an environment that is welcoming to our students and puts those students in the best position to find success while at USI and as they enter or progress in their careers.

The University is pleased to report receiving substantial support from organizations such as Lilly Endowment, Inc. USI's Historic New Harmony was awarded over \$2 million Spring 2023 for a project that includes the restoration and renovation of two historic buildings to be used as exhibition and programming space, development of a new permanent exhibit detailing the religious history of New Harmony and creation of community engagement programming, including a multi-day interfaith festival. The five-year grant also funds the development of a Collections and Exhibition Curator and student fellowship to work with exhibition design and programming.

In July 2022, the University received a generous \$1 million leadership gift from the Sol and Arlene Bronstein Foundation to expand excellence in dementia care and advance care planning education. A \$750,000 endowment and \$250,000 in immediate funding are supporting five critical initiatives, including training, AI and smart home technology development, faculty research awards, visiting faculty positions and keynote speakers. This gift is helping to enhance the understanding of aging and well-being for older adults through interdisciplinary education, research and partnerships.

Furthermore, the University of Southern Indiana's Romain College of Business also received a \$100,000 gift from Warehouse Services, Inc., to establish an endowment to support students in the Supply Chain Management Certificate Program.

Significant program updates were implemented in 2022–2023 designed to enhance opportunities for prospective and current students. In the College of Liberal Arts, the English Department introduced a new undergraduate minor in literary editing and publishing, preparing students for careers in fields like advertising, media and marketing. The college's Communication and Media Department offers two Joint Undergraduate Masters Paths (JUMP) for students pursuing degrees in communication studies and journalism, enabling a fast track to graduate education. The College of Nursing



Dr. Ronald S. Rochon
President

and Health Professions expanded its Master of Science in Nursing program with two new specialties: Healthcare Systems Leadership and Nursing Education Leadership. These specialties equip graduates with critical skills and leadership acumen. Lastly, the USI Board of Trustees approved two new certificate programs: the Indiana College Core (ICC) Certificate and the Social Services Designee Certificate, both designed to enhance student access and align with state educational goals. The ICC Certificate facilitates seamless transitions for high school students into USI, improving retention rates and bolstering the University's reputation. The Social Services Designee Certificate program meets the educational needs of students preparing for careers working with older adults, contributing to the Geriatrics Workforce Enhancement Program's objectives and addressing the growing demand for social workers in Indiana.

The University of Southern Indiana's Intensive English Program (IEP) has secured a prestigious 10-year reaccreditation from the Commission on English Language Program Accreditation. This achievement, following the initial five-year accreditation, underscores the excellence and professionalism of the IEP faculty and staff. This recognition not only certifies the program's high quality but also enhances USI's competitiveness among English language programs nationwide.

Additionally, USI's Romain College of Business received a five-year extension on its accreditation in Spring 2023 for its business programs from the Association to Advance Collegiate Schools of Business (AACSB) International, the world's largest and longest-serving accrediting body for business schools. AACSB accreditation is considered the "gold standard" for business accreditation, and the Romain College of Business is among only 5.7% of business schools, globally, to have earned the accreditation. USI's Master of Business Administration program has been recognized as one of the top 25 most affordable online MBA programs and consistently ranks among the best online MBA programs.

USI continues its track record of accomplishments in its second year in Division I athletics after transitioning from Division II, with Ohio Valley Conference Championship and Tournament wins. USI's Cross Country runners won championship titles, while our Women's Soccer, Men's Basketball, Baseball and Softball each earned a berth in the OVC Tournament. Softball also earned its first Division I post-season win. The University experienced a successful first year in Division I play, and we are looking forward to future accomplishments.

Our winning streak continues with the release of the *U.S. News and World Report* in 2022 which ranked the University of Southern Indiana as 14th for Top Public School—Regional Universities Midwest. USI also ranked 21st for Best Value in Regional Universities in the Midwest.

The University of Southern Indiana attracts exceptionally qualified students as a result of its commitment to high-quality, affordable academic programs and building partnerships that benefit students.



Ronald S. Rochon, PhD

President

Message From The Vice President and Treasurer

To President Rochon and the Board of Trustees of the University of Southern Indiana (USI):

I am pleased to present the University of Southern Indiana's audited financial report for the fiscal year ended June 30, 2023, with comparative data from the previous fiscal year. In addition, the audited financial statements and note disclosures of the University of Southern Indiana Foundation, a component unit of the University, are included. Furthermore, a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the VEBA Trust are provided as required by GASB Statement 84.

University leadership continues to manage resources responsibly while striving for excellence in teaching and learning to achieve our core mission. The net position of the University increased again in 2022–2023, continuing a longstanding record of positive financial performance.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The financial statements are prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and audited by the Indiana State Board of Accounts. Management's Discussion and Analysis (MD&A) provides an introduction and overview of the basic financial statements, as well as information regarding the 2022–2023 financial position and results of operations of the University. The financial statements and accompanying notes follow the MD&A. The unmodified audit opinion, the most favorable outcome of the audit process, is contained within the report.

With continued strong support from the State of Indiana, the University of Southern Indiana remains well-positioned financially to achieve the objectives of its 2021–2025 Strategic Plan and to fulfill its vision as a recognized leader in higher education.

Steve Bridges

*Vice President for Finance and Administration
and Treasurer*



Steven J. Bridges
*Vice President
for Finance and
Administration
and Treasurer*



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022, 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, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Southern Indiana Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended. Those statements, which were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 *Auditor's 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2023, the University adopted new accounting guidance Governmental Accounting Standards Board Statement 93, *Replacement of Interbank Offered Rates*, Governmental Accounting Standards Board Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and Governmental Accounting Standards Board Statement 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 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, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

- 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Plan, the Schedule of University Contributions Public Employees' Retirement Plan, the Schedule of Changes in the University's Net OPEB Liability and Related Ratios, and the Schedule of University 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Trustees and University Officers, Message from the President, and Message from the Vice President and Treasurer, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 1, 2023

Management's Discussion and Analysis

Introduction

This discussion and analysis prepared by management provides a summary of the financial position and activities of the University of Southern Indiana (the University or USI) during the fiscal year ended June 30, 2023 and compares that performance with select information for the years ended June 30, 2022 and 2021. It should be read in conjunction with the accompanying financial statements and note disclosure. included in the 2022–2023 Financial Report.

Founded in 1965 to address the need for public higher education in southwestern Indiana, the University of Southern Indiana is located on a 1,400-acre campus in Evansville, Indiana. USI offers degrees in undergraduate, graduate and doctoral programs through the College of Liberal Arts, Romain College of Business, College of Nursing and Health Professions, and the Pott College of Science, Engineering, and Education. Certificate programs are offered also at the undergraduate, post-baccalaureate, and post-master's level. USI is a Carnegie Foundation Community Engaged University and offers continuing education and special programs to more than 15,000 participants annually through Outreach and Engagement. The University offers study-abroad opportunities in more than 60 countries and hosts international students from around the globe.

Using the Financial Report

The University financial report consists of three statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The statements, the notes to the financial statements, the management discussion and analysis, and the required supplementary information have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Consolidated Statements of Financial Position, the Consolidated Statements of Activities and the accompanying note disclosures of the University of Southern Indiana Foundation, a component unit of the University, are presented discretely. The Foundation is subject to the reporting standards of the Financial Accounting Standards Board (FASB), which differ in some respects from GASB requirements. No modifications have been made to the statements of either entity to reconcile these differences. In addition, a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the Voluntary Employees' Beneficiary Association (VEBA) Trust are included in the Financial Report.

Statement of Net Position

The Statement of Net Position presents the value of the assets, liabilities, and net position at the end of the fiscal year as well as deferred inflows of resources and deferred outflows of resources that affect the net position of the University. It is prepared under the accrual basis of accounting: revenues and expenses, and their impact on assets and liabilities, are recognized when service is provided or received by the University, regardless of when cash is exchanged. Assets and liabilities are classified as current (accessible or payable in one year or less) or noncurrent (accessible or payable beyond one year). Net position is categorized in one of three ways: net investment in capital assets, restricted for specific purposes, or unrestricted, and it is one indicator of current financial health. The increases or decreases in net position that occur over time indicate improvements or deteriorations of the University's financial condition.

| CONDENSED STATEMENT OF NET POSITION | | | |
|--------------------------------------|------------------|------------------|------------------|
| Year Ended June 30 (in thousands) | 2023 | 2022* Restated | 2021 |
| Current Assets | \$ 57,961 | \$ 65,903 | \$120,844 |
| Noncurrent Assets: | | | |
| Capital assets, net of depreciation | 209,120 | 212,664 | 222,257 |
| Other non-current | 142,907 | 138,353 | 87,092 |
| Total Assets | \$409,988 | \$416,920 | \$430,193 |
| Deferred Outflow of Resources | \$ 6,837 | \$ 9,315 | \$ 3,593 |
| Current Liabilities | \$ 33,471 | \$ 31,898 | \$ 33,562 |
| Noncurrent Liabilities | 114,459 | 122,846 | 134,870 |
| Total Liabilities | \$147,930 | \$154,744 | \$168,432 |
| Deferred Inflow of Resources | \$ 4,435 | \$ 7,267 | \$ 10,602 |
| Total Net Position | \$264,460 | \$264,224 | \$254,752 |

*See Note 20 in Notes to Financial Statements.

Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, short-term investments, accounts receivable net of allowances, leases receivable, and inventories. Noncurrent assets include cash equivalents and investments held by a bond trustee, leases receivable, long-term investments, net other postemployment benefits (OPEB) asset, net leased assets, net subscription assets, and net capital assets. Lesser-valued current assets are grouped and listed as other current assets.

Total assets decreased \$6.9 million, or nearly 1.7%, in fiscal year 2023 compared to a \$13.3 million, or 3.1% decrease in fiscal year 2022.

The current portion of cash and cash equivalents decreased by almost \$14.7 million. Over \$9 million was placed into short-term and long-term investments while the remaining amount was used for operating needs. Total investments excluding deposits with bond trustee increased to \$111.1 million at June 30, 2023, from \$102 million at June 30, 2022. Short-term investments increased by \$7.7 million during the year while long-term investments grew by \$1.4 million. Total cash and investments excluding deposits with bond trustee declined from \$141.9 million at the end of the 2022 fiscal year to \$136.4 million at the end of fiscal year 2023.

Investments – deposit with bond trustee fell by \$24.9 million during fiscal year 2023 as the investments matured and were held as cash equivalent – deposit with bond trustee for the construction and equipping of the Health Professions Center Classroom Renovation and Expansion, which was funded by the Series N student fee bonds issued in August 2020. Combined, deposits with bond trustee declined by nearly \$1.2 million during the fiscal year ended June 30, 2023.

Net accounts receivable decreased by more than \$522,000 during fiscal year 2023. This change resulted from a combination of lower revenues from tuition and fees and an increase in uncollectible accounts. This decrease was expected as fiscal year 2023 marked the first time since 2020 that the University did not receive award Higher Education Emergency Relief Fund (HEERF) dollars to aid students with their educational expenses.

Net other postemployment benefit (OPEB) asset increased by \$2.2 million to \$6.9 million at June 30, 2023, primarily as the result of a net increase in the fair value of Voluntary Employees' Benefit Association (VEBA) Trust investments during the fiscal year. The University withdrew \$1.1 million from the VEBA Trust to cover OPEB expenses and made no additional contributions to the trust during fiscal year 2023. See the sections on Deferred Outflow of Resources and Deferred Inflow of Resources below for related OPEB balances affecting the Statement of Net Position.

The University added net subscription assets to the Statement of Net Position as part of its adoption of GASB Statement 96 for Subscription-Based Information Technology Arrangements (SBITAs). Net subscription assets were \$6.1 million at June 30, 2023, an increase of almost \$2.2 million from fiscal year 2022, which was restated for the implementation of GASB Statement 96 as required. Refer to Note 8, Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization and Note 20, Restatement of Prior Year Balances, in the Notes to Financial Statements for additional information.

Net changes to current and noncurrent leases receivable, inventories, net leased assets, and other current assets resulted in a combined decrease to assets of approximately \$553,000 during fiscal year 2023.

Capital Assets

Net capital assets declined from \$212.7 million at June 30, 2022, to \$209.1 million at June 30, 2023. New assets totaled \$3.4 million, and construction in progress increased by \$7 million during the 2023 fiscal year. Accumulated depreciation grew by \$14 million, resulting in an overall \$3.6 million decrease in net capital assets.

Deferred Outflow of Resources

Deferred outflow of resources, which represent the consumption of resources applicable to a future period, decreased by \$2.5 million in fiscal year 2023. The majority of the decrease is attributable to \$2.3 million decrease in the deferred outflow of resources related to other postemployment benefits (OPEB) resulting from the net difference between projected and actual investment returns. Cumulative changes of \$223,000 to deferred outflow of resources related to hedging derivative instruments, bond refundings, and pensions accounted for the remaining decline.

Liabilities

Current liabilities are primarily composed of accounts payable; accrued payroll, related benefits and deductions, which includes the current portions of the liabilities for compensated absences and termination benefits; the current portion of bonds payable; the current portion of leases and subscriptions payable; debt interest payable; unearned revenue, and other miscellaneous liabilities. Noncurrent liabilities consist of bonds payable, leases and subscriptions payable, the June 30 mark-to-market valuation for the Series 2006 hedgeable financial derivatives, compensated absences, termination benefits, the University's share of the net pension liability for the Public Employees' Retirement Fund (PERF), and other miscellaneous liabilities.

Total liabilities decreased by \$6.8 million, or 4.4%, in fiscal year 2023 following a \$13.7 million, or 8.1%, reduction in fiscal year 2022. Current liabilities increased by more than \$1.6 million in 2023, but noncurrent liabilities decreased by \$8.4 million during the same period.

Unearned revenue grew from \$7.4 million at June 30, 2022, to \$8.7 million at June 30, 2023. The growth stemmed from an increase in dollars received from advance-funded grants.

The University's noncurrent portion of net pension liability for employees who participate in the Public Employee's Hybrid Plan increased by \$2.5 million in fiscal year 2023 after a \$2.6 million decrease in fiscal year 2022. This liability increase corresponds to a decrease in the deferred inflow related to pensions below. The University expects this liability to decline over time as fewer active employees remain eligible to participate in PERF as evidenced by the trend in participants during recent years. The University contributed retirement funds for 115 PERF participants in 2023 compared to 139 PERF participants in 2022 and 159 PERF participants in 2021.

Debt and Financing Activity

Total bonds payable decreased by \$11.3 million during fiscal year 2023 after declining by nearly \$16 million during fiscal year 2022. The current portion of bonds payable increased slightly by \$357,000 as the University expects to retire more debt principal in fiscal year 2024 than it did in 2023. However, the current portion of debt interest payable was \$961,000 at June 30, 2023, down from \$1.1 million at June 30, 2022, indicating that the University will pay less in debt interest during fiscal year 2024 than it did in 2023.

In August 2022, the University issued \$6,840,000 in Series O student fee bonds with a fixed interest rate of 2.76% to refund \$6,730,000 of outstanding fixed-rate Series K-1 student fee bonds with an interest rate of 4%. See Note 11, 2023 Refunding Bond Issue, in Notes to Financial Statement for information about that bond issue.

In June 2023, the University replaced the reference rate of the hedging derivative's variable payment due to the cessation of the USD LIBOR panel. Per the federal Adjustable Interest Rate (LIBOR) Act, the primary replacement benchmark will be the 1-Month Secured Overnight Financing Rate (SOFR) plus a slight margin adjustment to account for the difference between historic LIBOR and SOFR rates. The two rates are essentially equivalent, resulting in no material change to the accounting for the Series 2006 bonds. All major terms of the original bond purchase agreement remain intact, including the existing quarterly payment schedule. The new reference rate is effective July 1, 2023. See Note 4, Derivative Instruments, in Notes to Financial Statements for additional details.

The University added liabilities related to subscription-based information technology arrangements (SBITAs) as part of its implementation of GASB Statement 96 for fiscal year 2023. Liabilities related to SBITAs totaled \$4.9 million at June 30, 2023. Of the total liability for SBITAs, \$1.7 million was classified as current, and \$3.2 million was classified as noncurrent. These amounts are included in the amounts reported for leases and subscriptions payable on the Statement of Net Position. Amounts for fiscal year 2022 were restated for SBITAs as required by GASB Statement 96.

The cumulative change of all other current and noncurrent liabilities was immaterial for fiscal year 2023.

Deferred Inflow of Resources

Deferred inflows of resources, which represent acquisitions of resources applicable to a future period, decreased by \$2.8 million in fiscal year 2023 following a \$3.3 million decrease in 2022. Deferred inflow of resources related to other postemployment benefits increased slightly by \$275,000 in 2023, but deferred inflow related to pensions declined by \$2.7 million during the same period. Also, the University reported no deferred inflow related to leases at June 30, 2023, following the amendment of the agreement with Sodexo Management, Inc., for the management and operation of food service. At June 30, 2022, the University reported a deferred inflow of resources of \$442,000 as lessor under the former food service agreement with Sodexo.

Net Position

Net Position increased by \$236,000 in fiscal year 2023 following a \$9.5 million increase in fiscal year 2022. Net investment in capital assets grew by \$5.7 million during 2023 while unrestricted net position decreased by \$5.2 million. Restricted expendable net position decreased slightly by \$196,000. At June 30, 2023, unrestricted net position totaled \$129 million and comprised 48.8% of total net position. Of the total unrestricted amount, \$94.5 million has been internally designated as follows.

- \$16.9 million for equipment and facilities maintenance and replacement
- \$4.6 million for technology and software replacement
- \$16.9 million for auxiliary systems
- \$1.5 million for working capital and outstanding encumbrances
- \$13.1 million for academic operations and initiatives
- \$3.9 million for insurance and campus safety
- \$37.6 million for medical premiums and other employee benefits

A summary of net position for the 2021 through 2023 fiscal years follows.

| NET POSITION | | | |
|-----------------------------------|------------------|------------------|------------------|
| Year Ended June 30 (in thousands) | 2023 | 2022* Restated | 2021 |
| Net Position: | | | |
| Net investment in capital assets | \$135,355 | \$129,680 | \$127,267 |
| Restricted—expendable | 60 | 256 | 69 |
| Unrestricted | 129,045 | 134,288 | 127,416 |
| Total Net Position | \$264,460 | \$264,224 | \$254,752 |

*See Note 20 in Notes to Financial Statements.



Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. The statement illustrates how financial activities of the University during the previous two years affected the net position of the University.

Activities are reported as either operating or non-operating. Student fees and revenues from auxiliary enterprises are the major sources of operating income. Operating income is reduced by discounts and allowances for scholarships, room, and board. Discounts and allowances are institutional resources provided to students as financial aid up to and equal to the amounts owed by the students to the institution.

A key point to recognize on this financial statement is that state appropriations and non-exchange governmental and corporate grants and contracts are required to be classified as non-operating revenues. This creates large operating deficits for public universities, which rely heavily on state funding and governmental grants to meet their missions and goals. The change in net position is a more complete indicator of whether the University is in a better or worse financial position compared to the previous fiscal year.

| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
|--|--------------------|--------------------|--------------------|
| Year Ended June 30 (in thousands) | 2023 | 2022* Restated | 2021 |
| Operating Revenues | 66,030 | 69,954 | 73,678 |
| Operating Expenses | (156,868) | (156,586) | (121,506) |
| Operating Loss | \$ (90,838) | \$ (86,632) | \$ (47,828) |
| Non-operating Revenues | 93,268 | 99,007 | 100,685 |
| Non-operating Expenses | (3,739) | (4,016) | (4,649) |
| Income before other revenues, expenses, gains or losses | \$ 1,309 | \$ 8,359 | \$ 48,208 |
| Other Revenues | 1,545 | 1,113 | 1,113 |
| Increase in Net Position | \$ 236 | \$ 9,472 | \$ 49,321 |
| Net Position—Beginning of Year | 264,224 | 254,752 | 205,100 |
| Prior-period Adjustment for Change in Accounting Principle | — | — | 331 |
| Net Position—End of Year | \$ 264,460 | \$ 264,224 | \$ 254,752 |

*See Note 20 in Notes to Financial Statements.

Revenues

Operating revenues decreased by \$3.9 million in fiscal year 2023 after a decrease of \$3.7 million in fiscal year 2022. The 2023 decrease was driven by the following factors.

- Net student fees declined by \$5.4 million in 2023.
 - Gross student fees decreased by \$3.1 million while scholarship discounts and allowances increased by \$2.3 million.
 - The increase in scholarship discounts and allowances stemmed in part from the adoption of a new calculation method to estimate student financial aid applied against student fees. This method is based on an advisory from the National Association of College and University Business Officers to improve the accuracy of the calculation.
- Net revenues from auxiliary enterprises increased from \$15.5 million in 2022 to \$17.1 million in 2023.
 - Campus Store revenues grew by \$2.4 million. Beginning in Fall 2022, all undergraduate students were assessed a per-credit-hour fee for required course materials as a way to make materials more affordable and costs more predictable. Students maintain the option to opt out of Archie's Book Bundle based on their circumstances and preferences. The revenues from the program are offset by an equivalent expense in supplies and other services for the payment to Barnes & Noble College for the service.
 - Housing revenues remained steady at \$10.6 million, down slightly from \$10.8 million in 2022. Room and board discounts and allowances applied to auxiliary revenues grew from \$1.8 million in 2022 to \$2.9 million in 2023 due to the adoption of a new calculation method for scholarship discounts and allowances as described above for student fees.
 - Dining revenues increased slightly from \$4.4 million in 2022 to \$4.5 million in 2023.
 - Parking and other auxiliary revenues grew by a combined \$397,000.

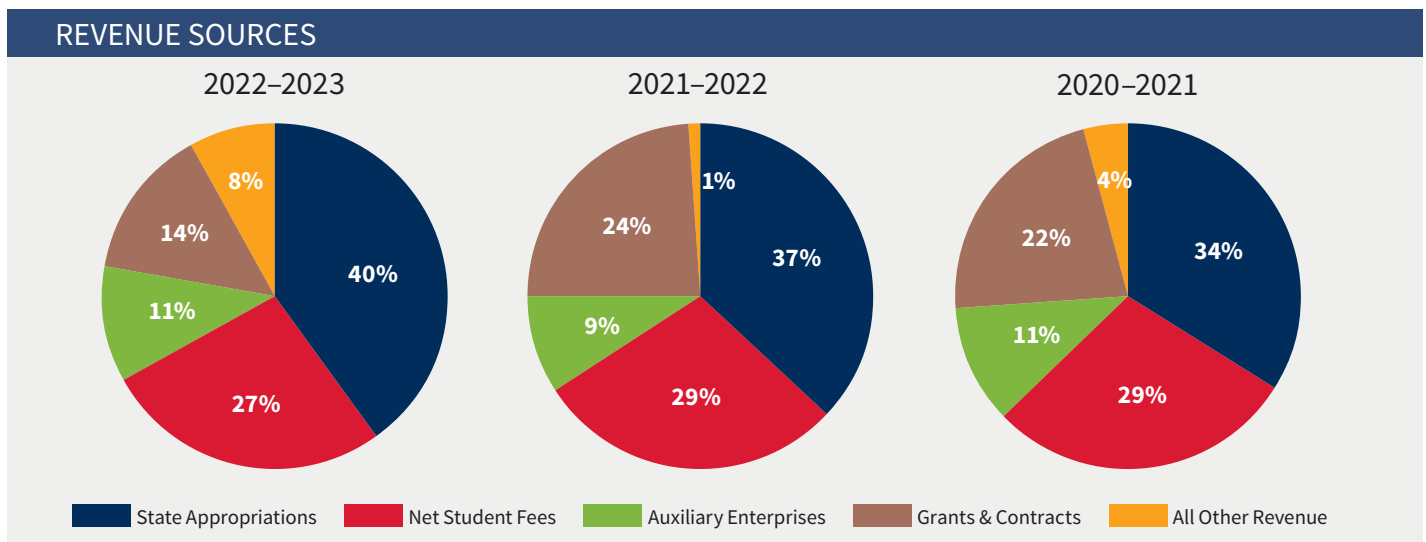
- Income from operating grants and contracts decreased by \$991,000. In particular, nongovernmental grants and contracts decreased by \$894,000 primarily due to a decrease in contract revenue from Lifelong Learning programs. A small decline in federal an. state operating grants and contracts accounted for the remaining decline.
- Other operating revenues increased by \$861,000 during 2023. These revenues include sales and services by educational units, athletics and theater ticket sales, sponsorships, commissions, facilities rental, special event fees, and other miscellaneous income. The increase was spread across multiple categories, but revenues from athletics provided the majority of the increase.

Non-operating revenues decreased from \$99 million in fiscal year 2022 to \$93.3 million in fiscal year 2023. The following elements contributed to the decline in 2023.

- State operating and fee replacement appropriations grew from \$63.6 million in 2022 to \$64.4 million in 2023.
- Non-operating gift income, which comes almost entirely from the USI Foundation, increased to \$4.4 million in 2023, an increase of \$382,000 over the previous year. This increase aligns with *Accelerating Impact: USI’s Strategic Plan, 2021–2025*, which established annual fundraising increases as one of its financial objectives.
- Non-operating grants and contracts from all sources decreased by \$16.1 million in the 2023 fiscal year.
 - Federal grants and contracts decreased by \$15.7 million due primarily to a \$15.1 million decrease in Higher Education Emergency Award Fund (HEERF) dollars. A decline in federal student financial aid and other federal grants and contracts accounted for the remaining decline.
 - State and local grants and contracts fell by \$441,000 due mainly to a decline in state student financial aid.
- Net investment income improved by \$418,000 in fiscal year 2023. Investment income for the year totaled \$2.3 million before expenses. The \$2.8 million net investment income reported on the Statement of Revenues, Expenses, and Changes in Net Position for 2023 includes a \$754,000 change in unrealized investment losses as the market value of University investments improved from June 30, 2022, to June 30, 2023. See Note 2, Deposits and Investments, in Notes to Financial Statements for more information.

Capital appropriations remained steady at \$1.1 million in both fiscal years 2022 and 2023. In addition, the University received \$432,000 in capital grant dollars from the USI Foundation during 2023 for the replacement of the Atheneum roof in New Harmony and other capital asset purchases.

Total revenues (operating, non-operating, and other) decreased \$9.2 million, or 5.4%, in fiscal year 2023 after decreasing by \$5.4 million, or 3.1%, in fiscal year 2022. The graph below shows the composition of the University’s revenues by source for the three most recent fiscal years ended June 30.



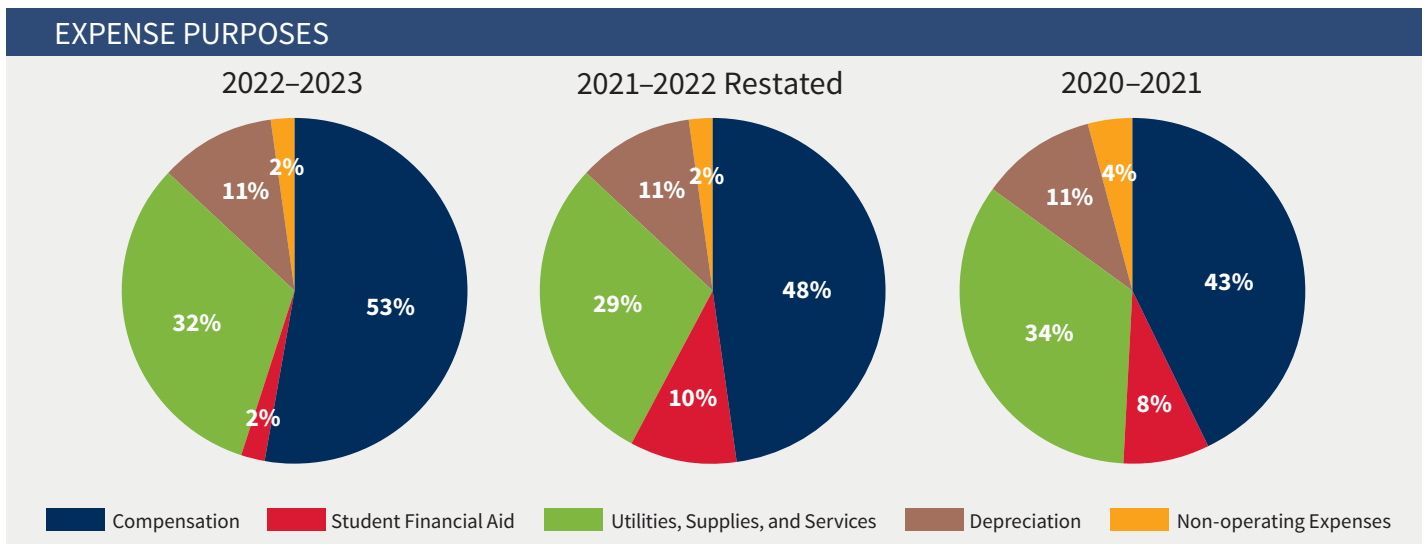
Expenses

Operating expenses were relatively stable during fiscal year 2023, increasing by only \$282,000 compared to fiscal year 2022. The following expenses contributed to the current year increase.

- After decreasing every year since 2020, salaries and wages increased by \$1.4 million or 2.3%, which is less than the rate of inflation. The majority of the increase occurred in three areas—University Marketing & Communications, Information Technology, and Athletics.
- Benefits expense increased by \$5.5 million. However, \$3.5 million of that change was a paper adjustment for other postemployment benefits (OPEB) based on changes in the market value of the VEBA Trust and the value of the related net OPEB asset.
- Student financial aid decreased by \$12.3 million. The majority of this drop stems from the absence of one-time Higher Education Emergency Relief Fund (HEERF) dollars in 2023. In 2022, the University awarded students over \$9 million dollars from those funds, the majority of which were refunded to students and recorded as student financial aid expense. The remaining decline relates to the change in methodology for scholarship discounts and allowances prescribed by the National Association of College and University Business Officers and described previously. This change resulted in more aid dollars being reported as scholarship discounts and allowances as a reduction of revenue rather than as student aid expense. The sum of scholarship discounts and allowances and student financial aid for 2023 was \$34.7 million, a slight increase from \$34.6 million in 2022 excluding HEERF funds.
- Supplies and other services increased by \$5.2 million. Payments to Barnes & Noble College related to the implementation of Archie’s Book Bundle accounted for nearly \$2.5 million of the growth, which was offset by corresponding revenues. Costs for honoraria and professional services grew by \$5 million as the University relied more heavily on contractors to provide necessary services and complete essential projects. Expense reductions in other categories offset a portion of the increases in these two areas.
- Utilities, depreciation, and amortization increased modestly to account for the remaining increase in operating expenses.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. Interest on debt declined from \$4 million in 2022 to \$3.7 million in 2023. Costs associated with the issuance of the Series O student fee bonds in August 2022 were nominal.

Total expenses (operating and non-operating) were stable in fiscal year 2023, totaling \$160.6 million as they did in fiscal year 2022. Expense trends for the past three years are depicted in the graph below. Expenses for fiscal year 2021 were deflated by a one-time accounting adjustment to benefits expense related to a change in retiree health benefits. Other than that adjustment, expenses have been relatively stable since 2017.



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the financial health of the University by helping the user assess the ability to generate future cash flows, the ability to meet obligations as they come due, and the need for external financing. The statement identifies the sources and uses of cash and equivalents throughout the fiscal year and informs the user how much cash was used by or provided by the following activities: operating, noncapital financing, capital financing, and investing.

Factors Affecting Future Periods

The University continues to rely on operating and capital appropriations provided by the State of Indiana to fulfill its mission. USI will receive a general operating appropriation of \$52.6 million for the 2024 fiscal year, an increase from \$51 million in the 2023 fiscal year. In addition, the University will get \$12.3 million in fiscal year 2024 for fee replacement associated with debt service on student fee bonds. Further, the University qualified for \$510,380 in funding under the outcomes-based prospective model for the first year of the biennium; that amount can grow to more than \$1 million in the second year of the biennium. In addition, the University received a \$600,000 line item for its Pathways to College Program, which is committed to providing historically underrepresented scholars with holistic services and support. Lastly, the University will receive \$1.4 million in fiscal year 2024 for repair and rehabilitation projects. The line item for Historic New Harmony will remain at \$486,878 for 2024 while the appropriation for dual credit will decline modestly from \$555,480 in 2023 to \$510,900 in 2024. Total appropriations for 2024–2025 are expected to increase by \$1 million. In July 2023, the State Comptroller announced that the State of Indiana ended the 2023 fiscal year with a \$2.9 billion surplus. The strong financial position of the University coupled with the strong financial position of the State of Indiana continues to provide an extremely positive outlook for the future of USI.

In June 2023, the University Board of Trustees approved tuition rates for the 2023–2024 and 2024–2025 academic years. Undergraduate residents of Indiana will pay \$289.70 in 2023–2024 and \$299.19 in 2024–2025, a 3.3% increase in both years. These rates allow the University to retain its position as one of the most affordable baccalaureate degree-granting institutions in Indiana, making quality education accessible to residents of the state and the region.

For the first time in more than a decade, the University of Southern Indiana saw an increase in its overall enrollment for Fall 2023. Combined, undergraduate, graduate and dual credit enrollment totaling 9,286 was up 1.2% from Fall 2022. The University also saw an increase in its first-time, full-time freshman enrollment, 1,283, up by 2.6% compared to 2022. A record 1,854 students are enrolled in graduate programs, an increase of 1.8% over 2022, with an increase of 4.9% in new graduate student enrollment. While new freshman enrollment was up, overall undergraduate enrollment saw a small dip at 5,409, down 2.3% from 2022. The decrease in total undergraduate enrollment can be attributed, in part, to smaller classes in recent years.

In 32 high schools across the state, 2,023 students are enrolled in dual credit through the College Achievement Program (CAP)—an increase of 11.3% from 2022. Notably, CAP courses are now offered free of charge to all students. In the past, the majority of USI dual credit courses required a fee of \$25 per credit hour. According to a 2020 study conducted by the Society for the Study of Emerging Adulthood, dual enrollment can serve as a beneficial approach to ease the progression from high school to college, particularly for underrepresented students, including first-generation, minority and low-income.

The University remains dedicated to underrepresented populations with students of color and international students making up a record 18.1% of the student population, up from the previous year's record of 16.9%, and a continuous upward trend over the last decade. In recent years, the largest gains have been among Hispanic and Asian students. In each of the last two years, USI has also seen an increased proportion of male students landing at 37.4% this year.

The University welcomed a highly academically qualified Class of 2027 with an average GPA of 3.41 on a 4.0 scale. This reflects a consistent trend of attracting students with strong academic aspirations and standards, reinforcing USI's position as a preferred campus for high achieving students. Students at USI represent 87 Indiana counties, 47 states and 40 countries. In-state students comprise 76.0% of the student body, with out-of-state and international students making up the remaining 24.0%.

With a sound base of assets, reliable support from the State of Indiana, declining debt, growing enrollment, and stable expenses, the University of Southern Indiana is well positioned financially and academically to meet the educational and economic development needs of the State and the surrounding region for many years to come.

Statement of Net Position

| As of June 30 | 2023 | 2022 |
|---|----------------------|----------------------|
| ASSETS | | <i>Restated*</i> |
| Current Assets | | |
| Cash and cash equivalents | \$ 25,290,195 | \$ 39,954,294 |
| Short-term investments | 22,985,303 | 15,279,224 |
| Accounts receivable, net | 5,882,484 | 6,405,027 |
| Leases receivable | — | 382,329 |
| Inventories | 531,644 | 528,480 |
| Other current assets | 3,271,760 | 3,353,532 |
| Total current assets | \$ 57,961,386 | \$ 65,902,886 |
| Noncurrent Assets | | |
| Cash equivalent – Deposit with bond trustee | \$ 41,462,776 | \$ 17,754,482 |
| Investments – Deposit with bond trustee | — | 24,897,108 |
| Long-term investments | 88,118,856 | 86,697,345 |
| Leases receivable | — | 64,129 |
| Net OPEB asset | 6,936,905 | 4,690,720 |
| Subscription assets, net | 6,104,877 | 3,937,682 |
| Leased assets, net | 283,575 | 311,896 |
| Capital assets, net | 209,120,330 | 212,663,490 |
| Total noncurrent assets | \$352,027,319 | \$351,016,852 |
| Total Assets | \$409,988,705 | \$416,919,738 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Hedging derivative instruments | \$ 48,191 | \$ 164,276 |
| Deferred amount on bond refundings | 1,345,701 | 1,598,498 |
| Deferred outflow of resources related to pensions | 1,769,979 | 1,624,260 |
| Deferred outflow of resources related to OPEB | 3,673,572 | 5,927,878 |
| Total deferred outflow of resources | \$ 6,837,443 | \$ 9,314,912 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,775,799 | \$ 4,238,762 |
| Accrued payroll, benefits, and deductions | 6,364,244 | 6,537,536 |
| Bonds payable | 11,403,393 | 11,046,438 |
| Leases and subscriptions payable | 1,931,120 | 1,558,916 |
| Debt interest payable | 960,816 | 1,056,993 |
| Unearned revenue | 8,673,311 | 7,402,283 |
| Other current liabilities | 362,572 | 56,998 |
| Total current liabilities | \$ 33,471,255 | \$ 31,897,926 |
| Noncurrent Liabilities | | |
| Bonds payable | \$103,841,109 | \$115,480,230 |
| Leases and subscriptions payable | 3,337,655 | 2,401,891 |
| Derivative instruments—interest rate swap | 48,191 | 164,276 |
| Compensated absences and termination benefits | 2,843,642 | 2,907,333 |
| Net pension liability | 4,381,619 | 1,883,504 |
| Other noncurrent liabilities | 7,010 | 8,465 |
| Total noncurrent liabilities | \$114,459,226 | \$122,845,699 |
| Total Liabilities | \$147,930,481 | \$154,743,625 |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred inflow of resources related to leases | \$ — | \$ 441,621 |
| Deferred inflow of resources related to pensions | 903,860 | 3,568,423 |
| Deferred inflow of resources related to OPEB | 3,531,583 | 3,256,878 |
| Total deferred inflow of resources | \$ 4,435,443 | \$ 7,266,922 |
| NET POSITION | | |
| Net investment in capital assets | \$135,354,978 | \$129,680,177 |
| Restricted | | |
| Expendable | | |
| Capital Project | — | 251,829 |
| Debt Service | 50,214 | 8 |
| Scholarship, research, and other | 9,660 | 3,971 |
| Unrestricted | 129,045,372 | 134,288,118 |
| Total Net Position | \$264,460,224 | \$264,224,103 |

*See Note 20 in the Notes to Financial Statements.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation
Consolidated Statements of Financial Position

| Year Ended June 30 | 2023 | 2022 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 342,303 | \$ 748,136 |
| Accounts and interest receivable | 166,844 | 135,400 |
| Contributions receivable, net | 5,747,515 | 5,843,232 |
| Prepaid expenses | 1,185 | 6,389 |
| Investments | 163,656,890 | 149,362,145 |
| Cash value of life insurance | 528,590 | 513,090 |
| Beneficial interest in charitable remainder trusts | 456,301 | 451,134 |
| Beneficial interest in perpetual trusts | 6,610,938 | 6,246,242 |
| Beneficial interest in Community Foundation | 70,294 | 67,674 |
| Real estate held for investment | 2,480,215 | 2,480,215 |
| Land and land improvements, net of accumulated depreciation; 2023 – \$23,304, 2022 – \$17,929 | 300,991 | 306,366 |
| Buildings, net of accumulated depreciation; 2023 – \$673,090, 2022 – \$658,346 | 235,663 | 244,420 |
| Equipment, net of accumulated depreciation; 2023 - \$3,721, 2022 – \$0 | 40,936 | 34,601 |
| Property management deposits | 8,190 | 7,890 |
| Total assets | \$180,646,855 | \$166,446,934 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 59,305 | \$ 36,244 |
| Deposits | 6,190 | 5,890 |
| Deferred income | 6,454 | 6,574 |
| Payable to related parties | 1,215,206 | 1,277,584 |
| Annuities payable | 550,647 | 798,218 |
| Total liabilities | \$ 1,837,802 | \$ 2,124,510 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | \$ 7,949,347 | \$ 8,480,407 |
| Undesignated board endowments | 11,939,244 | 10,652,480 |
| | \$ 19,888,591 | \$ 19,132,887 |
| With donor restrictions | | |
| Perpetual-in-nature endowments | \$ 96,357,711 | \$ 87,960,091 |
| Purpose-restricted board endowments | 30,664,895 | 27,966,575 |
| Purpose restrictions | 23,203,353 | 21,985,014 |
| Time restrictions for future periods | 8,694,503 | 7,277,857 |
| | \$158,920,462 | \$145,189,537 |
| Total net assets | \$178,809,053 | \$164,322,424 |
| Total liabilities and net assets | \$180,646,855 | \$166,446,934 |

Statement of Revenues, Expenses, and Changes in Net Position

| Year Ended June 30 | 2023 | 2022 |
|---|----------------------|----------------------|
| | | <i>Restated*</i> |
| REVENUES | | |
| Operating Revenues | | |
| Student fees | \$ 72,576,893 | \$ 75,688,044 |
| Scholarship discounts and allowances | (28,641,403) | (26,321,386) |
| Grants and contracts | 1,720,891 | 2,712,107 |
| Auxiliary enterprises | 20,047,565 | 17,305,761 |
| Room and board discounts and allowances | (2,915,596) | (1,810,558) |
| Other operating revenues | 3,241,211 | 2,380,180 |
| Total operating revenues | \$ 66,029,561 | \$ 69,954,148 |
| EXPENSES | | |
| Operating Expenses | | |
| Salaries and wages | \$ 61,189,002 | \$ 59,832,816 |
| Benefits | 24,020,246 | 18,554,655 |
| Student financial aid | 3,186,467 | 15,509,952 |
| Utilities | 6,080,312 | 5,686,215 |
| Supplies and other services | 45,350,764 | 40,108,609 |
| Depreciation and amortization | 17,041,262 | 16,894,295 |
| Total operating expenses | \$156,868,053 | \$156,586,542 |
| Operating loss | \$ (90,838,492) | \$ (86,632,394) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State appropriations | \$ 64,387,351 | \$ 63,629,666 |
| Gifts | 4,441,286 | 4,059,015 |
| Federal grants and contracts | 12,521,100 | 28,171,775 |
| State/Local grants and contracts | 7,996,275 | 8,437,200 |
| Nongovernmental grants and contracts | 1,079,977 | 1,129,081 |
| Investment income (net of investment expense of \$227,249 and \$180,905 for 2023 and 2022) | 2,841,751 | (6,778,420) |
| Interest on capital asset related debt | (3,650,384) | (4,015,545) |
| Bond issuance costs | (88,629) | — |
| Other non-operating revenues/(expenses) | 940 | 358,935 |
| Net non-operating revenues (expenses) | \$ 89,529,667 | \$ 94,991,707 |
| Income before other revenues, expenses, gains or losses | \$ (1,308,825) | \$ 8,359,313 |
| Capital appropriations | \$ 1,112,962 | \$ 1,112,962 |
| Capital gifts | 431,984 | — |
| Total other revenues | \$ 1,544,946 | \$ 1,112,962 |
| Increase in net position | \$ 236,121 | \$ 9,472,275 |
| NET POSITION | | |
| Net position – beginning of year | \$264,224,103 | \$254,751,828 |
| Net position – end of year | \$264,460,224 | \$264,224,103 |

*See Note 20 in the Notes to Financial Statements.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Component Unit

University of Southern Indiana Foundation

Consolidated Statements of Activities

| Year Ended June 30 | 2023 | 2022 |
|---|----------------------|------------------------|
| REVENUES AND OTHER SUPPORT | | |
| Contributions of cash and other financial assets | \$ 2,645,058 | \$ 5,799,327 |
| Contributions of nonfinancial assets | — | 180,000 |
| Grants | 265,271 | 210,994 |
| Change in value of split-interest agreements | 158,361 | (162,121) |
| Rental property income (loss), net | 25,854 | (41,371) |
| Miscellaneous income | 226,461 | 100,016 |
| Net assets released from restrictions | — | — |
| Total revenues and other support | \$ 3,321,005 | \$ 6,086,845 |
| EXPENSES | | |
| Program Services – University of Southern Indiana | | |
| Scholarships and awards | \$ 3,136,177 | \$ 2,839,484 |
| Educational grants and academic enhancements | 1,105,005 | 810,864 |
| Athletic support | 350,587 | 246,179 |
| Other University support | 660,610 | 439,975 |
| Capital projects | 5,125 | 3,600 |
| Community outreach | — | 9,476 |
| Total program services | \$ 5,257,504 | \$ 4,349,578 |
| Management and general | \$ 837,434 | \$ 810,758 |
| Fundraising | 382,990 | 97,448 |
| Uncollectible pledge loss | 7,560 | 5,224 |
| Total expenses | \$ 6,485,488 | \$ 5,263,008 |
| OTHER CHANGES | | |
| Investment income (loss), net | \$ 17,251,478 | \$ (24,229,190) |
| Change in fair value of perpetual trusts and Community Foundation | 367,316 | (1,109,750) |
| Mineral royalty income | 16,818 | 20,727 |
| Gain on disposal of property held for sale | — | 140,385 |
| Gain on cash value of life insurance | 15,500 | 17,191 |
| Total other changes | \$ 17,651,112 | \$ (25,160,637) |
| CHANGE IN NET ASSETS | \$ 14,486,629 | \$ (24,336,800) |
| NET ASSETS, BEGINNING OF YEAR | \$164,322,424 | \$188,659,224 |
| NET ASSETS, END OF YEAR | \$178,809,053 | \$164,322,424 |

Statement of Cash Flows

| Year Ended June 30 | 2023 | 2022 |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | <i>Restated*</i> |
| Tuition and fees | \$ 43,413,677 | \$ 50,859,550 |
| Grants and contracts | 3,297,769 | 2,700,057 |
| Payments to suppliers | (45,509,017) | (38,403,359) |
| Payments for utilities | (6,080,312) | (5,686,215) |
| Payments to employees | (61,457,322) | (59,802,644) |
| Payments for benefits | (24,018,250) | (23,324,890) |
| Payments for scholarships | (3,186,467) | (15,509,952) |
| Auxiliary enterprises receipts | 17,295,755 | 15,306,793 |
| Sales and services of educational depts. | 603,422 | 349,498 |
| Proceeds from Fiduciary Activities | 438,024 | 433,526 |
| Payments for Fiduciary Activities | (438,797) | (436,238) |
| Other receipts (payments) | 3,094,653 | 1,130,122 |
| Net cash used by operating activities | \$ (72,546,865) | \$ (72,383,752) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | \$ 64,387,351 | \$ 63,629,666 |
| Gifts and grants for other than capital purposes | 26,404,659 | 41,276,251 |
| Other non-operating receipts (payments) | 34,954 | (692) |
| Net cash provided by noncapital financing activities | \$ 90,826,964 | \$104,905,225 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Proceeds from capital debt | \$ 6,840,000 | \$ — |
| Capital appropriations | 1,112,962 | 1,112,962 |
| Capital gifts | 431,984 | — |
| Proceeds from leased assets | — | 384,023 |
| Bond financing costs | (119,333) | (25,450) |
| Purchase of capital assets | (10,785,453) | (5,796,424) |
| Principal paid on capital debt and right-to-use assets | (20,777,078) | (17,102,389) |
| Interest paid on capital debt and right-to-use assets | (4,382,407) | (4,461,183) |
| Net cash used by capital financing activities | \$ (27,679,325) | \$ (25,888,461) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | \$ 71,718,751 | \$ 15,143,734 |
| Interest on investments | 1,920,008 | 1,066,404 |
| Purchase of investments | (55,195,339) | (104,420,155) |
| Net cash provided by investing activities | \$ 18,443,420 | \$ (88,210,017) |
| Net increase (decrease) in cash | \$ 9,044,194 | \$ (81,577,005) |
| Cash – beginning of year | 57,708,777 | 139,285,782 |
| Cash – end of year | \$ 66,752,971 | \$ 57,708,777 |

Statement of Cash Flows—continued

| Year Ended June 30 | 2023 | 2022 |
|--|-----------------------|-----------------------|
| RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES: | | <i>Restated*</i> |
| Operating loss | \$(90,838,492) | \$(86,632,395) |
| ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Depreciation and amortization expense | 17,041,262 | 16,894,295 |
| Provision for uncollectible accounts | (751,134) | (293,042) |
| CHANGES IN ASSETS, LIABILITIES AND DEFERRED RESOURCES: | | |
| Operating receivables | 907,656 | 917,658 |
| Inventories | (3,164) | (21,201) |
| Other assets | 249,621 | (705,965) |
| Accounts payable | (328,382) | 1,436,767 |
| Unearned revenue | 1,271,028 | 470,319 |
| Deposits held for others | (1,455) | 2,902 |
| Employee and retiree benefits | (93,032) | (4,450,378) |
| Fiduciary funds | (773) | (2,712) |
| Net cash used by operating activities: | \$(72,546,865) | \$(72,383,752) |
| NONCASH TRANSACTIONS | | |
| Unrealized gain/(loss) on short-term investments | \$ 71,379 | \$ (331,002) |
| Unrealized gain/(loss) on long-term investments | 682,516 | (8,117,207) |
| Subscription assets | (4,684,035) | (1,482,255) |
| Leased assets | (167,488) | (72,760) |
| Bonds payable – LT and ST Series K-1 | 988,951 | — |
| Bonds payable – LT and ST Series O | (988,951) | — |
| Net noncash transactions | \$ (4,097,628) | \$(10,003,224) |

*See Note 20 in the Notes to Financial Statements.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position

| Year Ended June 30 | 2023 | 2022 |
|--|---------------------|---------------------|
| | <u>OPEB Trust</u> | <u>OPEB Trust</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 272,889 | \$ 403,310 |
| Investments: | | |
| Equities | 19,273,324 | 17,523,927 |
| Fixed Income | 7,315,885 | 7,200,885 |
| Accrued income | 35,259 | 28,252 |
| Total assets | \$26,897,357 | \$25,156,374 |
| NET POSITION | | |
| Restricted for other postemployment benefits | \$26,897,357 | \$25,156,374 |
| Total Net Position | \$26,897,357 | \$25,156,374 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

| Year Ended June 30 | 2023 | 2022 |
|--|---------------------|---------------------|
| | <u>OPEB Trust</u> | <u>OPEB Trust</u> |
| ADDITIONS | | |
| Investment income | | |
| Net increase/(decrease) in fair value of investments | \$ 1,957,798 | \$(6,623,428) |
| Interest, dividends and other | 469,796 | 459,274 |
| Net gain/(loss) on sale of assets | 449,249 | 2,182,480 |
| Total investment earnings | 2,876,843 | (3,981,674) |
| Less investment costs | (34,675) | (39,556) |
| Net investment earnings | 2,842,168 | (4,021,230) |
| Total additions | 2,842,168 | (4,021,230) |
| DEDUCTIONS | | |
| Other postemployment benefits | \$ 1,100,000 | \$ 1,234,000 |
| Taxes | 1,185 | 1,185 |
| Total deductions | 1,101,185 | 1,235,185 |
| Increase/(decrease) in net position | \$ 1,740,983 | \$(5,256,415) |
| NET POSITION | | |
| Net position – beginning of year | \$25,156,374 | \$30,412,789 |
| Net position – end of year | \$26,897,357 | \$25,156,374 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

The University of Southern Indiana was established in 1985 as described in the Indiana Code (IC 21-24 through IC 21-24-4-1). The University is managed by a nine-member board of trustees whose members are appointed by the governor. The board must include at least one alum, one resident of Vanderburgh County, and one full-time student in good standing. Each member must be a citizen of the United States and a resident of the State of Indiana. Trustees serve four-year terms with varying expiration dates except for the student trustee, who serves a term of two years.

Basis of Accounting

The University is a special-purpose governmental entity, which has elected to report as a business-type activity using proprietary fund accounting, following standards set forth by the Governmental Accounting Standards Board (GASB). The financial reporting emphasizes the entity as a whole rather than the individual fund groups—unrestricted, designated, auxiliary, restricted, loans, fiduciary, and plant funds—that comprise the whole. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The University also is considered a component unit of the State of Indiana. As such, the University is financially integrated with the State and depends on annual appropriations from the State to maintain quality service and deliver quality programs to students. The University must receive authorization from the State before undertaking major capital projects. As a component unit, public higher education institutions, as a group, will be discretely presented on the Annual Comprehensive Financial Report issued annually by the State of Indiana.

New Accounting Pronouncements

The University adopted GASB Statement 93, Replacement of Interbank Offered Rates, effective for fiscal year ended June 30, 2023. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) due to amendments of GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments and GASB Statement 87, Leases.

The University adopted GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the fiscal year ended June 30, 2023. This statement establishes standards of accounting and financial reporting for public-private and public-public partnerships and availability payment arrangements for governments.

The University adopted GASB Statement 96, Subscription-Based Information Technology Arrangements, effective for the fiscal year ended June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The University has fully adopted GASB Statement 99, Omnibus 2022. GASB Statement 99 ¶14-25 was adopted for the fiscal year ended effective June 30, 2023. The requirements in paragraphs 4-10 relate to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement 53. The requirements in paragraphs 11-25 relate to accounting and financial reporting requirements for specific issues related to leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), clarification of certain provisions in Statement 87, Statement 94, and Statement 96 and terminology updates. GASB Statement 99 ¶26-32 was adopted previously for the fiscal year ended June 30, 2022.

Change in Accounting Estimate

Effective for the fiscal year ended June 30, 2023, the University changed its methodology for estimating tuition discounts. The Alternate Method of calculating the estimated discount is no longer endorsed by National Association of College and University Business Officers (NACUBO). In its place, NACUBO provided four options for estimation, and the University opted to use Method B—detail by student, by fiscal year. This change affects the following lines on the Statement of Revenues, Expenses and Changes in Net Position: scholarship discounts and allowances, room and board discounts, and student financial aid. Changes in accounting estimates are reported prospectively by recognizing the change in the current period. The change in methodology has no impact on the change in net position for prior years.

Cash and Cash Equivalents

The Statement of Cash Flows is presented using the direct method, and it identifies the sources and uses of both cash and cash equivalents during the fiscal year. Cash equivalents are investment instruments, including certificates of deposit and repurchase agreements, which have an original maturity date of 90 days or less.

Investments

Investments are recognized in the accounting records at cost on the date of purchase. For financial statement presentation, they are reported at the market value in effect on June 30 of the current fiscal year. Unrealized gain or loss is included with interest income on the Statement of Revenues, Expenses and Changes in Net Position.

Accounts Receivable

Accounts receivable consist primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of estimated uncollectible amounts.

Leases Receivable

Leases receivable consist of amounts due from a lessee for contracts that convey control of the right to use the University's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The University recognizes a lease receivable at the present value of lease payments expected to be received during the lease term.

Inventory

Prepaid expenses and inventories of materials and supplies are considered expenditures when used. The inventory on hand at the end of the fiscal year is valued using a perpetual system, and cost is determined using the first-in, first-out method of inventory accounting.

Inventories of retail merchandise are considered expenditures when sold. The value of the inventory on hand at the end of the fiscal year is based on a physical count and cost is determined using the retail or weighted average method of accounting.

Cash Equivalent – Deposits with Bond Trustee

Deposits with bond trustee consist of unexpended bond proceeds and associated interest earnings which will be used for capital expenditures related to construction or renovation projects, bond issuance costs and future debt payments. The purpose of these funds is to maintain liquidity necessary to meet projected cash flow needs. They are not invested for the purpose of generating additional income.

Investments – Deposits with Bond Trustee

Deposits with bond trustee consist of unexpended bond proceeds invested according to the University investment policy approved by the Board of Trustees and associated interest earnings which will be used for capital expenditures related to construction or renovation projects, bond issuance costs and future debt payments. Funds are invested under the University investment policy.

Leased Assets, Net

Leased assets are buildings, vehicles, and equipment that are leased from third parties rather than purchased and presented net of accumulated amortization. The University recognizes a leased asset at its inception as the sum of 1) the amount of the initial measurement of the lease liability which is equal to the present value of payments expected to be made during the lease term; and 2) lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term; and 3) initial direct costs that are ancillary charges necessary to place the asset in to service. Leased assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities may be required to be remeasured at subsequent financial reporting dates which may require an adjustment of a leased asset by the same amount.

Capital Assets Accounting Policies

The University capitalizes equipment with a cost of \$5,000 or more. Building components, land improvements, infrastructure, and computer software are capitalized if costs exceed \$50,000. All capitalized assets have a useful life greater than two years. Library materials are capitalized using the group method. Periodicals and subscriptions are expensed as incurred. Renovations to buildings and other improvements are capitalized if costs are greater than \$50,000 and the renovation meets one of the following criteria:

- Increases the capacity (applies to buildings only)
- Increases the useful life
- Increases the operating efficiency

The University records depreciation for all capital assets except for land and historical sites. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life of each capital asset group is as follows:

- Building components (shell, roof, utilities, and internal) — 8-50 years
- Computer Software — 3-10 years
- Equipment — 3-10 years
- Infrastructure — 25 years
- Land improvements — 15 years
- Library materials — 10 years

Capital assets are removed from the records at the time of disposal. See note on capital assets, net of accumulated depreciation for current-year activity, and accumulated depreciation on the various classes of assets.

The Historic New Harmony buildings are not depreciated due to the age of the buildings. However, the buildings are maintained because they have a historic value. The process for maintaining these buildings is the same as it would be for any other building that the University owns.

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of approximately 3,000 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Historic New Harmony does not place a monetary value on the collection because the museum is organized as a public trust which acts as a steward for the public in collecting, protecting, preserving, and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2023.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University's mission: to enhance the cultural awareness of its students, faculty, staff, and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Some donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total \$3,201,865. The currently known value is not included in the capitalized asset value at June 30, 2023.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the USI Voluntary Employees' Benefit Association (VEBA) Trust and additions to/deductions from the VEBA's fiduciary net position have been determined on the same basis as they are reported by the VEBA. Investments are reported at market value, except for money market investments, which are reported at cost.

Accrued Payroll, Benefits, and Deductions

Accrued payroll, benefits, and deductions include amounts owed but not paid for salaries and wages, medical and life insurance, taxes, and retirement plans. The liability for medical claims incurred but not reported is estimated based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to the University for payment.

Unearned Revenue

Unearned revenue is recorded for current cash receipts of student tuition and fees and certain auxiliary goods and services that are received in advance of providing services. Tuition and fees for the second summer session are assessed in June annually, and the portion allocated to unearned revenue is based on the number of instructional days in each fiscal year. Amounts received from contracts and grant sponsors that have not met the criteria for revenue recognition are included as well.

Compensated Absences and Termination Benefits

Liabilities for compensated absences are accrued for vacation and sick leave based on past service and measured at the salary rate in effect on the Statement of Net Position date. Additional amounts are accrued for required salary-related payments due to terminating or retiring employees. The salary-related payments included are the University's share of Social Security and Medicare taxes and the University's contributions to a defined benefit retirement plan and a defined contribution retirement plan.

Liabilities for voluntary termination benefits are recorded for eligible employees with an accepted retirement offer. Eligible employees are those full-time prior to January 1, 1999, age 60 or older, and with 15 or more consecutive years of service. The benefits include continued retirement contributions through the end of the fiscal year in which the retiree reaches age 66 and a lump-sum retirement service pay based on final salary rate and length of service.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were reclassified as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. For more information refer to the Retirement Plans Note.

Deferred Outflows and Deferred Inflows

Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources record an acquisition of net assets that is applicable to a future reporting period.

Net Position

Net position represents the difference between all other elements in the Statement of Net Position, and it includes three components.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and outstanding debt. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of the assets are included in this component.

Restricted net position—expendable consists of resources which the University is legally or contractually obligated to use in accordance with restrictions imposed by parties external to the institution.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, which do not qualify for classification as net investment in capital assets or restricted net position-expendable.

Restricted and Unrestricted Resources

If both restricted and unrestricted resources are available to be expended for the same purpose or project, the determination of the funding source is made based on relevant facts and circumstances. The fund order is decided on a case-by-case basis.

Classification of Revenues and Expenses

- Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.
- Restricted revenues and receivables resulting from non-exchange transactions are recognized when all applicable eligibility requirements are met. Resources received before eligibility requirements are met are recorded as unearned revenues.
- Revenue from major sources is susceptible to accrual if the amount is measurable.
- Internal service activity, referred to as chargeback income/expense, has been eliminated from the Statement of Revenues, Expenses, and Changes in Net Position to prevent the double counting of expenses and the recognition of self-generated revenue.

Operating Revenues and Expenses

Operating revenues of the University consist of student fees (net of scholarship discounts and allowances), exchange grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues (net of scholarship discounts and allowances). Operating expenses include payments to suppliers for goods and services, employee wages and benefits, payments for scholarships, utilities, and depreciation of capital assets.

Non-operating Revenues and Expenses

Non-operating revenues of the University consist of state appropriations, gifts, non-exchange grants and contracts, and investment income. Non-operating expenses include interest on capital asset related debt, bond issuance costs and annual bond management fees.

Other Revenues

Other revenues of the University consist of appropriations, grants, and gifts received for capital expenditures.

Component Unit

The University includes the University of Southern Indiana Foundation, Inc. (Foundation) as a component unit as defined by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. The Foundation is a private nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences.

The Foundation is a legally separate, tax-exempt entity formed in 1969 to provide support for the University and its faculty and students to promote educational, scientific, charitable, and related activities and programs exclusively for the benefit of the University and its students. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs.

The majority of the resources that the Foundation holds and invests, and the income generated by those resources, are restricted to the activities of the University by the donors. Because these resources can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University, and its audited financial statements and notes are discretely presented in the University financial report.

Direct support from the Foundation for both restricted and unrestricted purposes is included in the amounts reported for gifts and capital gifts on the Statement of Revenues, Expenses and Changes in Net Position. Complete financial statements, including explanatory notes, for the Foundation can be obtained from the Office of the Vice President for Finance and Administration at 8600 University Boulevard, Evansville, IN 47712.

NOTE 2 – Deposits and Investments

Under authority granted by IC 21-24-3, the Board of Trustees authorizes management to invest in obligations of the U.S. Treasury and U.S. government agencies; money market funds; certificates of deposit, demand/transaction deposits and time deposits; commercial paper; bankers' acceptances; investment grade corporate notes and bonds; mortgage-backed securities; asset-backed securities; municipal bonds; and derivatives. Deposits with bond trustee are authorized to be invested under the same Board-approved investment policy as the unrestricted investments. Investments with Indiana institutions are limited to those banks, savings banks, and savings and loan institutions that provide deposit insurance for university funds under Indiana statutes by the Public Deposit Insurance Fund, in addition to the amounts insured by agencies of the United States government Federal Deposit Insurance Corporation/Savings Association Insurance Fund (FDIC/SAIF). Investments with non-Indiana institutions must be insured by agencies of the U.S. government to the maximum statutory amount of \$250,000.

Deposits

At June 30, 2023, the bank balances of the University's operating demand deposit accounts were \$26,556,400, of which \$1,000,000 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were \$33,637,589, at June 30, 2022, of which \$801,712 was covered by federal depository insurance. The remaining balances were insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party. The balance of the cash equivalents - unrestricted investment accounts were \$1,328,612, at June 30, 2023, and \$6,150,370, at June 30, 2022. The balance of the cash equivalents - deposits with bond trustee were \$41,462,776, at June 30, 2023, and \$17,754,482, at June 30, 2022.

Investments

The University's investments at June 30, 2023, are identified in the table below.

| INVESTMENTS | | | JUNE 30, 2023 | | | | |
|---------------------------------------|----------------------|--------|-----------------------|---------------------|---------------------|---------------------|--------------------|
| Investment Type | Market Value | Type % | Maturities (in Years) | | | | |
| | | | Less than 1 year | 1-3 years | 4-5 years | 6-10 years | More than 10 years |
| Unrestricted investments | | | | | | | |
| Certificates of deposit | 20,050,844 | 18% | 14,258,757 | 5,266,806 | 525,281 | — | — |
| Agency securities | 13,775,669 | 12% | 3,207,632 | 4,882,967 | 2,906,954 | 2,778,116 | — |
| Asset-backed securities | 9,270,622 | 8% | 11,425 | 1,102,011 | 2,972,095 | 2,366,503 | 2,818,588 |
| Corporate bonds | 29,351,010 | 27% | 2,376,139 | 7,103,142 | 7,252,758 | 11,922,839 | 696,132 |
| Foreign bonds | 1,671,662 | 2% | — | 973,623 | 294,957 | 403,082 | — |
| Municipal bonds | 2,458,621 | 2% | — | 596,860 | 457,751 | 1,211,605 | 192,405 |
| U.S. treasury securities | 34,525,731 | 31% | 3,131,350 | 7,230,183 | 6,677,422 | 15,382,680 | 2,104,096 |
| Total unrestricted investments | \$111,104,159 | | \$22,985,303 | \$27,155,592 | \$21,087,218 | \$34,064,825 | \$5,811,221 |
| Maturity % | 100% | | 21% | 24% | 19% | 31% | 5% |

The University's investments at June 30, 2022, are identified in the table below.

| INVESTMENTS | | | JUNE 30, 2022 | | | | |
|---|----------------------|-------------|-----------------------|---------------------|---------------------|---------------------|--------------------|
| Investment Type | Market Value | Type % | Maturities (in Years) | | | | |
| | | | Less than 1 year | 1-3 years | 4-5 years | 6-10 years | More than 10 years |
| Unrestricted investments | | | | | | | |
| Certificates of deposit | 16,163,125 | 13% | 6,871,223 | 9,064,812 | 227,090 | — | — |
| Agency securities | 20,515,366 | 16% | 6,637,262 | 5,482,372 | 2,421,252 | 5,094,428 | 880,052 |
| Asset-backed securities | 6,122,619 | 5% | — | 1,511,174 | 1,402,326 | 1,612,607 | 1,596,512 |
| Corporate bonds | 28,735,091 | 23% | 133,278 | 5,702,007 | 7,308,131 | 15,392,059 | 199,616 |
| Foreign bonds | 1,364,247 | 1% | — | 184,763 | 943,828 | 235,656 | — |
| Municipal bonds | 2,009,878 | 1% | — | 112,273 | 622,387 | 1,071,386 | 203,832 |
| U.S. treasury securities | 27,066,243 | 21% | 1,637,461 | 10,675,102 | 6,454,967 | 6,381,899 | 1,916,814 |
| Total unrestricted investments | \$101,976,569 | | \$15,279,224 | \$32,732,503 | \$19,379,981 | \$29,788,035 | \$4,796,826 |
| Maturity % | 100% | | 15% | 32% | 19% | 29% | 5% |
| Investments – deposits with bond trustee | | | | | | | |
| Agency securities | 648,973 | 1% | 648,973 | — | — | — | — |
| U.S. treasury securities | 24,248,135 | 19% | 24,248,135 | — | — | — | — |
| Total investments – deposits with bond trustee | \$24,897,108 | | \$24,897,108 | — | — | — | — |
| Total investments | \$126,873,677 | 100% | \$40,176,332 | \$32,732,503 | \$19,379,981 | \$29,788,035 | \$4,796,826 |

Investment Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University investment policy requires certificates of deposit, demand/transaction deposits, time deposits, and bankers' acceptances to be purchased from domestic banks and savings and loan associations that are designated by the Indiana State Board of Finance as a depository for public funds in accordance with Indiana Code 5-13-9-5-3; other investment types are not bound by this requirement. All certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

Of the \$111.1 million invested at June 30, 2023, \$48.3 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the \$126.9 million invested at June 30, 2022, \$24.9 million investments - deposits with bond trustee and \$47.6 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not address exposure to fair value losses arising from changes in interest rates, but the investment objective is to obtain the highest revenue while maintaining safety and insuring adequate liquidity for institutional needs. To that end, management maintained 21% of investments in short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University has established the following requirements as part of its Investment Policy Statement.

| INVESTMENT TYPE | EXPOSURE RESTRICTIONS |
|--|--|
| Money Market Funds | Invests only in U.S. Treasury or Federal Agency Securities whose assets exceed \$250 million or funds managed by Indiana banks insured under the Public Deposit Insurance Fund and registered with the SEC |
| Commercial Paper | S&P or Fitch Rated A-1 or above/Moody's Rated P-1 or above |
| Investment-grade Corporate Notes and Bonds | S&P, Fitch, or Moody's Rated BBB-/Baa- or above |
| Mortgage-backed Securities | S&P, Fitch, or Moody's Rated AA-/Aa- or above |
| Asset-backed Securities | S&P, Fitch, or Moody's Rated AA-/Aa- or above |
| Municipal Bonds | S&P, Fitch, or Moody's Rated A- or above |

| June 30, 2023 | | | | | | | | |
|---------------------------------------|---------------------|--------------------|---------------------|-----------------|------------------|---------------------|---------------------|----------------------|
| Rating | A | Aa | Aaa | B | Ba | Baa | Unrated | Total |
| Unrestricted investments | | | | | | | | |
| Agency securities | — | 4,102,643 | 9,673,026 | — | — | — | — | 13,775,669 |
| Asset-backed securities | 41,384 | 223,100 | 4,416,717 | — | 124,554 | 132,788 | 4,332,079 | 9,270,622 |
| Certificates of deposit | — | — | — | — | — | — | 20,050,844 | 20,050,844 |
| Corporate bonds | 14,421,590 | 707,364 | 585,429 | 73,793 | 100,908 | 11,318,335 | 2,143,591 | 29,351,010 |
| Foreign bonds | 192,342 | 470,857 | — | — | — | 892,100 | 116,363 | 1,671,662 |
| Municipal bonds | 519,043 | 1,285,631 | 65,825 | — | — | — | 588,122 | 2,458,621 |
| U.S. treasury securities | — | — | 31,717,573 | — | — | — | 2,808,158 | 34,525,731 |
| Total unrestricted investments | \$15,174,359 | \$6,789,595 | \$46,458,570 | \$73,793 | \$225,462 | \$12,343,223 | \$30,039,157 | \$111,104,159 |

| June 30, 2022 | | | | | | | |
|---|---------------------|--------------------|---------------------|---------------------|---------------------|----------------------|--|
| Rating | A | Aa | Aaa | Baa | Unrated | Total | |
| Unrestricted investments | | | | | | | |
| Agency securities | — | 203,762 | 17,890,486 | — | 2,421,118 | 20,515,366 | |
| Asset-backed securities | — | 638,288 | 4,096,955 | 156,284 | 1,231,092 | 6,122,619 | |
| Certificates of deposit | — | — | 127,201 | — | 16,035,924 | 16,163,125 | |
| Corporate bonds | 13,653,769 | 678,198 | 590,146 | 13,812,978 | — | 28,735,091 | |
| Foreign bonds | 298,374 | 40,217 | — | 1,025,656 | — | 1,364,247 | |
| Municipal bonds | 839,425 | 892,472 | 194,030 | — | 83,951 | 2,009,878 | |
| U.S. treasury securities | — | — | 25,001,978 | — | 2,064,265 | 27,066,243 | |
| Total unrestricted investments | \$14,791,568 | \$2,452,937 | \$47,900,796 | \$14,994,918 | \$21,836,350 | \$101,976,569 | |
| Investments – deposits with bond trustee | | | | | | | |
| Agency securities | — | — | 648,973 | — | — | 648,973 | |
| U.S. treasury securities | — | — | 24,248,135 | — | — | 24,248,135 | |
| Total investments – deposits with bond trustee | \$ — | \$ — | \$24,897,108 | \$ — | \$ — | \$24,897,108 | |
| Total investments | \$14,791,568 | \$2,452,937 | \$72,797,904 | \$14,994,918 | \$21,836,350 | \$126,873,677 | |

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University has established the following requirements as part of its Investment Policy Statement. At June 30, 2023, and June 30, 2022, the University is in compliance with that policy.

| INVESTMENT TYPE | EXPOSURE RESTRICTIONS |
|---|--|
| Commercial Paper | \$500,000 maximum per corporation \$1 million maximum per industry |
| Investment-grade Corporate Notes and Bonds | 60% maximum per investment manager's portfolio |
| Mortgage-backed Securities | 20% maximum per investment manager's portfolio |
| Non-agency Residential Mortgage-backed Securities | 5% maximum per investment manager's portfolio |
| Asset-backed Securities | 20% maximum per investment manager's portfolio |
| Municipal Bonds | 15% maximum per investment manager's portfolio 5% maximum per state in investment manager's portfolio |

Investments not explicitly guaranteed by the U.S. government are subject to disclosure if any one issuer represents 5% or more of total investments. The \$34.5 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2023, and the \$24.2 million investments - deposits with bond trustee and \$27.1 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2022, were the only investments explicitly guaranteed. The following investments are neither guaranteed nor insured by the full faith and credit of the U.S. Treasury.

| June 30, 2023 | | | | | | | |
|----------------------------|-------------------------|-------------------|---------------------|----------------------|-------------------------|---------------------|---------------------|
| Bank | Certificates of Deposit | Percentage of CDs | Bonds | US Agency Securities | Asset-Backed Securities | Total | Percentage of Total |
| Banterra Bank | 4,248,513 | 21% | — | — | — | 4,248,513 | 6% |
| Fifth Third | — | 0% | 4,706,607 | 1,941,580 | 2,779,571 | 9,427,758 | 12% |
| First Federal Savings Bank | 4,104,444 | 20% | — | — | — | 4,104,444 | 5% |
| First Financial Bank NA | 1,010,973 | 5% | — | — | — | 1,010,973 | 1% |
| German American Bank | 5,306,526 | 27% | 1,692,814 | 4,102,643 | — | 11,101,983 | 14% |
| Johnson | 218,755 | 1% | 12,301,930 | 1,297,700 | 389,772 | 14,208,157 | 19% |
| Longfellow | — | 0% | 8,796,959 | — | 5,085,733 | 13,882,692 | 18% |
| ONB | — | 0% | 5,982,983 | 5,267,923 | 1,015,546 | 12,266,452 | 16% |
| Regions | — | 0% | — | 1,165,823 | — | 1,165,823 | 2% |
| United Fidelity Bank | 5,161,633 | 26% | — | — | — | 5,161,633 | 7% |
| Total | \$20,050,844 | 100% | \$33,481,293 | \$13,775,669 | \$9,270,622 | \$76,578,428 | 100% |

| June 30, 2022 | | | | | | | |
|------------------------------|-------------------------|-------------------|---------------------|----------------------|-------------------------|---------------------|---------------------|
| Bank | Certificates of Deposit | Percentage of CDs | Bonds | US Agency Securities | Asset-Backed Securities | Total | Percentage of Total |
| Banterra Bank | 4,158,704 | 26% | — | — | — | 4,158,704 | 6% |
| Fifth Third | — | 0% | 4,220,991 | 8,286,215 | 1,478,875 | 13,986,081 | 19% |
| First Federal Savings Bank | 4,018,557 | 25% | — | — | — | 4,018,557 | 5% |
| First Financial Bank NA | 1,001,219 | 6% | — | — | — | 1,001,219 | 1% |
| German American Bank | 302,202 | 2% | — | 1,411,673 | — | 1,713,875 | 2% |
| Indiana Members Credit Union | 1,189,682 | 7% | — | — | — | 1,189,682 | 2% |
| Johnson | 227,090 | 1% | 15,097,291 | 501,184 | — | 15,825,565 | 21% |
| Longfellow | — | 0% | 9,643,738 | 935,362 | 4,643,744 | 15,222,844 | 20% |
| Lynnville National Bank | 111,647 | 1% | — | — | — | 111,647 | 0% |
| ONB | — | 0% | 3,147,196 | 7,723,971 | — | 10,871,167 | 15% |
| PNC Capital Markets | 127,201 | 1% | — | — | — | 127,201 | 0% |
| Regions | — | 0% | — | 1,656,961 | — | 1,656,961 | 2% |
| United Fidelity Bank | 5,026,823 | 31% | — | — | — | 5,026,823 | 7% |
| Total | \$16,163,125 | 100% | \$32,109,216 | \$20,515,366 | \$6,122,619 | \$74,910,326 | 100% |

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University investment policy does not authorize global investments. The foreign bonds in the portfolio are bonds of foreign companies traded in U.S. markets denominated in U.S. dollars. Therefore, it is not exposed to foreign currency risk.

NOTE 3 – Fair Value of Assets and Liabilities

Fair value is 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. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. GASB Statement 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to measure fair value. The hierarchy includes the following three levels.

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2** Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly
- Level 3** Unobservable inputs for an asset or liability

The following table presents value of University deposits and investments as reported in the accompanying Statement of Net Position at fair valuation on a recurring basis and their level within the fair-value hierarchy at June 30, 2023.

| FAIR VALUE MEASUREMENTS | | FAIR VALUE AT JUNE 30, 2023 | | |
|---|------------------------------|--|---|---|
| | Fair Value Measurement Using | | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Unrestricted investments | | | | |
| Agency securities | 13,775,669 | — | 13,775,669 | — |
| Asset-backed securities | 9,270,622 | — | 9,270,622 | — |
| Certificates of deposit | 20,050,844 | 20,050,844 | — | — |
| Corporate bonds | 29,351,010 | — | 29,351,010 | — |
| Foreign bonds | 1,671,662 | — | 1,671,662 | — |
| Municipal bonds | 2,458,621 | — | 2,458,621 | — |
| U.S. treasury securities | 34,525,731 | 34,525,731 | — | — |
| Total unrestricted investments | \$111,104,159 | \$54,576,575 | \$56,527,584 | — |
| Derivative instruments | | | | |
| Interest rate swap | (48,191) | — | (48,191) | — |
| Total derivative instruments | \$ (48,191) | — | \$ (48,191) | — |
| Investments – deposits with bond trustee | | | | |
| Agency securities | — | — | — | — |
| U.S. treasury securities | — | — | — | — |
| Total investments – deposits with bond trustee | — | — | — | — |

The University had the following fair value measurements at June 30, 2022.

| FAIR VALUE MEASUREMENTS | | FAIR VALUE AT JUNE 30, 2022 | | |
|---|----------------------|--|---|---|
| | Fair Value | Fair Value Measurement Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Unrestricted investments | | | | |
| Agency securities | 20,515,366 | — | 20,515,366 | — |
| Asset-backed securities | 6,122,619 | — | 6,122,619 | — |
| Certificates of deposit | 16,163,125 | 16,163,125 | — | — |
| Corporate bonds | 28,735,091 | — | 28,735,091 | — |
| Foreign bonds | 1,364,247 | — | 1,364,247 | — |
| Municipal bonds | 2,009,878 | — | 2,009,878 | — |
| U.S. treasury securities | 27,066,243 | 27,066,243 | — | — |
| Total unrestricted investments | \$101,976,569 | \$43,229,368 | \$58,747,201 | — |
| Derivative instruments | | | | |
| Interest rate swap | (164,276) | — | (164,276) | — |
| Total derivative instruments | \$ (164,276) | — | \$ (164,276) | — |
| Investments – deposits with bond trustee | | | | |
| Agency securities | 648,973 | — | 648,973 | — |
| U.S. treasury securities | 24,248,135 | 24,248,135 | — | — |
| Total investments – deposits with bond trustee | \$ 24,897,108 | \$24,248,135 | \$ 648,973 | — |

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy.

The University utilizes the market-based valuation approach in accordance with GASB Statement 72. Valuation techniques did not change significantly during the fiscal year ended June 30, 2023 and June 30, 2022.

NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type and the fair value changes of those derivative instruments are as follows.

| CHANGE IN FAIR VALUE | | | | FAIR VALUE AT JUNE 30, 2023 | |
|-----------------------|---|-----------|--|-----------------------------|------------------|
| Derivative Instrument | Type | Amount | Classification | Amount | Current Notional |
| Series 2006 | Cash flow hedge: Pay-fixed interest rate swap | \$116,084 | Derivative Instrument Interest Rate Swap | \$ (48,191) | \$2,360,059 |

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2022, classified by type and the fair value changes of those derivative instruments are as follows.

| CHANGE IN FAIR VALUE | | | | FAIR VALUE AT JUNE 30, 2022 | |
|-----------------------|---|-----------|--|-----------------------------|------------------|
| Derivative Instrument | Type | Amount | Classification | Amount | Current Notional |
| Series 2006 | Cash flow hedge: Pay-fixed interest rate swap | \$226,355 | Derivative Instrument Interest Rate Swap | \$(164,276) | \$2,795,316 |

The University determined that Series 2006 pay-fixed interest rate swap met the criteria for effectiveness as of June 30 of both years. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bond. The fair value of the interest rate swap was estimated based on the present value of its estimated future cash flows.

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2023, along with the credit rating of the associated counterparty. On June 28, 2023, the University replaced the reference rate of the hedging derivative's variable payment due to the cessation of the USD LIBOR panel. Per the federal Adjustable Interest Rate (LIBOR) Act, the primary replacement benchmark will be the 1-Month Secured Overnight Financing Rate (SOFR) plus a slight margin adjustment to account for the difference between historic LIBOR and SOFR rates. The two rates are essentially equivalent, and all other conditions to continue hedge accounting under GASB Statement 93 have been met.

| Type | Objective | Effective Date | Maturity Date | Terms | Counterparty Credit Rating |
|------------------------------|---|----------------|---------------|----------------------------|----------------------------|
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the Series 2006 Bonds | 1/1/2008 | 1/1/2028 | 65% of 3 mo. USD-LIBOR-BBA | A3 |
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the Series 2006 Bonds | 7/1/2023 | 10/1/2028 | 65% of 3 mo. USD-SOFR-CME | A3 |

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2022, along with the credit rating of the associated counterparty.

| Type | Objective | Effective Date | Maturity Date | Terms | Counterparty Credit Rating |
|------------------------------|---|----------------|---------------|----------------------------|----------------------------|
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the Series 2006 Bonds | 1/1/2008 | 1/1/2028 | 65% of 3 mo. USD-LIBOR-BBA | A3 |

The following schedule outlines fiscal year maturities of hedging derivative net cash flows and related interest expense.

| Fiscal Year Ending | Series 2006 | | Total Debt Service |
|--------------------|--------------------|------------------|--------------------|
| | Principal | Interest | |
| 2024 | 455,626 | 102,328 | 557,954 |
| 2025 | 476,951 | 80,681 | 557,632 |
| 2026 | 499,270 | 58,021 | 557,291 |
| 2027 | 522,636 | 34,301 | 556,937 |
| 2028 | 405,576 | 9,470 | 415,046 |
| Total | \$2,360,059 | \$284,801 | \$2,644,860 |

Credit Risk — The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2023, and June 30, 2022, with a balance of \$48,191 and \$164,276 respectively. Because the Series 2006 derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instrument would simply be netted against the payoff of the debt.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the derivative instruments. On a pay-fixed, receive-variable interest rate swap, the University will be negatively impacted by the lower rate environment, which will decrease the fair market values of its derivative instrument. The derivative instrument for Series 2006 fixes the hedged debt at 4.67%.

Basis Risk — Basis risk is the risk that the University may lose cash flows because of the differences in the indexes upon which the derivative instrument and the item it hedges are based. The University is not exposed to basis risk since both derivative instruments and the associated debts being hedged are based on the three-month SOFR index.

Termination Risk — The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The University is also exposed to termination risk if the student fee or auxiliary bonds are prepaid or partially prepaid. This risk is only to the extent the notional amount of the swap transactions exceeds the remaining amount after the prepayment.

Rollover Risk — Rollover risk is the risk that the maturity of the derivative instrument is shorter than the maturity of the associated debt. Since both the derivative instruments and the debt being hedged have identical maturity dates, there is no rollover risk to the University.

NOTE 5 – Accounts Receivable

The following schedule summarizes accounts receivable at June 30, 2023, compared to the previous fiscal year.

| Accounts Receivable | 2023 | 2022 |
|--------------------------------------|--------------|--------------|
| Student fees receivable | \$ 4,107,634 | \$ 4,765,883 |
| Auxiliary enterprises | 1,038,788 | 1,328,471 |
| Gifts and nonoperating grants | 2,100,353 | 2,550,928 |
| Contracts and operating grants | 119,295 | 185,174 |
| Other | 454,491 | 263,782 |
| Current accounts receivable, gross | 7,820,561 | 9,094,238 |
| Allowance for uncollectible accounts | (1,938,077) | (2,689,211) |
| Current accounts receivable, net | \$ 5,882,484 | \$ 6,405,027 |

Other receivables are comprised primarily of revenues from external customers for education and public services.

NOTE 6 – Leases Receivable

The University leased building space to Sodexo Services of Indiana Limited Partnership, a third-party provider of food service (Sodexo) prior to and including the year ended June 30, 2022. Payments were generally fixed monthly per contract but changed annually due to square footage modifications and inflation adjustments based on the U.S. Department of Labor Consumer Price Index for Finished Consumer Foods. These modifications and inflation adjustments were not known until the beginning of each fiscal year, so therefore were not included in the measurement of the leases receivable and deferred inflow.

The leases receivable and deferred inflow is included on the Statement of Net Position. The revenue resulting from amortization of the lease deferred inflow is included on the Statement of Revenues, Expenses, and Changes in Net Position.

The University recognized the following related to its lessor agreement with Sodexo:

| Fiscal year ending June 30 | 2022 |
|----------------------------|------------------|
| Lease revenue | \$377,256 |
| Interest income | 7,129 |
| Total Lease revenue | \$384,385 |

The University and Sodexo entered into a new agreement effective July 1, 2022, that is considered a public-private partnership under GASB Statement 94. This new agreement effectively ended the lessor/lessee arrangement. As a result, no lease receivables or deferred inflows related to leases are included in the Statement of Net Position for the year ended June 30, 2023. See Note 19 for additional information about public-private partnerships.

USI also provides space to Barnes & Noble College Booksellers, LLC, a third-party providing campus store management services. In exchange, the University receives consideration based on a percentage of sales. Under paragraph 45 of GASB 87, variable payments should be recognized as revenue in the period to which those payments relate. As a result, the variable payments based on future performance of Barnes & Noble do not qualify for treatment as leases receivable. The University recognized \$405,083 and \$413,064 from Barnes & Noble related to this agreement for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 – Other Postemployment Benefits (OPEB)**General Information about the OPEB Plan**

Plan Description — USI provides postemployment benefits other than pensions for eligible retirees under a single employer defined benefit healthcare plan. The plan was administered by the University until January 1, 2021, when AmWins Group Benefits assumed administration of the plan on behalf of the University. The USI Board of Trustees has the authority to establish or amend the benefit provisions of the plan.

A Voluntary Employees' Benefit Association (VEBA) Trust was established in 1995 by the University to partially fund OPEB expenses in future years. The trustee, Old National Wealth Management, does not provide a stand-alone financial report of the USI VEBA Trust, but the plan assets and financial activity are included as part of its publicly available audited financial report. That report may be obtained by writing to Old National Wealth Management, 123 Main Street, Evansville, IN 47708, or by calling 800-830-0362. Funds that are placed into the trust cannot revert to the University under any circumstances; therefore, the financial statements of the University do not include the value of these assets. However, the fiscal year activity for the Trust is presented in the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Benefits Provided — USI provides medical, dental, and life insurance benefits for eligible retirees and their dependents. The OPEB plan is closed to new entrants.

Full time employees hired before July 1, 2014 whose age plus years of creditable service equal 57 as of July 1, 2014, or who have 10 years of creditable service as of July 1, 2014, are eligible for lifetime medical and dental coverage at retirement once they reach age 60 with 10 years of service, or for certain eligible employees, age 55 with 85 points (age plus years of service is at least 85). Retirees hired prior to 1993 contribute 25% of the medical and dental premium rates regardless of years of service at retirement. Eligible retirees hired after 1993 contribute a percentage of the medical and dental premium rates based on their years of service at retirement. The percentages range from 25% to 75%. Employees hired before July 1, 2014 are eligible for University-subsidized life insurance.

Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement with Anthem to a fully insured option with United Healthcare. Retirees and dependents who are not eligible for Medicare continue to participate in the Anthem cost-plus plans along with active employees. Dental insurance is provided to all eligible retirees from Paramount Dental (formerly HRI). Effective January 1, 2023, the University changed providers for retiree life insurance, moving from Standard Insurance Company to Sun Life Assurance Company of Canada.

Employees covered by benefit terms — At June 30, 2023, the following employees were covered by the benefit terms.

| | | | |
|---|------------|---|------------|
| Inactive employees or beneficiaries currently receiving medical/dental benefit payments | 289 | Inactive employees or beneficiaries currently receiving life insurance benefit payments | 408 |
| Inactive employees entitled to but not yet receiving medical/dental benefit payments | 0 | Inactive employees entitled to but not yet receiving life insurance benefit payments | 0 |
| Active employees eligible for medical/dental | 238 | Active employees eligible for life insurance | 454 |
| Total | 527 | Total | 862 |

Contributions — Historically, the trust has been funded from three sources: University contributions and reserves designated by the University Board of Trustees for this purpose, employee payroll deductions for post-retirement benefits, and retiree contributions for medical and dental insurance premiums. In 2013, management elected to discontinue contributions to the trust from employees and retirees in anticipation of changes to retiree insurance coverage. The University did not contribute institutional funds to the VEBA during the most recent fiscal year.

The University uses a pay-as-you-go financing method where employee payroll deductions for post-retirement benefits and retiree contributions for medical and dental premiums are made at about the same time and in the same amount as benefit payments and expenses coming due. The University remits medical claims incurred and medical, dental, and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental, and life insurance ranged from \$42.05 to \$602.95 per month for single coverage and \$511.81 to \$1,666.96 for family coverage. Retiree contributions for medical and dental ranged from \$41.35 to \$600.17 per month for single coverage and \$511.11 to \$1,664.17 for family coverage. The University also offers retiree and spouse coverage, as well as retiree and dependent coverage, with rates falling within the ranges provided.

Net OPEB Liability (Asset)

For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2022 with results projected to the June 30, 2023 measurement date, reflecting actual premiums and contributions. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2022 with no adjustments.

Actuarial assumptions — The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

| | |
|------------------------------------|--|
| Inflation | 2.00% for wages 2.50% for real rates of return |
| Salary increases | 2.00–8.50%, including inflation |
| Healthcare cost trend rates | 7.00% for 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for pre 65 medical 6.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for post 65 medical 4.00% for 2024 and later years for dental |

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for healthy retirees, SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses and SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 for disabled retirees.

Retiree contributions are assumed to increase according to health care trend rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study in 2013.

The long-term expected real rate of return on the OPEB plan investment is assumed to be 7%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. Returns shown below are real rates of return net of a 2.50% inflation assumption.

| ASSET CLASS | TARGET ALLOCATION | LONG-TERM EXPECTED REAL RATE OF RETURN |
|------------------------|-------------------|--|
| Domestic Large Cap | 45% | 7.5% |
| Domestic Mid/Small Cap | 15 | 8.5 |
| International Equity | 10 | 7.5 |
| Domestic Bonds | 30 | 2.5 |
| Total | 100% | |

Discount Rate — The final equivalent single discount rate used for this year's accounting valuation is 7% as of the beginning and end of the fiscal year with the expectation that the University will continue contributing a percentage of pay-go cost to ensure that the trust has sufficient balance to pay for future benefit payments. The University is expected to withdraw at least 5% of the VEBA Trust in the future to pay for the pay-go costs.

The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

| YIELD AS OF | JUNE 30, 2023 |
|--|---------------|
| Bond Buyer Go 20-Bond Municipal Bond Index | 3.65% |
| S&P Municipal Bond 20-Year High Grade Rate Index | 4.13 |
| Fidelity 20-Year Go Municipal Bond Index | 3.86 |
| Bond Index Range | 3.65-4.13% |

| CHANGES IN THE NET OPEB LIABILITY (ASSET) | | JUNE 30, 2023 | | |
|--|--------------------------|---------------------------------|------------------------------------|--------------------|
| | Increase (Decrease) | | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a)-(b) | |
| Balances at 6/30/2022 | \$20,465,654 | \$25,156,374 | | \$(4,690,720) |
| Changes for the year: | | | | |
| Service Cost | 141,154 | | | 141,154 |
| Interest | 1,402,207 | | | 1,402,207 |
| Change in assumptions | | | | |
| Differences between expected and actual experience | (878,200) | | | (878,200) |
| Contributions – employer | | 70,363 | | (70,363) |
| Net Investment Income | | 2,876,843 | | (2,876,843) |
| Benefit Payments | (1,170,363) | (1,170,363) | | — |
| Administrative Expense | | (35,860) | | 35,860 |
| Net Changes | (505,202) | 1,740,983 | | (2,246,185) |
| Balances at 6/30/2023 | \$19,960,452 | \$26,897,357 | | \$(6,936,905) |

| CHANGES IN THE NET OPEB LIABILITY (ASSET) | | JUNE 30, 2022 | | |
|--|--------------------------|---------------------------------|------------------------------------|------------------|
| | Increase (Decrease) | | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a)-(b) | |
| Balances at 6/30/2021 | \$18,109,816 | \$30,412,788 | | \$(12,302,972) |
| Changes for the year: | | | | |
| Service Cost | 236,657 | | | 236,657 |
| Interest | 1,245,005 | | | 1,245,005 |
| Change in assumptions | 833,491 | | | 833,491 |
| Differences between expected and actual experience | 1,181,345 | | | 1,181,345 |
| Contributions – employer | | (93,340) | | 93,340 |
| Net Investment Income | | (3,981,673) | | 3,981,673 |
| Benefit Payments | (1,140,660) | (1,140,660) | | — |
| Administrative Expense | | (40,741) | | 40,741 |
| Net Changes | 2,355,838 | (5,256,414) | | 7,612,252 |
| Balances at 6/30/2022 | \$20,465,654 | \$25,156,374 | | \$(4,690,720) |

Sensitivity of the net OPEB liability (asset) to changes in the discount rate — The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate.

| | 1% Decrease (6%) | Discount Rate (7%) | 1% Increase (8%) |
|----------------------------|------------------|--------------------|------------------|
| Net OPEB liability (asset) | \$ (4,862,637) | \$ (6,936,905) | \$ (8,696,770) |

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates — The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates.

| | 1% Decrease (6.00% decreasing to 3.50%) | Healthcare Cost Trend Rates (7.00% decreasing to 4.50%) | 1% Increase (8.00% decreasing to 5.50%) |
|----------------------------|--|--|--|
| Net OPEB liability (asset) | \$ (8,750,283) | \$ (6,936,905) | \$ (4,807,446) |

OPEB plan fiduciary net position — Information about the VEBA plan's fiduciary net position is available in the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the University recognized OPEB expense of \$353,189. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

| DEFERRED RESOURCES | | JUNE 30, 2023 | |
|--|-----------------------------------|----------------------------------|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Differences between expected and actual experience | — | 439,100 | |
| Changes in assumptions | — | — | |
| Net differences between projected and actual earnings in OPEB plan investments | 581,089 | — | |
| Total | \$581,089 | \$439,100 | |

For the year ended June 30, 2022, the University recognized OPEB expense of \$(3,214,001). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

| DEFERRED RESOURCES | | JUNE 30, 2022 | |
|--|-----------------------------------|----------------------------------|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Differences between expected and actual experience | 590,672 | — | |
| Changes in assumptions | 416,745 | — | |
| Net differences between projected and actual earnings in OPEB plan investments | 1,663,583 | — | |
| Total | \$2,671,000 | \$— | |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

| YEAR ENDED JUNE 30 | |
|--------------------|-----------|
| 2024 | (507,457) |
| 2025 | (101,905) |
| 2026 | 982,347 |
| 2027 | (230,996) |
| 2028 | — |
| Thereafter | — |

NOTE 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization

The table below displays the increase in total capital assets from \$470.2 million at June 30, 2022, to \$480.7 million on June 30, 2023. Gross capital assets, less accumulated depreciation of \$271.6 million, equal net capital assets of \$209.1 million at June 30, 2023.

| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | | | | | |
|---|--------------------------|-----------------------|----------------------|--------------------|--------------------------|
| | Balance June 30, 2022 | Additions | Transfers | Deletions | Balance June 30, 2023 |
| Capital Assets Not Being Depreciated | | | | | |
| Land | \$ 5,085,598 | \$ — | \$ — | \$ — | \$ 5,085,598 |
| Construction in Progress | 4,059,763 | 9,439,109 | (2,446,260) | — | 11,052,612 |
| Total Capital Assets Not Being Depreciated | \$ 9,145,361 | \$ 9,439,109 | \$(2,446,260) | \$ — | \$ 16,138,210 |
| Capital Assets Being Depreciated | | | | | |
| Land Improvements | \$ 15,236,711 | \$ — | \$ — | \$ — | \$ 15,236,711 |
| Infrastructure | 10,817,987 | — | 1,625,147 | — | 12,443,134 |
| Educational Buildings | 282,087,214 | — | 821,113 | — | 282,087,214 |
| Auxiliary Buildings | 122,230,850 | — | — | (463,119) | 122,588,844 |
| Equipment | 28,106,422 | 1,954,589 | — | (477,747) | 29,583,264 |
| Library Materials | 2,606,881 | 2,655 | — | (13,737) | 2,595,799 |
| Total Capital Assets Being Depreciated | \$ 461,086,065 | \$ 1,957,244 | \$ 2,446,260 | \$(954,603) | \$ 464,534,966 |
| Total Capital Assets | \$ 470,231,426 | \$ 11,396,353 | \$ — | \$(954,603) | \$ 480,673,176 |
| Less Accumulated Depreciation | | | | | |
| Land Improvements | \$ (12,815,632) | \$ (584,539) | \$ — | \$ — | \$ (13,400,171) |
| Infrastructure | (4,055,449) | (303,344) | — | — | (4,358,793) |
| Educational Buildings | (128,991,311) | (9,470,206) | — | — | (138,461,517) |
| Auxiliary Buildings | (84,832,729) | (3,160,370) | — | 430,587 | (87,562,512) |
| Equipment | (24,410,471) | (1,353,989) | — | 477,747 | (25,286,713) |
| Library Materials | (2,462,344) | (34,533) | — | 13,737 | (2,483,140) |
| Total Accumulated Depreciation | \$(257,567,936) | \$(14,906,981) | — | \$ 922,071 | \$(271,552,846) |
| Net Capital Assets Being Depreciated | \$ 203,518,129 | \$(12,949,737) | \$ 2,446,260 | \$ (32,532) | \$ 192,982,120 |
| Total Net Capital Assets | \$ 212,663,490 | \$ (3,510,628) | \$ — | \$ (32,532) | \$ 209,120,330 |

The table below displays the increase in total right-to-use assets from \$5.9 million at June 30, 2022, to \$9.6 million on June 30, 2023. Gross right-to-use assets, less accumulated amortization of \$3.2 million, equal net right-to-use assets of \$6.4 million at June 30, 2023. The June 30, 2022, balances have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

| RIGHT-TO-USE ASSETS, LESS ACCUMULATED AMORTIZATION | | | | | |
|--|--------------------------|----------------------|-------------|----------------------|--------------------------|
| | Balance June 30, 2022 | Additions | Transfers | Deletions | Balance June 30, 2023 |
| Right-to-Use Asset Class | | | | | |
| Equipment | \$ 545,734 | \$ 167,481 | \$ — | \$ (125,012) | \$ 588,203 |
| Buildings | 35,563 | — | — | — | 35,563 |
| Vehicles | 47,227 | — | — | — | 47,227 |
| Subscription-Based IT Arrangements | 5,264,049 | 4,684,035 | — | (1,067,838) | 8,880,246 |
| Total Right-to-Use Assets Being Amortized | \$ 5,892,573 | \$ 4,851,516 | \$ — | \$(1,192,850) | \$ 9,551,239 |
| Less Accumulated Amortization | | | | | |
| Equipment | \$ (290,197) | \$ (144,275) | \$ — | \$ 103,628 | \$(330,844) |
| Buildings | (15,578) | (14,401) | — | — | (29,979) |
| Vehicles | (10,853) | (15,742) | — | — | (26,595) |
| Subscription-Based IT Arrangements | (1,326,367) | (1,959,863) | — | 510,861 | (2,775,369) |
| Total Accumulated Amortization | \$(1,642,995) | \$(2,134,281) | \$ — | \$ 614,489 | \$(3,162,787) |
| Total Net Right-to-Use Assets | \$ 4,249,578 | \$ 2,717,235 | \$ — | \$ (578,361) | \$ 6,388,452 |

The table below displays the increase in total capital assets from \$464.9 million at July 1, 2021, to \$470.2 million on June 30, 2022. Gross capital assets, less accumulated depreciation of \$257.6 million, equal net capital assets of \$212.6 million at June 30, 2022.

| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | | | | | |
|--|--------------------------|-----------------------|-----------------------|--------------------|--------------------------|
| | Balance June 30, 2021 | Additions | Transfers | Deletions | Balance June 30, 2022 |
| Capital Assets Not Being Depreciated | | | | | |
| Land | \$ 5,085,598 | \$ — | \$ — | \$ — | \$ 5,085,598 |
| Construction in Progress | 4,622,347 | 4,522,096 | (5,084,648) | (32) | 4,059,763 |
| Total Capital Assets Not Being Depreciated | \$ 9,707,945 | \$ 4,522,096 | \$ (5,084,648) | \$(32) | \$ 9,145,361 |
| Capital Assets Being Depreciated | | | | | |
| Land Improvements | \$ 15,236,711 | \$ — | \$ — | \$ — | \$ 15,236,711 |
| Infrastructure | 10,817,987 | — | — | — | 10,817,987 |
| Educational Buildings | 277,140,855 | — | 5,084,648 | (138,289) | 282,087,214 |
| Auxiliary Buildings | 122,230,850 | — | — | — | 122,230,850 |
| Equipment | 27,099,344 | 1,277,369 | — | (270,291) | 28,106,422 |
| Library Materials | 2,662,373 | 2,834 | — | (58,326) | 2,606,881 |
| Total Capital Assets Being Depreciated | \$ 455,188,120 | \$ 1,280,203 | \$ 5,084,648 | \$(466,906) | \$ 461,086,065 |
| Total Capital Assets | \$ 464,896,065 | \$ 5,802,299 | \$ — | \$(466,938) | \$ 470,231,426 |
| Less Accumulated Depreciation | | | | | |
| Land Improvements | \$ (12,175,212) | \$ (640,420) | \$ — | \$ — | \$ (12,815,632) |
| Infrastructure | (3,762,939) | (292,510) | — | — | (4,055,449) |
| Educational Buildings | (119,419,111) | (9,709,409) | — | 137,209 | (128,991,311) |
| Auxiliary Buildings | (81,431,334) | (3,401,395) | — | — | (84,832,729) |
| Equipment | (23,370,514) | (1,305,484) | — | 265,527 | (24,410,471) |
| Library Materials | (2,480,043) | (40,627) | — | 58,326 | (2,462,344) |
| Total Accumulated Depreciation | \$(242,639,153) | \$(15,389,845) | — | \$ 461,062 | \$(257,567,936) |
| Net Capital Assets Being Depreciated | \$ 212,548,967 | \$(14,109,642) | \$ 5,084,648 | \$ (5,844) | \$ 203,518,129 |
| Total Net Capital Assets | \$ 222,256,912 | \$ (9,587,546) | \$ — | \$ (5,876) | \$ 212,663,490 |

Gross right-to-use assets of \$5.8 million, less accumulated amortization of \$1.6 million, equal net right-to-use assets of \$4.2 million at June 30, 2022. The balances for June 30, 2021, have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

| RIGHT-TO-USE ASSETS, LESS ACCUMULATED AMORTIZATION | | | | | |
|---|--------------------------|----------------------|-------------|-------------------|--------------------------|
| | Balance June 30, 2021 | Additions | Transfers | Deletions | Balance June 30, 2022 |
| Right-to-Use Asset Class | | | | | |
| Equipment | \$ 519,642 | \$ 26,092 | \$ — | \$ — | \$ 545,734 |
| Buildings | 32,055 | 15,279 | — | (11,771) | 35,563 |
| Vehicles | 36,377 | 31,390 | — | (20,540) | 47,227 |
| Subscription-Based IT Arrangements | 3,781,794 | 1,482,25 | — | — | 5,264,049 |
| Total Right-to-Use Assets Being Amortized | \$4,369,868 | \$ 1,555,016 | \$ — | \$(32,311) | \$5,892,573 |
| Less Accumulated Amortization | | | | | |
| Equipment | \$ (142,489) | \$ (147,708) | \$ — | \$ — | \$ (290,197) |
| Buildings | (13,068) | (14,281) | — | 11,771 | (15,578) |
| Vehicles | (15,299) | (16,094) | — | 20,540 | (10,853) |
| Subscription-Based IT Arrangements | — | (1,326,367) | — | — | (1,326,367) |
| Total Accumulated Amortization | \$ (170,856) | \$(1,504,450) | \$ — | \$ 32,311 | \$(1,642,995) |
| Total Net Right-to-Use Assets | \$4,199,012 | \$ 50,566 | \$ — | \$ — | \$ 4,249,578 |

A breakdown of significant projects included in construction in progress is shown below:

| CONSTRUCTION WORK IN PROGRESS | | |
|--|--------------------------------|--------------------------------|
| Facility | Balance as of June 30, 2022 | Balance as of June 30, 2023 |
| HVAC Building Controls Replacement | \$1,744,872 | \$ 2,683,225 |
| Wellness Center | 591,200 | 5,411,915 |
| Housing Fiber Optic Upgrade | 1,317,714 | — |
| HP Renovation (first and second floors) | 34,775 | 1,074,663 |
| Student Housing Fire System | — | 885,621 |
| UC West Electrical Transformers | 200,099 | 608,618 |
| Other projects (not exceeding \$250,000) | 171,103 | 388,570 |
| Total | \$4,059,763 | \$11,052,612 |

NOTE 9 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2023 and 2022, are shown below.

| | Balance June 30, 2022 | Additions | Reductions | Balance June 30, 2023 | Current Portion | Noncurrent Portion |
|---|--------------------------|---------------------|---------------------|--------------------------|---------------------|-----------------------|
| Bonds payable | \$126,526,668 | \$ 6,840,000 | \$18,122,166 | \$115,244,502 | \$11,403,393 | \$103,841,109 |
| Leases and subscriptions payable | 3,960,807 | 4,909,790 | 3,601,822 | 5,268,775 | 1,931,120 | 3,337,655 |
| Derivative instruments – interest rate swap | 164,276 | — | 116,085 | 48,191 | — | 48,191 |
| Compensated absences | 3,167,766 | 2,830,122 | 2,794,744 | 3,203,144 | 473,694 | 2,729,450 |
| Termination benefits | 440,530 | 241,526 | 272,713 | 409,343 | 295,151 | 114,192 |
| Net pension liability | 1,883,504 | 3,139,041 | 640,926 | 4,381,619 | — | 4,381,619 |
| Other noncurrent liabilities | 8,465 | 15,955 | 17,410 | 7,010 | — | 7,010 |
| Total | \$136,152,016 | \$17,976,434 | \$25,565,866 | \$128,562,584 | \$14,103,358 | \$114,459,226 |

| | Balance June 30, 2021 | Additions | Reductions | Balance June 30, 2022 | Current Portion | Noncurrent Portion |
|---|--------------------------|--------------------|---------------------|--------------------------|---------------------|-----------------------|
| Bonds payable | \$142,418,646 | — | \$15,891,978 | \$126,526,668 | \$11,046,438 | \$115,480,230 |
| Leases and subscriptions payable | 4,201,402 | 1,570,998 | 1,811,593 | 3,960,807 | 1,558,916 | 2,401,891 |
| Derivative instruments – interest rate swap | 433,374 | — | 269,098 | 164,276 | — | 164,276 |
| Compensated absences | 3,482,812 | 2,615,501 | 2,930,547 | 3,167,766 | 430,237 | 2,737,529 |
| Termination benefits | 673,628 | 213,019 | 446,117 | 440,530 | 270,726 | 169,804 |
| Net pension liability | 4,450,249 | 1,459,307 | 4,026,052 | 1,883,504 | — | 1,883,504 |
| Other noncurrent liabilities | 5,563 | 10,154 | 7,252 | 8,465 | — | 8,465 |
| Total | \$155,665,674 | \$5,868,979 | \$25,382,637 | \$136,152,016 | \$13,306,317 | \$122,845,699 |

Leases & subscriptions payable for June 30, 2021, and June 30, 2022, has been restated due to the implementation of GASB Statement 96 on Subscription-Based Technology Arrangements.

NOTE 10 – Debt Related to Capital Assets

Bonds Payable — The following schedule details bonds payable at June 30, 2023, compared to the previous fiscal year.

| SCHEDULE OF BONDS PAYABLE | | | | | | | |
|---|------------|----------------|---------------|-----------------------|-------------------------------------|-------------------------------------|-------------------------------|
| | Issue Date | Interest Rate | Maturity Date | Original Issue Amount | Principal Outstanding June 30, 2023 | Principal Outstanding June 30, 2022 | Current Portion June 30, 2023 |
| Student Fee Bonds | | | | | | | |
| Direct Placements of Debt | | | | | | | |
| Series 2006, Recreation and Fitness Center | 2006 | 4.67% | 2028 | 7,250,000 | 2,360,059 | 2,795,316 | 455,626 |
| Series K-3, Refund Series H and I | 2012 | 1.90% | 2023 | 42,840,000 | 2,575,000 | 5,100,000 | 2,575,000 |
| Series L-1, Health Professions Center 3rd Floor | 2017 | 2.90% | 2036 | 8,050,000 | 6,130,000 | 6,480,000 | 360,000 |
| Series L-2, Refund Series J | 2017 | 2.15% | 2026 | 21,440,000 | 11,965,000 | 15,195,000 | 3,305,000 |
| Series L-3, Refund Series J | 2017 | 2.65% | 2028 | 9,955,000 | 9,655,000 | 9,755,000 | 100,000 |
| Series O, Refund Series K-1 | 2022 | 2.76% | 2025 | 6,840,000 | 6,840,000 | — | 635,000 |
| Student Fee Bonds – Direct Placements | | | | 96,375,000 | 39,525,059 | 39,325,316 | 7,430,626 |
| Other Debt | | | | | | | |
| Series K-1, Teaching Theatre | 2012 | 2.00% to 4.00% | 2032 | 12,300,000 | — | 7,265,000 | — |
| Series M, Physical Activities Center | 2019 | 4.00% to 5.00% | 2037 | 37,245,000 | 29,570,000 | 30,895,000 | 1,380,000 |
| Series N, Health Professions Center Renovation | 2020 | 3.00% to 5.00% | 2039 | 41,170,000 | 35,865,000 | 37,285,000 | 1,480,000 |
| Student Fee Bonds – Other Debt | | | | 90,715,000 | 65,435,000 | 75,445,000 | 2,860,000 |
| Student Fee Bonds | | | | 187,090,000 | 104,960,059 | 114,770,316 | 10,290,626 |
| Auxiliary System Bonds | | | | | | | |
| Other Debt | | | | | | | |
| Series 2003, Student Housing Facilities | 2003 | 3.00% to 4.50% | 2024 | 8,005,000 | 1,125,000 | 1,650,000 | 550,000 |
| Auxiliary System Bonds | | | | 8,005,000 | 1,125,000 | 1,650,000 | 550,000 |
| Subtotal Bonds Payable | | | | \$195,095,000 | \$106,085,059 | \$116,420,316 | \$10,840,626 |
| Net Unamortized Premiums | | | | — | \$9,159,443 | \$ 10,106,352 | \$ 562,767 |
| Total Bonds Payable | | | | | \$115,244,502 | \$126,526,668 | \$11,403,393 |

The following schedule details bonds payable at June 30, 2022, compared to the previous fiscal year.

| SCHEDULE OF BONDS PAYABLE | | | | | | | |
|---|------------|----------------|---------------|-----------------------|-------------------------------------|-------------------------------------|-------------------------------|
| | Issue Date | Interest Rate | Maturity Date | Original Issue Amount | Principal Outstanding June 30, 2022 | Principal Outstanding June 30, 2021 | Current Portion June 30, 2022 |
| Student Fee Bonds | | | | | | | |
| Direct Placements of Debt | | | | | | | |
| Series 2006, Recreation and Fitness Center | 2006 | 4.67% | 2028 | 7,250,000 | 2,795,316 | 3,211,113 | 435,257 |
| Series K-3, Refund Series H and I | 2012 | 1.90% | 2023 | 42,840,000 | 5,100,000 | 9,620,000 | 2,525,000 |
| Series L-1, Health Professions Center 3rd Floor | 2017 | 2.90% | 2036 | 8,050,000 | 6,480,000 | 6,820,000 | 350,000 |
| Series L-2, Refund Series J | 2017 | 2.15% | 2026 | 21,440,000 | 15,195,000 | 18,355,000 | 3,230,000 |
| Series L-3, Refund Series J | 2017 | 2.65% | 2028 | 9,955,000 | 9,755,000 | 9,855,000 | 100,000 |
| Student Fee Bonds – Direct Placements | | | | 89,535,000 | 39,325,316 | 47,861,113 | 6,640,257 |
| Other Debt | | | | | | | |
| Series K-1, Teaching Theatre | 2012 | 2.00% to 4.00% | 2032 | 12,300,000 | 7,265,000 | 7,780,000 | 535,000 |
| Series M, Physical Activities Center | 2019 | 4.00% to 5.00% | 2037 | 37,245,000 | 30,895,000 | 32,170,000 | 1,325,000 |
| Series N, Health Professions Center Renovation | 2020 | 3.00% to 5.00% | 2039 | 41,170,000 | 37,285,000 | 38,650,000 | 1,420,000 |
| Student Fee Bonds – Other Debt | | | | 90,715,000 | 75,445,000 | 78,600,000 | 3,280,000 |
| Student Fee Bonds | | | | 180,250,000 | 114,770,316 | 126,461,113 | 9,920,257 |
| Auxiliary System Bonds | | | | | | | |
| Direct Placements of Debt | | | | | | | |
| Series 2008A, Student Housing Facilities | 2008 | 3.97% | 2021 | 9,800,000 | — | 3,100,000 | — |
| Other Debt | | | | | | | |
| Series 2003, Student Housing Facilities | 2003 | 3.00% to 4.50% | 2024 | 8,005,000 | 1,650,000 | 2,150,000 | 525,000 |
| Auxiliary System Bonds | | | | 17,805,000 | 1,650,000 | 5,250,000 | 525,000 |
| Subtotal Bonds Payable | | | | \$198,055,000 | \$116,420,316 | \$131,711,113 | \$10,445,257 |
| Net Unamortized Premiums | | | | — | \$ 10,106,352 | \$ 10,707,533 | \$ 601,181 |
| Total Bonds Payable | | | | | \$126,526,668 | \$142,418,646 | \$11,046,438 |

The University of Southern Indiana Student Fee Bonds Series K-3 of 2012, Series L-1, L-2, and L-3 of 2017, Series M of 2019, Series N of 2020, and Series O of 2022 are secured by a pledge and first lien on student fees. Student Fee Bonds Series 2006 are secured by a pledge and junior lien on student fees. These student fee bonds contain a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The University of Southern Indiana Auxiliary System Revenue Bond, Series 2003 is secured by a pledge of and parity first lien on the net income from the Auxiliary System (student housing, parking facilities, and dining services), any insurance proceeds, amounts held in the debt service funds or project funds, and investment income thereon. The auxiliary system bond contains a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The deferred amount on bond refundings were \$1,598,498 at June 30, 2022, and \$1,345,701 at June 30, 2023.

Annual debt service requirements through maturity for bonds payable are presented in the following chart.

| ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2023 | | | | |
|--|---------------------|--------------------|---------------------|---------------------|
| Fiscal Year Ended June 30 | Direct Placements | | Other Debt | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 7,430,626 | \$ 955,613 | \$ 3,410,000 | \$ 2,734,350 |
| 2025 | 7,616,951 | 770,224 | 3,560,000 | 2,584,909 |
| 2026 | 7,344,270 | 574,988 | 3,115,000 | 2,435,175 |
| 2027 | 4,547,636 | 417,883 | 3,260,000 | 2,292,125 |
| 2028 | 4,540,576 | 288,508 | 3,410,000 | 2,142,375 |
| 2029–2033 | 6,035,000 | 506,271 | 19,635,000 | 8,116,150 |
| 2034–2038 | 2,010,000 | 118,755 | 24,620,000 | 3,145,450 |
| 2039–2043 | — | — | 5,550,000 | 167,700 |
| Total | \$39,525,059 | \$3,632,242 | \$66,560,000 | \$23,618,234 |

| ANNUAL DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2022 | | | | |
|--|---------------------|--------------------|---------------------|---------------------|
| Fiscal Year Ended June 30 | Direct Placements | | Other Debt | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 6,640,257 | \$ 927,917 | \$ 3,805,000 | \$ 3,150,538 |
| 2024 | 6,795,626 | 775,592 | 3,970,000 | 2,992,350 |
| 2025 | 4,321,951 | 644,437 | 4,140,000 | 2,820,108 |
| 2026 | 4,434,270 | 534,830 | 3,720,000 | 2,646,675 |
| 2027 | 4,547,636 | 417,883 | 3,890,000 | 2,478,925 |
| 2028–2032 | 10,105,576 | 729,674 | 21,280,000 | 9,556,725 |
| 2033–2037 | 2,480,000 | 183,860 | 24,450,000 | 4,131,300 |
| 2038–2042 | — | — | 10,840,000 | 426,749 |
| Total | \$39,325,316 | \$4,214,193 | \$77,095,000 | \$28,203,370 |

NOTE 11 – 2023 Refunding Bond Issue

On August 4, 2022, the University of Southern Indiana issued \$6,840,000 in Series O student fee bonds with a fixed interest rate of 2.76% to refund \$6,730,000 of outstanding fixed-rate Series K-1 student fee bonds with an interest rate of 4%. The trustee redeemed the Series K-1 bonds on October 1, 2022, and the University paid the remaining \$535,000 of principal. As a result, the liability for the Series K-1 bonds has been satisfied and removed from the Statement of Net Position. The University of Southern Indiana in effect reduced its aggregate debt service payment by \$988,951 over the next 11 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$245,524.

NOTE 12 – Leases and Subscriptions Payable

The University leases certain assets from various third parties. The assets leased include equipment, buildings, and vehicles. Payments are generally fixed monthly with the exception of one equipment lease with fixed monthly payments that increase by 2% each year. Lease terms range from three years for vehicles, five years for equipment, and two to three years for buildings.

Future principal and interest payment requirements related to the lease liability on June 30, 2023, are illustrated in the following schedule.

| FUTURE MINIMUM LEASE PAYMENTS | | | |
|--------------------------------------|------------------|-----------------|------------------|
| Fiscal year ending June 30 | Principal | Interest | Total |
| 2024 | \$150,925 | \$5,260 | \$156,185 |
| 2025 | 56,073 | 3,208 | 59,281 |
| 2026 | 39,878 | 1,971 | 41,849 |
| 2027 | 35,248 | 833 | 36,081 |
| 2028 | 7,808 | 37 | 7,845 |
| Total future minimum payments | \$289,932 | \$11,309 | \$301,241 |

USI has also entered into various Subscription-Based IT Agreements (SBITAs). These subscriptions provide the University the right to use a vendors' IT software for a period of time. Payments are generally annual and either fixed over the term or include fixed annual increases of 2% to 5%. Three SBITAs were billed and paid in entirety upon commencement of the term instead of annual installments. SBITA terms range from one to seven years including potential renewal periods that are likely to be exercised.

Future principal and interest payment requirements related to the subscription liability on June 30, 2023, are illustrated in the following schedule.

| FUTURE MINIMUM SBITA PAYMENTS | | | |
|--------------------------------------|--------------------|------------------|--------------------|
| Fiscal year ending June 30 | Principal | Interest | Total |
| 2024 | \$1,705,945 | \$87,229 | \$1,793,174 |
| 2025 | 1,383,880 | 59,239 | 1,443,119 |
| 2026 | 1,028,804 | 33,833 | 1,062,637 |
| 2027 | 658,654 | 12,071 | 670,725 |
| 2028 | 95,078 | 2,740 | 97,818 |
| 2029–2033 | 32,232 | 528 | 32,760 |
| Total future minimum payments | \$4,904,593 | \$195,640 | \$5,100,233 |

The asset activity related to leased assets and SBITAs is disclosed in Note 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization.

The expense resulting from amortization of leased assets and SBITAs is included on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 13 – Retirement Plans

Substantially all regular employees of the University are covered by either the Teachers Insurance and Annuity Association (TIAA) Plan or by the Public Employees' Hybrid (PERF Hybrid) plan. The TIAA plan is an IRC 403(b) defined contribution plan; PERF Hybrid is a defined benefit and defined contribution plan under IRC 401(a) and a state plan described in IC 5-10.2, in IC 5-10.3, in 35 IAC 1.2 and other Indiana pension law. The University contributed \$5,383,818 to these programs in fiscal year 2022–23, which represents approximately 8.80% of the total University payroll and 10.42% of the benefit-eligible employees' payroll for the same period.

Defined Contribution Retirement Plan

Faculty and Administrators — Eligible employees may participate in the TIAA Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA, or another university-sponsored retirement plan, for at least one year prior to eligible employment at the University. The University contributed \$4,615,871 to this plan for 619 participating employees for fiscal year ending June 30, 2023, and \$4,604,396 for 633 participating employees for fiscal year ending June 30, 2022. The annual payroll for this group totaled \$44,606,939 and \$43,459,761 for fiscal years ending June 30, 2023 and 2022, respectively.

Support Staff — For newly hired staff, the USI Board of Trustees approved a new defined contribution plan on March 6, 2014. The new plan applies only to newly hired support staff in regular assignments with a 50% or greater schedule with an employment date on or after July 1, 2014, and no prior PERF-eligible employment with the University. The new plan was established with TIAA, with the same immediate vesting and other features of the defined contribution plan for faculty and administrators, but with a fixed employer contribution of 7% of compensation and using the PERF definition of eligible compensation. The University contributed \$226,659 to this plan for 142 participating employees for fiscal year ending June 30, 2023, and \$220,132 to this plan for 144 participating employees for the fiscal year ending June 30, 2022. The annual payroll for this group totaled \$3,237,986 and \$3,144,748 for fiscal years ending June 30, 2023 and 2022, respectively.

TIAA issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing Teachers Insurance and Annuity Association, 730 3rd Avenue, New York, NY 10017-3206, or via its web site at tiaa.org.

Hybrid Defined Benefit and Defined Contribution Retirement Plan

Plan description — Support staff in eligible positions and who worked at least half-time and who were hired on or before July 1, 2014, participated in the PERF Hybrid Plan, a retirement program administered by the Indiana Public Retirement System (INPRS), an agency of the State of Indiana. PERF Hybrid is a cost-sharing, multiple-employer defined benefit and defined contribution plan which is administered in accordance with IC 5-10.2, IC 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. Effective January 1, 2018, funds previously known

as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. DC member balances previously reported within PERF DB fund totals were transferred to the appropriate DC fund as of January 1, 2018. Benefit provisions are established and/or amended by the State of Indiana. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for PERF participants. That report may be obtained at in.gov/inprs/annualreports.htm.

Benefits provided — PERF Hybrid consists of the Public Employees’ Defined Benefit Account (PERF DB) and the Public Employees’ Hybrid Members Defined Contribution Account (PERF DC).

PERF DB provides retirement, disability and death benefits. Employees were eligible to participate in this plan immediately upon employment and are fully vested after ten years of employment. The following table is a summary of the key information for the PERF DB fund administered by INPRS.

| Full Retirement Benefit | | |
|--|---|---|
| Eligibility | Annual Pension Benefit | Early Retirement Benefit |
| Age 65 and 10 years (eight years for certain elected officials) of creditable service. Age 60 and 15 years of creditable service, Age 55 if age and creditable service total at least 85 (“Rule of 85”), Age 55 and 20 years of credible service and active as an elected official in the PERF-covered position, and Age 70 with 20 years of creditable service and still active in the PERF-covered position. | Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1% (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance. | Age 50 and minimum of 15 years of creditable service (44% of full benefit at age 50, increasing 5% per year up to 89% at age 59). |

| Disability Benefit | Survivor Benefit | | COLA – Cost of Living Adjustment |
|---|--|---|--|
| | While in Active Service | While Receiving a Benefit | |
| An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). | If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member’s death. | A spouse or dependent receives the benefit associated with the member’s selected form of payment: Five Year Certain and Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits. | Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2022, postretirement benefits of \$4.1 million were issued to members as a COLA. |

PERF DC provides supplemental retirement benefits to PERF DB members. Members are fully vested in their account balance, which includes all contributions and earnings. Members may withdraw their account balance upon retirement, termination, disability, or death.

| RETIREMENT AND TERMINATION BENEFIT | DISABILITY BENEFIT | SURVIVOR BENEFIT |
|--|---|--|
| Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment. As of January 1, 2021, members at least 59 1/2 years of age and service eligible for normal retirement may take in-service distribution of their DC account. Additionally, members who are age and service eligible for normal retirement may take a withdrawal after separation without the 30 day wait period. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan or a monthly annuity. | Upon providing proof of the member’s qualification for social security disability benefits, the member is entitled to the sum total of contributions plus earnings. The amount can be paid in a full or partial withdrawal as a lump sum, direct rollover to another eligible retirement plan or a monthly annuity. | Beneficiary is entitled to the sum total of contributions plus earnings. The amount can be paid in a lump sum, direct rollover to another eligible retirement plan or a monthly annuity. The amount a beneficiary is entitled to if a member dies after having selected an annuity or having withdrawn from the account depends upon the annuity option selected by the member and the amount of benefits the member received. |

Contributions — The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. There are two parts to this plan. the PERF DC fund to which members contribute 3% of their salary and PERF DB fund to which the University contributed 11.2% of the employee’s salary this fiscal year. The University contributed \$541,289 for 115 employees participating in the PERF Hybrid plan during the 2022–23 fiscal year and \$612,424 for 139 employees participating during 2021–22. These contribution amounts include the 3% member portion, which the University has elected to pay on behalf of its employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The University reported a liability of \$4,381,619 at June 30, 2023, and \$1,883,504 at June 30, 2022, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2022 for assets and June 30, 2021 rolled forward to June 30, 2022 for liabilities. The University's proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2022, the University's proportion was 0.14%, which is unchanged from 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$(312,167). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| DEFERRED RESOURCES | | JUNE 30, 2023 | |
|---|--------------------------------|-------------------------------|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Differences between expected and actual experience | 94,484 | 16,664 | |
| Changes in assumptions | 593,468 | 187,460 | |
| Net difference between projected and actual earnings on pension plan investments | 540,738 | — | |
| Changes in proportion and differences between the University's contributions and proportionate share of contributions | — | 699,736 | |
| The University's contributions subsequent to the measurement date | 541,289 | — | |
| Total | \$1,769,979 | \$903,860 | |

For the year ended June 30, 2022, the University recognized pension expense of \$(1,035,007). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| DEFERRED RESOURCES | | JUNE 30, 2022 | |
|---|--------------------------------|-------------------------------|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Differences between expected and actual experience | 64,421 | 37,608 | |
| Changes in assumptions | 947,415 | 423,071 | |
| Net difference between projected and actual earnings on pension plan investments | — | 2,445,558 | |
| Changes in proportion and differences between the University's contributions and proportionate share of contributions | — | 662,186 | |
| The University's contributions subsequent to the measurement date | 612,424 | — | |
| Total | \$1,624,260 | \$3,568,423 | |

\$541,289 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

| AS OF JUNE 30, 2023 | |
|---------------------|-------------------|
| 2023 | (172,863) |
| 2024 | 109,404 |
| 2025 | (183,708) |
| 2026 | 571,997 |
| 2027 | — |
| Thereafter | — |
| Total | \$ 324,830 |

| AS OF JUNE 30, 2022 | |
|---------------------|----------------------|
| 2022 | (841,621) |
| 2023 | (651,517) |
| 2024 | (364,392) |
| 2025 | (699,057) |
| 2026 | — |
| Thereafter | — |
| Total | \$(2,556,587) |

Actuarial assumptions — The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|----------------------------------|
| Inflation | 2.00% |
| Salary Increases | 2.65-8.65%, including inflation |
| Investment rate of return | 6.25%, net of investment expense |

Cost of Living Increases 0.40% beginning on January 1, 2024
 0.50% beginning on January 1, 2034
 0.60% beginning on January 1, 2039

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

| Mortality (Healthy) | Mortality (Retirees) | Mortality (Beneficiaries) | Mortality (Disabled) |
|--|---|---|--|
| General Employee table with a 3-year set forward for males and a 1-year set forward for females. | General Retiree table with a 3-year set forward for males and a 1-year set forward for females. | Contingent Survivor table with no set forward for males and a 2-year set forward for females. | General Disabled table with a 140% load. |

The actuarial assumptions used in the June 30, 2022 valuation were adopted by the INPRS Board in April 2022. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019, and were first used in the June 30, 2020 valuation.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range, along with a reasonable alpha assumption from manager selection, ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

| ASSET RATE OF RETURN | | |
|------------------------------------|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Public Equity | 20% | 3.6% |
| Private Markets | 15 | 7.7 |
| Fixed Income – Ex Inflation-Linked | 20 | 1.4 |
| Fixed Income – Inflation-Linked | 15 | (0.3) |
| Commodities | 10 | 0.9 |
| Real Assets | 10 | 3.7 |
| Absolute Return | 5 | 2.1 |
| Risk Parity | 20 | 3.8 |
| Cash and Cash Overlay | (15) | (1.7) |
| Total | 100% | |

Discount rate — The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by Indiana statute. Based on those assumptions, each defined benefit 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 benefits to determine the total pension liability.

The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate.

| PROPORTIONATE SHARE OF NET PENSION LIABILITY | | | |
|---|------------------------|--------------------------|------------------------|
| | 1% Decrease (5.25%) | Discount Rate (6.25%) | 1% Increase (7.25%) |
| University’s proportionate share of the net pension liability | \$7,402,158 | \$4,381,619 | \$1,862,269 |

Basis of Accounting — The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

In 2015, the Indiana General Assembly passed legislation that required employers who chose to freeze participation in PERF to pay their share of the pension plan's unfunded liability. The University's share of this liability was \$347,008, which was paid in full on June 27, 2016.

NOTE 14 – Risk Management

The University is exposed to various risks of loss: torts; errors or omissions; theft, damage to property or destruction of assets; vehicle losses; job-related illness or injuries to employees; and natural disasters. The University manages these risks through a combination of risk retention and risk transfer, or the purchase of commercial insurance. Property insurance for buildings and contents and other special form coverage is subject to a deductible of \$200,000 per occurrence. Specifically, for earthquake, there is an additional 2% of loss deductible (per unit) for building, contents, and business income. For the University's main campus there is a minimum deductible of \$200,000 for flood for each loss. There is also a 1% per unit and a \$200,000 minimum deductible for "Windstorm" meaning wind, wind driven rain, or hail.

Educators' Legal Liability has a \$125,000 deductible for each wrongful acts claim. Primary General Liability has a \$75,000 deductible. Cyber Liability carries a \$100,000 retention while Crime coverage carries a \$50,000 retention. Site Pollution (which includes mold) has a \$50,000 deductible. Internship and Professional Liability deductible is \$25,000.

Other coverages in existence include Commercial Auto, Fine Arts, and Workers Compensation which are insured by commercial insurance policies subject to various deductibles. Life and disability insurance are handled through fully insured commercial policies. No liability exists at the balance sheet date for unpaid claims. The University did not have any settlements exceeding insurance coverage for any of the prior three years.

The University has two healthcare plans available for new enrollment of full-time benefit-eligible employees. The University has two additional healthcare plans that are only available to non-Medicare eligible retirees and two healthcare plans available only to Medicare eligible retirees. The active and non-Medicare eligible plans are funded under a self-funded arrangement whereby the University is billed for actual claims paid by the insurer on behalf of the covered participants plus administrative fees. The plans for Medicare eligible retirees are fully insured.

For the self-funded plans, the University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific stop loss coverage for active employees' individual claims over \$225,000. The University also has established a reserve to cover a significant portion of the aggregate liability beyond 125% of expected claims. The liability for medical claims incurred but not reported is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to the University for payment. For the fully insured plans, the University pays a premium and the insurance company assumes the risk for claims incurred by the plan members. Changes in the balance of claims liabilities during the 2021–22 and 2022–23 fiscal years are as follows. The amounts reported reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years.

CHANGE IN CLAIM LIABILITY

| Fiscal Year | Beginning Liability | Claims Incurred | Claims Paid | Ending Liability |
|-------------|---------------------|-----------------|----------------|------------------|
| 2021–2022 | \$1,152,970 | \$14,047,328 | \$(14,044,395) | \$1,155,903 |
| 2022–2023 | \$1,155,903 | \$14,562,864 | \$(14,543,580) | \$1,175,187 |

NOTE 15 – Compensated Absence Liability

Vacation leave and similar compensated absences (such as sick leave) based on past service are accrued as a liability as earned. The liability is measured at the salary rate in effect at the balance sheet date, and additional amounts are accrued for all required salary-related payments due a terminating or retiring employee. The salary-related payments subject to this accrual include the University's share of Social Security and Medicare taxes, as well as the University's contributions to a defined benefit retirement plan and a defined contribution retirement plan.

The total cumulative compensated absence liability is \$3,203,144 and \$3,167,766 for June 30, 2023 and 2022, respectively. The current year change represents a \$64,553 increase in accrued vacation; a \$24,599 decrease in sick leave liability; a \$3,057 increase in Social Security and Medicare taxes; a \$8,426 decrease in Public Employees' Retirement Fund (PERF) contributions; and a \$793 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, \$410,365 was paid out to terminating employees. Payout for terminating employees in fiscal year 2023–24 is expected to increase approximately 15.43% because of the number who will have reached the requisite retirement age and years of service. For that reason, \$473,694 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining \$2,729,450 is classified as a noncurrent liability.

NOTE 16 – Termination Benefits Liability

GASB Statement No. 47, *Accounting for Termination Benefits*, requires the University to recognize a liability and an expense for voluntary termination benefits, such as early-retirement incentives, when the offer is accepted, and the amount can be estimated. Members of the University's regular full-time faculty and administrative staff who have been employed in an eligible position prior to January 1, 1999, who have 15 or more consecutive years of service, and who are age 60 or older may receive early-retirement benefits upon request. These benefits include a lump-sum retirement service pay calculated as a percent of final-year salary based on length of service, not to exceed 25%, and continued contribution to retirement annuity contracts through the end of the fiscal year in which the retiree reaches age 66. Salaries are assumed to increase 3% for purposes of calculating this liability.

The University has 21 retirees currently receiving early-retirement benefits, 10 of whose benefits stop after this fiscal year and 9 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals \$409,343 at June 30, 2023. Of that amount, \$295,151 is expected to be paid out during the following fiscal year and is classified as a current liability under accrued payroll, benefits and deductions and the remaining \$114,192 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 17 – Functional Expenses

Operating expenses are reported by natural classification on the face of the Statement of Revenues, Expenses, and Changes in Net Position. Some users of the financial statements have a need to know expenses by functional classification, either for trend analysis or for comparison to other higher education institutions. This information is presented in the tables below.

| FUNCTIONAL EXPENSES | | FISCAL YEAR ENDED JUNE 30, 2023 | | | | | |
|------------------------------------|---------------------|---------------------------------|-----------------------|--------------------|-----------------------------|-------------------------------|----------------------|
| Function | Salaries and Wages | Benefits | Student Financial Aid | Utilities | Supplies and Other Services | Depreciation and Amortization | Total |
| Instruction | \$31,839,239 | \$11,048,978 | | | \$ 3,312,599 | | \$ 46,200,816 |
| Academic Support | 5,657,900 | 2,274,505 | | | 3,860,461 | | 11,792,866 |
| Student Services | 6,926,810 | 2,794,748 | | | 5,704,965 | | 15,426,523 |
| Institutional Support | 9,516,580 | 3,891,600 | | | 8,240,516 | | 21,648,696 |
| Operation and Maintenance of Plant | 2,726,426 | 1,253,080 | | 5,068,356 | 9,163,308 | | 18,211,170 |
| Depreciation and Amortization | | | | | | 17,041,262 | 17,041,262 |
| Student Aid | | | 3,186,467 | | | | 3,186,467 |
| Public Service | 1,303,807 | 492,300 | | | 1,566,415 | | 3,362,522 |
| Research | 34,535 | 3,905 | | | 54,706 | | 93,146 |
| Auxiliary Enterprises | 3,183,705 | 2,261,130 | | 1,011,956 | 13,447,794 | | 19,904,585 |
| TOTAL | \$61,189,002 | \$24,020,246 | \$3,186,467 | \$6,080,312 | \$45,350,764 | \$17,041,262 | \$156,868,053 |

| FUNCTIONAL EXPENSES | | FISCAL YEAR ENDED JUNE 30, 2022 (Restated) | | | | | |
|------------------------------------|---------------------|--|-----------------------|--------------------|-----------------------------|-------------------------------|----------------------|
| Function | Salaries and Wages | Benefits | Student Financial Aid | Utilities | Supplies and Other Services | Depreciation and Amortization | Total |
| Instruction | \$31,733,475 | \$ 8,669,374 | | | \$ 2,587,629 | | \$ 42,990,478 |
| Academic Support | 5,543,534 | 1,573,559 | | | 3,260,070 | | 10,377,163 |
| Student Services | 6,180,482 | 1,949,380 | | | 6,438,406 | | 14,568,268 |
| Institutional Support | 8,825,359 | 3,449,165 | | | 9,050,276 | | 21,324,800 |
| Operation and Maintenance of Plant | 2,879,317 | 649,048 | | 4,807,263 | 6,774,937 | | 15,110,565 |
| Depreciation and Amortization | | | | | | 16,894,295 | 16,894,295 |
| Student Aid | | | 15,509,952 | | | | 15,509,952 |
| Public Service | 1,256,106 | 349,973 | | | 2,127,581 | | 3,733,660 |
| Research | 38,422 | 2,739 | | | 70,821 | | 111,982 |
| Auxiliary Enterprises | 3,376,121 | 1,911,417 | | 878,952 | 9,798,889 | | 15,965,379 |
| TOTAL | \$59,832,816 | \$18,554,655 | \$15,509,952 | \$5,686,215 | \$40,108,609 | \$16,894,295 | \$156,586,542 |

NOTE 18 – Contingent Liabilities and Commitments

The University is a party in various legal actions and administrative proceedings arising in the normal course of its operations. Management does not believe the outcome of these actions will have a material adverse effect on the University's financial position. The University has not established an estimated loss contingency because the conditions necessary to accrue a liability have not been met as of the financial reporting date.

Outstanding commitments for capital construction projects totaled \$25,811,292 and \$3,188,084 at June 30, 2023 and 2022, respectively.

NOTE 19 – Public-Private Partnerships

USI entered into a new agreement with Sodexo Services of Indiana Limited Partnership to provide food services effective July 1, 2022. The University as transferor will receive consideration based on a percentage of sales. For the year ended June 30, 2023, the University recognized \$448,260 related to its public-private partnership agreement with Sodexo.

As part of the agreement, mandatory improvements are required to be made by Sodexo. As of June 30, 2023, no improvements have been placed into service that would require recognition.

NOTE 20 – Restatement of Prior Year Balances

The University implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*, which was effective for the fiscal year ended June 30, 2023. The adoption of this standard required the restatement of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows for the period ended June 30, 2022, the earliest period presented in the University's comparative financial statements.

Implementation of this standard required the University to recognize an intangible right-to-use subscription asset and a subscription liability on the Statement of Net Position. In addition, the portion of one subscription that was previously reported as a prepaid expense at June 30, 2022, is reflected in the restated subscription asset value.

These restatements on the Statement of Net Position have a corresponding impact on the Statement of Revenues, Expenses, and Changes in Net Position. Specifically, expenses changed slightly, decreasing the amount reported as supplies and other services and increasing amounts reported as amortization and interest expenses.

This pronouncement had no impact on beginning or ending cash balances, but it did have an impact on how this activity was presented on the Statement of Cash Flows. Decreased payments to suppliers and other payments were offset by increased payments of principal and interest on capital debt and right-to-use assets.

The restated balances as the result of implementing GASB Statement 96 are detailed in the following table.

| Statement of Net Position | June 30, 2022 as reported | Reclassification/ Restatement | June 30, 2022 as restated |
|---|------------------------------|----------------------------------|------------------------------|
| Current Assets | | | |
| Other current assets | \$ 3,434,416 | \$ (80,884) | \$ 3,353,532 |
| Noncurrent Assets | | | |
| Subscription assets, net | — | 3,937,682 | 3,937,682 |
| Current Liabilities | | | |
| Leases and subscriptions payable | 165,525 | 1,393,391 | 1,558,916 |
| Noncurrent Liabilities | | | |
| Leases and subscriptions payable | 149,392 | 2,252,499 | 2,401,891 |
| Net Position | | | |
| Net investment in capital assets | 129,469,268 | 210,908 | 129,680,176 |
| Statement of Revenues, Expenses, and Changes in Net Position | | | |
| Operating Expenses | | | |
| Supplies and other services | \$ 41,667,894 | \$(1,559,285) | \$ 40,108,609 |
| Depreciation and amortization | 15,567,928 | 1,326,367 | 16,894,295 |
| Non-operating Revenues (Expenses) | | | |
| Interest on capital asset related debt | (3,993,536) | (22,009) | (4,015,545) |
| Statement of Cash Flows | | | |
| Cash Flows from Operating Activities | | | |
| Payments to suppliers | \$(39,962,644) | \$ 1,559,285 | \$(38,403,359) |
| Other receipts (payments) | 1,049,238 | 80,884 | 1,130,122 |
| Cash Flows from Capital Financing Activities | | | |
| Principal paid on capital debt and right-to-use assets | (15,468,246) | (1,634,143) | (17,102,389) |
| Interest paid on capital debt and right-to-use assets | (4,455,157) | (6,026) | (4,461,183) |



NOTE 1 – Nature of Operations and Summary of Significant Accounting Policies***Nature of Operations***

The University of Southern Indiana Foundation (Foundation) is a not-for-profit organization, the mission and principal activity of which is to support the activities of the University of Southern Indiana (University), and includes the activities of various University support organizations. The Foundation's revenues and other support are derived principally from contributions and investment income and its activities are conducted principally in the Southwest Indiana area.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, Southern Indiana Higher Education Holdings, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Operational income of the subsidiary is minimal.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets include funds designated by the governing body to function as endowments (board endowments) that are not subject to donor-imposed restrictions. The spendable allocations from the board endowment net assets and non-endowed net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. These net assets include funds designated by the governing body to function as endowments (board endowments) that are subject to donor-imposed restrictions but are not endowed by the donor.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Cash

The Foundation considers all liquid investments not classified with investments and with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowments, are not considered to be cash and cash equivalents. At June 30, 2023 and 2022, the Foundation did not have any cash equivalents.

At June 30, 2023, the Foundation's cash accounts did not exceed the federally insured limits.

Contributions Receivable – Deferred Gifts

During 2023 and 2022, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contributions receivable are recorded as revenues with donor restrictions based on the intent of the donor. The amounts are recorded at gross, less allowances for an estimate of amounts that may be uncollectible and a discount based on expected mortality of the individuals and overall credit risks. The allowance for uncollectible contributions was based on a combination of qualitative factors, including mortality, relationship to the Foundation and University, historical contribution levels and history of gifting to the Foundation. The discount rates range from 3.61% to 5.59%.

In 2021, a deferred gift valued at \$894,231, net of uncollectible allowance and discount, was written off based on information provided by the estate's executor stating the pledge would not be satisfied due to insufficient funds in the donor's estate. Subsequently in 2022, cash and investment securities valued at \$413,083 were received by the Foundation through a distribution from the remainder of the donor's estate to an existing perpetual trust established by the donor to solely benefit the Foundation. The amount received is recognized as contributions of cash and other financial assets with donor restrictions within the consolidated statement of activities as of June 30, 2022.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Certificates of deposit are stated at cost. Investments in private investment funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investment. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments. Investment return is presented net of fees.

Investment return that is initially restricted by donor stipulation, and for which the restriction will be satisfied in the same year, is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and losses and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Real Estate Held for Investment

Investments in real estate consists of land recorded at the fair market value when donated or at the lower of cost or market if purchased.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|-------------------------|------------|
| Building | 7–32 years |
| Furniture and equipment | 5–15 years |
| Land improvements | 8–10 years |

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No impairment loss was recognized for the years ended June 30, 2023 and 2022.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded with donor restrictions and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions, unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the consolidated financial statements for donated services because the Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, solicitations and various committee assignments.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the programs, management and general, and fundraising categories based on actual direct expenditures and other methods.

NOTE 2 – Contributions Receivable

Contributions receivable at June 30, 2023 and 2022, consisted of the following:

| CONTRIBUTIONS RECEIVABLE | | | |
|---|----------------------------|-------------------------|---------------------|
| | 2023 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Due within one year | \$ 3,987 | \$ 1,331,298 | \$ 1,335,285 |
| Due in one to five years | — | 1,122,370 | 1,122,370 |
| Due in five or more years | — | 9,363,000 | 9,363,000 |
| | 3,987 | 11,816,668 | 11,820,655 |
| Less | | | |
| Allowance for uncollectible contributions | — | 3,224,335 | 3,224,335 |
| Unamortized discount | — | 2,848,805 | 2,848,805 |
| | \$ 3,987 | \$ 5,743,528 | \$ 5,747,515 |

The discount rates ranged from 0.52% to 5.59% for 2023. Approximately 37% of the net contributions receivable at June 30, 2023, were due from three donors.

| CONTRIBUTIONS RECEIVABLE | | | |
|---|----------------------------|-------------------------|---------------------|
| | 2022 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Due within one year | \$4,832 | \$ 1,413,133 | \$ 1,417,965 |
| Due in one to five years | — | 686,766 | 686,766 |
| Due in five or more years | — | 9,763,000 | 9,763,000 |
| | 4,832 | 11,862,899 | 11,867,731 |
| Less | | | |
| Allowance for uncollectible contributions | — | 3,236,210 | 3,236,210 |
| Unamortized discount | — | 2,788,289 | 2,788,289 |
| | \$4,832 | \$ 5,838,400 | \$ 5,843,232 |

The discount rates ranged from 0.52% to 5.59% for 2022. Approximately 39% of the net contributions receivable at June 30, 2022, were due from three donors.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2023 and 2022, were as follows:

| SPECIFIC CONTRIBUTIONS RECEIVABLE | | |
|--|--------------------|--------------------|
| | 2023 | 2022 |
| Scholarships and awards | \$2,054,374 | \$2,218,717 |
| Educational grants and academic enhancements | 1,977,793 | 2,219,938 |
| Athletic support | 272,693 | 13,329 |
| Other University support | 1,121,375 | 1,067,079 |
| Community outreach | 4,376 | 4,578 |
| Time restrictions | 316,904 | 319,591 |
| Total | \$5,747,515 | \$5,843,232 |

NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, i.e., without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

| FINANCIAL ASSETS AVAILABLE | | |
|---|---------------------|---------------------|
| | 2022 | 2022 |
| Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments) | \$169,913,552 | \$156,088,913 |
| Board-designated endowments with underlying donor-imposed restrictions | | |
| Restricted funds | (2,659,630) | (2,351,987) |
| Endowments | (30,664,895) | (27,966,575) |
| Donor-imposed restrictions | | |
| Restricted funds | (20,543,723) | (19,633,001) |
| Assets held under split-interest agreements | (1,314,311) | (266,612) |
| Time restrictions for future periods greater than one year | (312,953) | (313,202) |
| Endowments | (96,357,711) | (87,960,091) |
| Net financial assets after donor-imposed restrictions | 18,060,329 | 17,597,445 |
| Designations without donor restrictions | | |
| Board-designated endowments | (11,939,244) | (10,652,480) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 6,121,085 | \$ 6,944,965 |

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted and board-designated endowments with underlying donor restrictions is restricted for specific purposes. Donor-restricted and board-designated endowment funds with underlying donor-imposed restrictions are not available for general expenditure.

The board-designated endowments of \$42,604,139 are subject to an annual spending rate of 4.25% as described in Note 8. Although the Foundation does not intend to spend from these board-designated endowments, these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 – Net Assets with Donor Restrictions**Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2023 and 2022, are restricted for the following purposes or periods:

| NET ASSETS WITH DONOR RESTRICTIONS | | |
|--|----------------------|----------------------|
| | 2023 | 2022 |
| Subject to expenditure for specified purpose | | |
| Scholarships and awards | \$ 8,104,147 | \$ 7,452,157 |
| Educational grants and academic enhancements | 7,623,891 | 7,122,250 |
| Capital projects | 427,561 | 431,290 |
| Athletics | 293,574 | 389,346 |
| Other University support | 4,511,816 | 4,582,395 |
| Community outreach | 242,850 | 232,487 |
| Contributions receivable, the proceeds from which have been restricted by donors for | | |
| Scholarships and awards | 624,806 | 653,530 |
| Educational grants and academic enhancements | 233,322 | 226,551 |
| Athletics | 252,411 | 14,015 |
| Other University support | 813,976 | 808,773 |
| Community outreach | 4,705 | 4,546 |
| | | |
| Beneficial interest in assets held by Community Foundation not subject to spending policy or appropriation | 70,294 | 67,674 |
| | \$ 23,203,353 | \$ 21,985,014 |
| Subject to the passage of time | | |
| Beneficial interests in charitable trusts held by others | \$ 456,301 | \$ 451,134 |
| Assets held under split-interest agreements | 1,314,311 | 266,612 |
| Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due | 312,953 | 313,869 |
| | | |
| Beneficial interest in perpetual trusts not subject to spending policy or appropriation | 6,610,938 | 6,246,242 |
| | \$ 8,694,503 | \$ 7,277,857 |
| Endowments | | |
| Board-designated endowments subject to endowment spending policy and appropriation for specific purpose | | |
| Restricted by donors for | | |
| Scholarships and awards | \$ 16,513,581 | \$ 14,950,970 |
| Educational grants and academic enhancements | 11,898,250 | 10,847,805 |
| Athletics | 939,828 | 868,811 |
| Other University support | 844,080 | 826,216 |
| Community outreach | 249,278 | 230,398 |
| Contributions receivable, the proceeds from which have been restricted by donors for | | |
| Scholarships and awards | 150 | 50 |
| Educational grants and academic enhancements | 136,083 | 211,083 |
| Other University support | 83,645 | 31,242 |
| | \$ 30,664,895 | \$ 27,966,575 |
| Donor-restricted endowments subject to endowment spending policy and appropriation | | |
| Scholarships and awards | \$ 62,850,331 | \$ 56,865,449 |
| Educational grants and academic enhancements | 14,985,371 | 13,606,935 |
| Other University support | 15,240,532 | 13,914,029 |
| Contributions receivable, the proceeds from which have been restricted by donors for | | |
| Scholarships and awards | 1,411,009 | 1,553,314 |
| Educational grants and academic enhancements | 1,638,724 | 1,790,217 |
| Other University support | 231,744 | 230,147 |
| | 96,357,711 | \$ 87,960,091 |
| Total endowments with restrictions | 127,022,606 | \$115,926,666 |
| | | |
| | \$158,920,462 | \$145,189,537 |

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| NET ASSETS RELEASED FROM RESTRICTIONS | | |
|---|--------------------|--------------------|
| | 2023 | 2022 |
| Expiration of time restrictions* | \$ (812,048) | \$ 1,529 |
| Satisfaction of purpose restrictions | | |
| Scholarships and awards | 1,179,058 | 1,286,147 |
| Educational grants and academic enhancements | 702,812 | 335,303 |
| Athletics | 350,587 | 246,179 |
| Other University support | 352,998 | 214,384 |
| Capital projects | 5,125 | 3,600 |
| Community outreach | — | 9,476 |
| | \$1,778,532 | \$2,096,618 |
| Restricted-purpose spending-rate distributions and appropriations | | |
| Scholarships and awards | \$1,696,194 | \$1,218,591 |
| Educational grants and academic enhancements | 330,506 | 475,561 |
| Other University support | 168,302 | 22,335 |
| | 2,195,002 | 1,716,487 |
| | \$3,973,534 | \$3,813,105 |

*During the year ended June 30, 2023, two charitable gift annuities with underwater net asset balances matured and were released from restriction. The deficiencies resulted from unfavorable market conditions that occurred after investment of the original contributions and payment of all liabilities as per the donor agreement. No such releases from restrictions occurred during the year ended June 30, 2022.

NOTE 5 – Investments and Investment Return

Investments at June 30, 2023 and 2022, consisted of the following:

| INVESTMENTS | Fair Value | |
|--|----------------------|----------------------|
| | 2023 | 2022 |
| Short-term investments and cash equivalents | \$ 2,001,625 | \$ 2,654,603 |
| Certificate of deposit | 930,440 | 498,910 |
| U.S. Treasury securities | 2,661,605 | 2,385,357 |
| Municipal securities | 637,489 | 610,227 |
| Corporate debt securities | 5,489,360 | 5,109,114 |
| Common stocks | 26,108,114 | 22,436,282 |
| Mutual funds | | |
| Fixed income | 35,482,836 | 32,627,516 |
| International | 20,559,019 | 16,692,993 |
| Large cap | 59,649,514 | 57,612,108 |
| Small cap/mid cap | 9,385,974 | 7,802,070 |
| Alternative investment – private investment fund | 750,914 | 932,965 |
| Total | \$163,656,890 | \$149,362,145 |

Total investment return for the years ended June 30, 2023 and 2022, was comprised of the following:

| INVESTMENT RETURN | | |
|---|---------------------|-----------------------|
| | 2023 | 2022 |
| Interest and dividend income | \$ 3,373,934 | \$ 2,638,523 |
| Investment management fees | (199,287) | (210,618) |
| | 3,174,647 | 2,427,905 |
| Net realized and unrealized gain (loss) on investments reported at fair value | 14,076,831 | (26,657,095) |
| | \$17,251,478 | \$(24,229,190) |

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30, 2023 and 2022, consist of the following:

| ALTERNATIVE INVESTMENTS | | | | |
|--------------------------|------------|----------------------|----------------------|--------------------------|
| 2023 | | | | |
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Private equity funds (A) | \$ 750,914 | \$906,000 | N/A | N/A |
| 2022 | | | | |
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Private equity funds (A) | \$ 932,965 | \$906,000 | N/A | N/A |

(A) This category includes a private equity fund the primary objective of which is to enable certain qualified investors to participate in closed-end private investment partnerships managed by a management company. These investments are subject to a lock-up period of 10 to 14 years and are subject to general partner approval with respect to transferability. The fund uses the NAV of the underlying funds as a practical expedient to determine the fair value of its investments. Accounting principles generally accepted in the United States of America permit, as a practical expedient, a reporting entity to measure the fair value of an investment on the basis of the NAV of the investment if the NAV of the investment is calculated in a manner consistent with the measurement principles of an investment company.

Accordingly, the value of the investment in the underlying partnership is generally increased by additional contributions to the underlying partnership and increased or decreased by the partner's share of net earnings (losses) from the underlying partnership investment and capital distributions.

Note 6 – Beneficial Interest in Trusts

The Foundation is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$6,610,938 and \$6,246,242, which represents the fair value of the trusts' assets at June 30, 2023 and 2022, respectively. The change in fair value of these trusts for 2023 and 2022 was \$364,696 and (\$1,094,613), respectively.

The Foundation has been named a secondary beneficiary in certain charitable remainder trusts administered by outside parties. Upon termination of the trusts, the Foundation will receive the assets remaining in the trusts. Prior to termination of the trusts and transfer of assets, the Foundation records the present value of the estimated residual benefits as assets. At June 30, 2023 and 2022, the residual benefits were valued at \$456,301 and \$451,134, respectively. During 2023 and 2022, the Foundation received \$1,516 and \$923,938 in assets remaining in trusts that were terminated. The change in fair value of these trusts for 2023 and 2022 was \$5,167 and (\$84,019), respectively.

Note 7 – Annuities Payable

The Foundation has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value with donor restrictions. The Foundation has recorded a liability at June 30, 2023 and 2022, in the funds with donor restrictions, of \$550,647 and \$798,218, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from approximately 1% to 8%.

Note 8 – Endowment

The Foundation's endowment consists of approximately 513 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *State of Indiana Prudent Management of Institutional Funds Act* (SPMIFA) as requiring the preservation of the fair value of original gifts as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment made in accordance with the direction of the applicable donor gift instrument. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2023 and 2022, was:

| COMPOSITION OF NET ASSETS BY ENDOWMENT | | | |
|--|-------------------------------|----------------------------|----------------------|
| 2023 | | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$11,939,244 | \$ 30,664,895 | \$ 42,604,139 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | — | 56,113,347 | 56,113,347 |
| Accumulated investment gains | — | 41,556,581 | 41,556,581 |
| Total endowment funds | \$11,939,244 | \$128,334,823 | \$140,274,067 |
| 2022 | | | |
| Board-designated endowment funds | \$10,652,480 | \$ 27,966,575 | \$ 38,619,055 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | — | 55,015,405 | 55,015,405 |
| Accumulated investment gains | — | 34,093,053 | 34,093,053 |
| Total endowment funds | \$10,652,480 | \$117,075,033 | \$127,727,513 |

Total endowment funds include the value of donor-restricted assets held under split-interest agreements (gift annuities) that will establish donor-restricted endowments upon maturity. At June 30, 2023 and 2022, these assets were valued at \$1,312,217 and \$1,148,367, respectively.

Changes in endowment net assets for the years ended June 30, 2023 and 2022, were:

| CHANGES IN ENDOWMENT NET ASSETS | | | |
|--|---------------------------------------|------------------------------------|----------------------|
| 2023 | | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$10,652,480 | \$117,075,033 | \$127,727,513 |
| Investment return | | | |
| Investment income | 454,100 | 4,762,428 | 5,216,528 |
| Net depreciation | 908,197 | 9,545,970 | 10,454,167 |
| Total investment return | 1,362,297 | 14,308,398 | 15,670,695 |
| Contributions of cash and other financial assets | 64,582 | 840,800 | 905,382 |
| Proceeds from sale of property | 290,380 | — | 290,380 |
| Appropriation of endowment assets for expenditure | (430,495) | (3,990,713) | (4,421,208) |
| Reclassification of donor intent | — | 152,858 | 152,858 |
| Other changes – uncollectible pledge loss | — | (750) | (750) |
| Other changes – change in value of split-interest agreements | — | (50,803) | (50,803) |
| | (75,533) | (3,048,608) | (3,124,141) |
| Endowment net assets, end of year | \$11,939,244 | \$128,334,823 | \$140,274,067 |
| 2022 | | | |
| Endowment net assets, beginning of year | \$12,950,947 | \$142,257,132 | \$155,208,079 |
| Investment return | | | |
| Investment income | 1,032,742 | 10,888,782 | 11,921,524 |
| Net depreciation | (3,283,675) | (34,682,652) | (37,966,327) |
| Total investment return | (2,250,933) | (23,793,870) | (26,044,803) |
| Contributions of cash and other financial assets | 350,201 | 2,201,608 | 2,551,809 |
| Miscellaneous income | — | 100 | 100 |
| Appropriation of endowment assets for expenditure | (397,735) | (3,596,408) | (3,994,143) |
| Reclassification of donor intent | — | 40,650 | 40,650 |
| Other changes – uncollectible pledge loss | — | (1,916) | (1,916) |
| Other changes – change in value of split-interest agreements | — | (32,263) | (32,263) |
| | (47,534) | (1,388,229) | (1,435,763) |
| Endowment net assets, end of year | \$10,652,480 | \$117,075,033 | \$127,727,513 |

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships and other programs supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to offer equity and fixed income investments that are diversified among various asset classes, thus, minimizing risk of large losses, out-perform inflation by the long-term spending level for endowed funds and maximize total return with reasonable and prudent levels of investment risk.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (depreciation) (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy goals include maintaining reasonable inflation-adjusted spending into the future, providing for sufficient asset growth after spending to preserve the inflation-adjusted value of the assets, and smoothing spending on a quarterly basis, rather than vary it with short-term changes in interest rates and asset values. The Foundation sets the spending level to balance current need with growth for the future. The current spending rate is 4.25% calculated on a rolling 12-quarter average market value of each endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature, if any, are reported in net assets with donor restrictions and such amounts were \$46,146 and \$475,548 for 2023 and 2022, respectively. Deficiencies, if any, may result from unfavorable market fluctuations that occur after investment of new contributions with donor restrictions and continued appropriation for certain purposes deemed prudent by the governing body.

The practice of the Foundation does not permit distributions from endowments to invade the corpus of the endowment. If earnings are not sufficient to fully fund the calculated annual distribution from the endowment, only the amount of available earnings is distributed for spending. This practice does not preclude the Foundation from permitting spending from underwater endowments in accordance with SPMIFA if deemed prudent by the governing body, if necessary. The Foundation has interpreted SPMIFA to permit spending from underwater endowment funds in accordance with the prudent measures required by law.

Note 9 – Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022. The valuation of certificates of deposit in the amount of \$930,440 and \$498,910 as of June 30, 2023 and 2022, respectively, is excluded from the tables.

| FAIR VALUE MEASUREMENTS | | JUNE 30, 2023 | | |
|---|----------------------|--|---|---|
| | Fair Value | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Short-term investments and cash equivalents | \$ 2,001,625 | \$ 2,001,625 | \$ — | \$ — |
| U.S. Treasury securities | 2,661,605 | — | 2,661,605 | — |
| Municipal securities | 637,489 | — | 637,489 | — |
| Corporate debt securities | 5,489,360 | — | 5,489,360 | — |
| Common stocks | 26,108,114 | 26,108,114 | — | — |
| Mutual funds | | | | |
| Fixed income | 35,482,836 | 35,482,836 | — | — |
| International | 20,559,019 | 20,559,019 | — | — |
| Large cap | 59,649,514 | 59,649,514 | — | — |
| Small cap/mid cap | 9,385,974 | 9,385,974 | — | — |
| Private investment fund, measured at net asset value (A) | 750,914 | — | — | — |
| Total investments | \$162,726,450 | \$153,187,082 | \$8,788,454 | \$ — |
| Beneficial interest in charitable remainder trusts | \$ 456,301 | \$ — | \$ 456,301 | \$ — |
| Beneficial interest in perpetual trusts | \$ 6,610,938 | \$ — | \$ — | \$6,610,938 |
| Beneficial interest in Community Foundation | \$ 70,294 | \$ — | \$ — | \$ 70,294 |

| FAIR VALUE MEASUREMENTS | | JUNE 30, 2022 | | |
|---|----------------------|--|---|---|
| | Fair Value | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Short-term investments and cash equivalents | \$ 2,654,603 | \$ 2,654,603 | \$ — | \$ — |
| U.S. Treasury securities | 2,385,357 | — | 2,385,357 | — |
| Municipal securities | 610,227 | — | 610,227 | — |
| Corporate debt securities | 5,109,114 | — | 5,109,114 | — |
| Common stocks | 22,436,282 | 22,436,282 | — | — |
| Mutual funds | | | | |
| Fixed income | 32,627,516 | 32,627,516 | — | — |
| International | 16,692,993 | 16,692,993 | — | — |
| Large cap | 57,612,108 | 57,612,108 | — | — |
| Small cap/mid cap | 7,802,070 | 7,802,070 | — | — |
| Private investment fund, measured at net asset value (A) | 932,965 | — | — | — |
| Total investments | \$148,863,235 | \$139,825,572 | \$8,104,698 | \$ — |
| Beneficial interest in charitable remainder trusts | \$ 451,134 | \$ — | \$ 451,134 | \$ — |
| Beneficial interest in perpetual trusts | \$ 6,246,242 | \$ — | \$ — | \$6,246,242 |
| Beneficial interest in Community Foundation | \$ 67,674 | \$ — | \$ — | \$ 67,674 |

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023 and 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified as Level 3 of the hierarchy. There were no Level 3 investments held by the Foundation.

Beneficial Interest in Charitable Remainder Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial Interest in Community Foundation

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 10 – Related-Party Transactions

The University and the Foundation are related parties that are not financially interrelated organizations. The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University. Program services, as reflected in the consolidated statements of activities, are entirely for the University.

The Foundation paid an annual administrative fee of \$595,400 and \$567,800 to the University for the years ended June 30, 2023 and 2022, respectively, for facilities and accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures included in payable to related party as of June 30, 2023 and 2022, were \$1,215,206 and \$1,277,584, respectively.

Note 11 – Significant Estimates, Concentrations and Commitments

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

For the years ended June 30, 2023 and 2022, approximately 23% and 33%, respectively, of all contributions were received from two donors and one donor, respectively.

Contributions Receivable – Deferred Gifts

As of June 30, 2023 and 2022, the Foundation has recorded contribution pledges for deferred gifts of \$9,763,000, of which \$3,189,335 and \$3,201,210, respectively, were reserved as an allowance for uncollectible amounts and \$2,752,449 and \$2,725,218, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of \$3,821,216 and \$3,836,572, respectively. The estimated allowances for uncollectible amounts and discounts are based on factors that could change in the near term and for which such changes could materially affect the amount reported in the consolidated financial statements.

Note 12 – Risks and Uncertainties

Investments

The Foundation invests in various investment securities. Investment securities, as well as beneficial interests in trusts, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and beneficial interests, it is at least reasonably possible that changes in the values of investment securities and beneficial interests will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Note 13 – Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

| | 2023 | 2022 |
|-------------|------|-----------|
| Real estate | \$ — | \$180,000 |

The Foundation recognized contributed nonfinancial assets within revenue during fiscal year 2022. A real estate appraisal estimated the fair value on the basis of recent comparable sales prices within the real estate market and was used for the valuation methodology for the real estate. The real estate was classified as held for sale upon receipt and was sold on January 7, 2022. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Note 14 – Subsequent Events

Subsequent events have been evaluated through October 18, 2023, which is the date the consolidated financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees' Retirement Plan

Last 10 Fiscal Years

| Fiscal Year | University's proportion of the net pension liability (asset) | University's proportionate share of the net pension liability (asset) | University's covered-employee payroll** | University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll** | Plan fiduciary net position as a percentage of the total pension liability* |
|-------------|--|---|---|---|---|
| 2022 | 0.14% | \$4,381,619 | \$4,307,456 | 101.72% | 82.48% |
| 2021 | 0.14% | \$1,883,504 | \$4,774,951 | 39.45% | 92.51% |
| 2020 | 0.15% | \$4,450,249 | \$5,299,679 | 83.97% | 81.45% |
| 2019 | 0.15% | \$5,008,824 | \$6,136,241 | 81.63% | 80.06% |
| 2018 | 0.16% | \$5,289,879 | \$6,856,936 | 77.15% | 78.89% |
| 2017 | 0.16% | \$7,135,346 | \$7,964,240 | 89.59% | 72.69% |
| 2016 | 0.16% | \$7,449,403 | \$8,233,122 | 90.48% | 71.19% |
| 2015 | 0.19% | \$7,749,103 | \$9,112,942 | 85.03% | 73.32% |
| 2014 | 0.19% | \$5,121,057 | \$9,514,281 | 53.82% | 81.07% |
| 2013 | 0.20% | \$6,844,336 | \$9,594,423 | 71.34% | 74.34% |

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Public Employees' Retirement Plan

Last 10 Fiscal Years

| Fiscal Year | Contractually required contribution** | Contributions in relation to the contractually required contribution** | Contribution deficiency (excess) | University's covered-employee payroll** | Contributions as a percentage of covered-employee payroll** |
|-------------|---------------------------------------|--|----------------------------------|---|---|
| 2023 | \$ 426,244 | \$ (426,244) | — | \$3,807,755 | 11.19% |
| 2022 | \$ 482,436 | \$ (482,436) | — | \$4,307,456 | 11.20% |
| 2021 | \$ 534,796 | \$ (534,796) | — | \$4,774,951 | 11.20% |
| 2020 | \$ 591,745 | \$ (591,745) | — | \$5,299,679 | 11.17% |
| 2019 | \$ 681,948 | \$ (681,948) | — | \$6,136,241 | 11.11% |
| 2018 | \$ 765,870 | \$ (765,870) | — | \$6,856,936 | 11.17% |
| 2017 | \$ 882,030 | \$ (882,030) | — | \$7,964,240 | 11.07% |
| 2016 | \$ 917,353 | \$ (917,353) | — | \$8,233,122 | 11.14% |
| 2015 | \$1,015,471 | \$(1,015,471) | — | \$9,112,942 | 11.14% |
| 2014 | \$1,060,052 | \$(1,060,052) | — | \$9,514,281 | 11.14% |

*2013–2017 were adjusted to reflect DB activity only due to the DB/DC split effective January 1, 2018.

**2013–2019 contributions and covered payroll were adjusted to reflect the actual amounts reported to INPRS by the University. The numbers previously reported were provided to the University by INPRS but had been adjusted by INPRS to maintain a particular proportionate share of the net pension liability.

SCHEDULE OF CHANGES IN THE UNIVERSITY'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

*Last 6 Fiscal Years**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Total OPEB Liability | | | | | | |
| Service Cost | \$ 141,154 | \$ 236,657 | \$ 351,193 | \$ 493,102 | \$ 504,688 | \$ 558,526 |
| Interest | 1,402,207 | 1,245,005 | 2,902,760 | 3,315,220 | 3,447,775 | 3,441,886 |
| Changes of benefit terms | — | — | (22,980,672) | — | — | — |
| Changes in assumptions | — | 833,491 | — | (671,887) | — | 962,342 |
| Differences between expected and actual experience | (878,200) | 1,181,345 | (2,506,700) | (7,223,292) | (3,795,748) | (2,749,612) |
| Benefit Payments | (1,170,363) | (1,140,660) | (1,521,410) | (1,800,914) | (2,268,697) | (1,888,109) |
| Net change in total OPEB liability | \$ (505,202) | \$ 2,355,838 | \$(23,754,829) | \$ (5,887,771) | \$ (2,111,982) | \$ 325,033 |
| Total OPEB liability-beginning | \$20,465,654 | \$18,109,816 | \$ 41,864,645 | \$47,752,416 | \$49,864,398 | \$49,539,365 |
| Total OPEB liability-ending (a) | \$19,960,452 | \$20,465,654 | \$ 18,109,816 | \$41,864,645 | \$47,752,416 | \$49,864,398 |
| Plan fiduciary net position | | | | | | |
| Contributions-employer | \$ 70,363 | \$ (93,340) | \$ 301,410 | \$ 578,788 | \$ 1,197,189 | \$ 1,888,109 |
| Net investment income | 2,876,843 | (3,981,673) | 7,098,077 | 1,492,916 | 1,649,321 | 1,243,292 |
| Benefit payments | (1,170,363) | (1,140,660) | (1,521,410) | (1,800,914) | (2,268,697) | (1,888,109) |
| Administrative expense | (35,860) | (40,741) | (38,741) | (42,685) | (51,139) | (53,016) |
| Net change in plan fiduciary net position | \$ 1,740,983 | \$(5,256,414) | \$ 5,839,336 | \$ 228,105 | \$ 526,674 | \$ 1,190,276 |
| Plan fiduciary net position-beginning | \$25,156,374 | \$30,412,788 | \$ 24,573,452 | \$24,345,347 | \$23,818,673 | \$22,628,397 |
| Plan fiduciary net position-ending (b) | \$26,897,357 | \$25,156,374 | \$ 30,412,788 | \$24,573,452 | \$24,345,347 | \$23,818,673 |
| University's net OPEB liability (asset)-ending (a-b) | \$ (6,936,905) | \$ (4,690,720) | \$(12,302,972) | \$17,291,193 | \$23,407,069 | \$26,045,725 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 134.75% | 122.92% | 167.94% | 58.70% | 50.98% | 47.77% |
| Covered employee payroll | \$28,272,281 | \$29,566,598 | \$ 30,909,382 | \$32,786,514 | \$37,026,262 | \$42,347,069 |
| University's net OPEB liability (asset) as a percentage of covered-employee payroll | (24.54)% | (15.86)% | (39.80)% | 52.74% | 63.22% | 61.51% |

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

*Last 6 Fiscal Years**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ — | \$ — | \$ 1,859,542 | \$ 2,531,454 | \$ 2,712,899 | \$ 2,814,869 |
| Contributions in relation to the actuarially determined contribution | 70,363 | (93,340) | 301,410 | 578,788 | 1,197,189 | 1,888,109 |
| Contribution deficiency (excess) | \$ (70,363) | \$ 93,340 | \$ 1,558,132 | \$ 1,952,666 | \$ 1,515,710 | \$ 926,760 |
| Covered employee payroll | \$28,272,281 | \$29,566,598 | \$30,909,382 | \$32,786,514 | \$37,026,262 | \$42,347,069 |
| Contributions as a percentage of covered employee payroll | 0.25% | (0.32)% | 0.98% | 1.77% | 3.23% | 4.46% |

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

Notes to Required Supplementary Information

Public Employees’ Retirement Plan

Changes in assumptions: There were no changes to the actuarial assumptions during the fiscal year.

Changes in methods: There were no changes to the actuarial methods during the fiscal year.

Changes in plan provisions: There were no changes to the plan provisions during the fiscal year.

Source: Indiana Public Retirement System
 Public Employees’ Retirement Fund
 Report on Allocation of Pension Amounts
 For the Year Ended June 30, 2022

To assist in the review of the PERF schedules please see actuarial assumptions per year on the table below, as reported on the Indiana Public Retirement System (INPRS) Annual Comprehensive Financial Reports (ACFR):

| Fiscal Year | Experience Study Date | Investment Rate of Return (Accounting) | Cost of Living Increases (COLA) or “Ad Hoc” COLA | Future Salary Increases, including Inflation | Inflation | Mortality– Healthy | Mortality– Disabled | Mortality– Retirees | Mortality– Beneficiaries |
|-------------|---------------------------------------|--|--|--|-----------|--|--|---|---|
| 2022 | Period of 5 Years ended June 30, 2019 | 6.25%, Net of Investment Expense | 0.40% January 1, 2024 0.50% January 1, 2034 0.60% January 1, 2039 | 2.65%–8.65% | 2.00% | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3 year set forward for males and a 1 year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3 year set forward for males and a 1 year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2 year set forward for females. |
| 2021 | Period of 5 Years ended June 30, 2019 | 6.25%, Net of Investment Expense | 0.40% January 1, 2024 0.50% January 1, 2034 0.60% January 1, 2039 | 2.65%–8.65% | 2.00% | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3 year set forward for males and a 1 year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3 year set forward for males and a 1 year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2 year set forward for females. |
| 2020 | Period of 5 Years ended June 30, 2019 | 6.75%, Net of Investment Expense | 13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039 | 2.75%–8.75% | 2.25% | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3-year set forward for males and a 1-year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Disabled table with a 140% load. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Retiree table with a 3-year set forward for males and a 1-year set forward for females. | Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Contingent Survivor table with no set forward for males and a 2-year set forward for females. |

| Fiscal Year | Experience Study Date | Investment Rate of Return (Accounting) | Cost of Living Increases (COLA) or “Ad Hoc” COLA | Future Salary Increases, including Inflation | Inflation | Mortality–Healthy | Mortality–Disabled | Mortality–Retirees | Mortality–Beneficiaries |
|-------------|---------------------------------------|--|--|--|-----------|--|--|--------------------|-------------------------|
| 2019 | Period of 4 Years ended June 30, 2014 | 6.75%, Net of Investment Expense | 13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039 | 2.50%–4.25% | 2.25% | RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | N/A | N/A |
| 2018 | Period of 4 Years ended June 30, 2014 | 6.75%, Net of Investment Expense | 13th check for 2020 and 2021 0.40% January 1, 2022 0.50% January 1, 2034 0.60% January 1, 2039 | 2.50%–4.25% | 2.25% | RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | N/A | N/A |
| 2017 | Period of 4 Years ended June 30, 2014 | 6.75%, Net of Investment Expense | 1.00% | 2.50%–4.25% | 2.25% | RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | N/A | N/A |
| 2016 | Period of 4 Years ended June 30, 2014 | 6.75%, Net of Investment Expense | 1.00% | 2.50%–4.25% | 2.25% | RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration’s 2014 Trustee Report. | N/A | N/A | N/A |
| 2015 | Period of 4 Years Ended June 30, 2014 | 6.75%, Net of Investment Expense | 1.00% | 2.50%–4.25% | 2.25% | RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration’s 2014 Trustee Report. | N/A | N/A | N/A |
| 2014 | Period of 5 Years Ended June 30, 2010 | 6.75%, Net of Investment Expense | 1.00% | 3.25%–4.50% | 3.00% | 2013 IRS Static Mortality projected five (5) years with Scale AA. | N/A | N/A | N/A |

Notes to Schedules

Changes in assumptions: The following assumptions have been updated:

1. Interim year valuation results have been projected from the prior year's valuation with adjustments for actual premium rate changes from 2022 to 2023. Making this change has resulted in a reduction in liabilities.

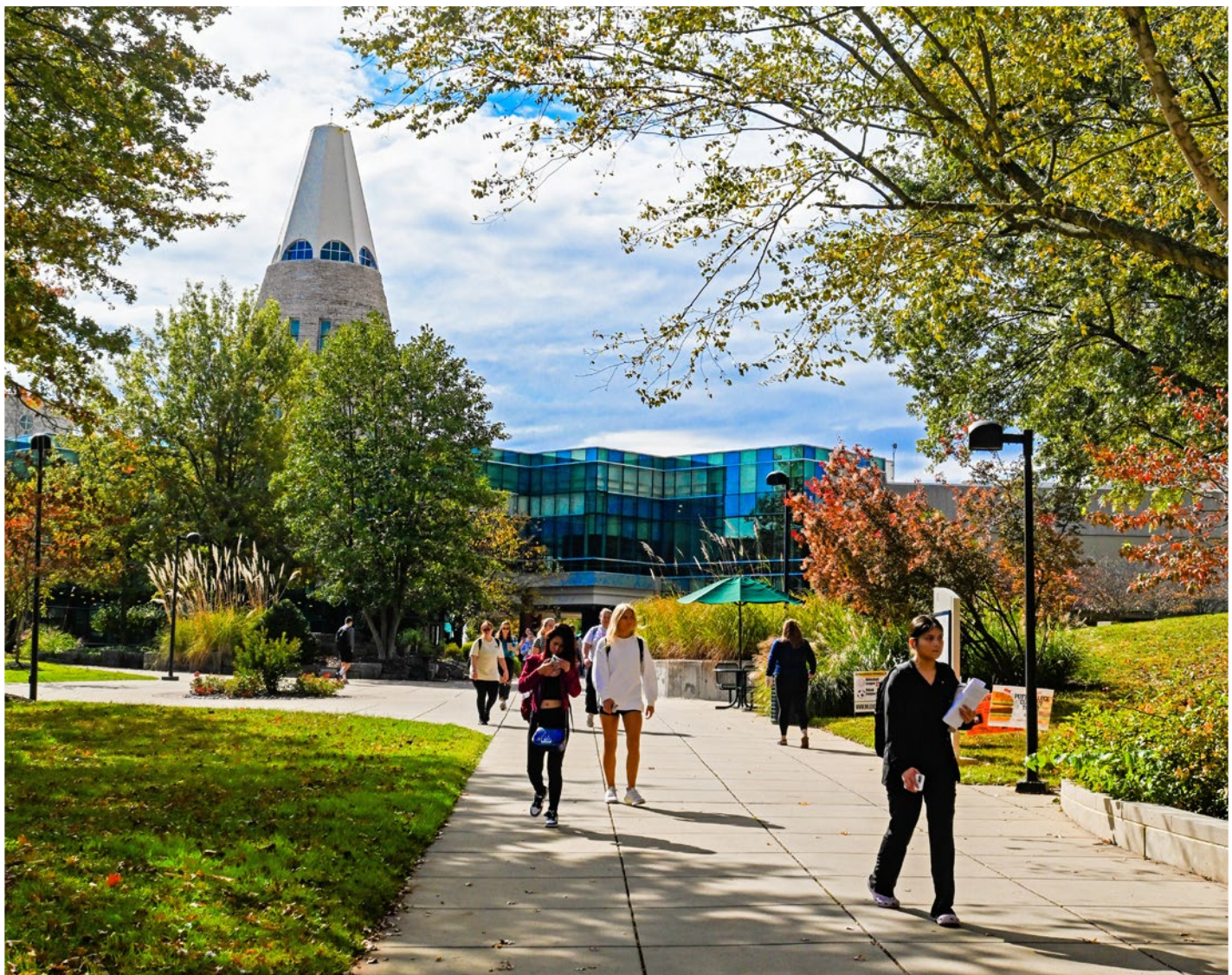
Methods and assumptions used to determine contribution rates:

| Fiscal Year | Actuarial Cost Method | Amortization Type | Remaining Amortization Period | Asset Valuation Method | Inflation | Salary Increases | Investment Rate of Return |
|-------------|------------------------------------|----------------------|-------------------------------|------------------------|---|------------------|--|
| 2023 | Entry Age Normal Level % of Salary | Level Dollar, closed | 23 years | Market value of assets | 2.00% for wages 2.50% for real rates of return | 2.00-8.5% | 7%, net of OPEB plan investment expense, including inflation |
| 2022 | Entry Age Normal Level % of Salary | Level Dollar, closed | 24 years | Market value of assets | 2.00% | 2.00-8.5% | 7%, net of OPEB plan investment expense, including inflation |
| 2021 | Entry Age Normal Level % of Salary | Level Dollar, closed | 25 years | Market value of assets | 2.25% | 2.50-4.25% | 7%, net of OPEB plan investment expense, including inflation |
| 2020 | Entry Age Normal Level % of Salary | Level Dollar, closed | 26 years | Market value of assets | 2.25% | 2.50-4.25% | 7%, net of OPEB plan investment expense, including inflation |
| 2019 | Entry Age Normal Level % of Salary | Level Dollar, closed | 27 years | Market value of assets | 2.25% | 2.50-4.25% | 7%, net of OPEB plan investment expense, including inflation |
| 2018 | Entry Age Normal Level % of Salary | Level Dollar, closed | 28 years | Market value of assets | 2.25% | 2.50-4.25% | 7%, net of OPEB plan investment expense, including inflation |

| Fiscal Year | Mortality–Healthy | Mortality–Disabled | Mortality–Surviving Spouses | Medical Trend Rates | Dental Trend Rates |
|-------------|--|---|--|--|---|
| 2023 | SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 | SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 | SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 | 7.00% for 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for Pre 65. 6.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for Post 65. | 4.00% for 2024 and later years |
| 2022 | SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2021 | SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 | SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 | 7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for Pre 65. 6.50% for 2022, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for Post 65. | 4.00% for 2022 and later years |
| 2021 | SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019 | SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 | SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 | 7.50% for 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years | 4.75% for 2022, decreasing 0.25% per year to an ultimate rate of 3.25% for 2028 and later years |

| | | | | | |
|------|--|---|--|---|---|
| 2020 | SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2019 | SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using scale MP-2019 | SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 | 8.00% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years | 5.00% for 2021, decreasing 0.25% per year to an ultimate rate of 3.00% for 2029 and later years |
| 2019 | RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 | RPH-2017 Disabled Mortality Table fully generational using scale MP-2017 | N/A | 8.50% for 2020, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years | 4.75% for 2020, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years |
| 2018 | RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 | RPH-2017 Disabled Mortality Table fully generational using scale MP-2017 | N/A | 9.00% for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years | 5.00% for 2019, decreasing 0.25% per year to an ultimate rate of 3.00% for 2027 and later years |

Changes in Plan Provisions: There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022.





The University of Southern Indiana's Equal Opportunity and Non-Discrimination Policy prohibits all forms of unlawful Discrimination and related Harassment toward any University community member on the basis of race, color, religion, sex, pregnancy or marital status, parental status, national origin or ancestry, age (40 and older), disability, genetic information, sexual orientation, gender identity, gender expression, veteran status or any other category protected by law or identified by the University as a protected class. Compliance with this Policy is a term and condition of a person's employment, membership, or affiliation with the University of Southern Indiana. Questions or concerns should be directed to the Institutional Equity Office, University of Southern Indiana, 8600 University Boulevard, Evansville, Indiana 47712.

The Disabled Student Services program is provided to help students overcome or compensate for obstacles related to a physical, emotional, or learning disability. Resources include a reader/taping service, test accommodations service, tutors, sign language interpreter service, notetaker supplies, literature and personal assistance. Program staff work with all offices to insure that reasonable and appropriate accommodations are provided to students with disabilities. A detailed brochure is available from Counseling and Psychological Services. Students requesting services must register with the Disabled Student Services program in Counseling and Psychological Services at least 60 days prior to date needed.



8600 University Boulevard
Evansville, Indiana 47712

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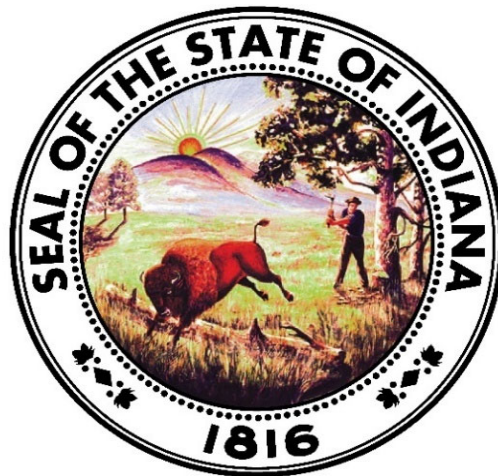
FEDERAL COMPLIANCE AUDIT REPORT

OF

UNIVERSITY OF SOUTHERN INDIANA

EVANSVILLE, INDIANA

July 1, 2022 to June 30, 2023



FILED
03/12/2024

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|---------------------------------------|--|
| President | Dr. Ronald S. Rochon | 07-01-22 to 06-30-24 |
| Vice President for Finance and Administration and Treasurer | Steven J. Bridges | 07-01-22 to 06-30-24 |
| Chair of the Board of Trustees | Ronald D. Romain Christine H. Keck | 07-01-22 to 06-30-23 07-01-23 to 06-30-24 |



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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon, dated November 1, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 1, 2023. Our report includes a reference to other auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc., as described in our report on the University's financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 has been 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 1, 2023



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 1, 2023. Our report includes a reference to other auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the University of Southern Indiana Foundation, Inc., 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 the University of Southern Indiana Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc.

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 may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

November 1, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of Southern Indiana's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- 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. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

February 22, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the University. The schedule and notes are presented as intended by the University.

UNIVERSITY OF SOUTHERN INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2023

| Cluster Title Federal Grantor Agency Pass-Through Entity Program Title/Project Title | Federal Assistance Listing Number | Pass-Through Entity (or Other) Identifying Number | Federal Awards Expended | Expenditures to Subrecipients |
|---|---|--|----------------------------|----------------------------------|
| Student Financial Assistance Cluster | | | | |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Direct Grants | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | \$ 295,050 | \$ - |
| Federal Work-Study Program | 84.033 | | 221,754 | - |
| Federal Pell Grant Program | 84.063 | | 8,272,955 | - |
| Federal Direct Student Loans | 84.268 | | <u>25,178,691</u> | <u>-</u> |
| Total for Student Financial Assistance Cluster | | | <u>33,968,450</u> | <u>-</u> |
| TRIO Cluster | | | | |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Direct Grant | | | | |
| TRIO Student Support Services | 84.042 | | <u>254,047</u> | <u>-</u> |
| Total for TRIO Cluster | | | <u>254,047</u> | <u>-</u> |
| Total for U.S. Department of Education | | | <u>34,222,497</u> | <u>-</u> |
| Research and Development Cluster | | | | |
| <u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u> | | | | |
| Pass-Through Jet Propulsion Laboratory | | | | |
| Science | 43.001 | 1691961 | <u>146</u> | <u>-</u> |
| Total for National Aeronautics and Space Administration | | | <u>146</u> | <u>-</u> |
| <u>NATIONAL SCIENCE FOUNDATION</u> | | | | |
| Direct Grant | | | | |
| Social, Behavioral, and Economic Sciences | 47.075 | | <u>37,594</u> | <u>-</u> |
| Direct Grant | | | | |
| STEM Education (formerly Education and Human Resources) | 47.076 | | 28,726 | - |
| STEM Education (formerly Education and Human Resources) | 47.076 | | 14,722 | - |
| STEM Education (formerly Education and Human Resources) | 47.076 | | <u>14,486</u> | <u>-</u> |
| <i>Total ALN 47.076</i> | | | <u>57,934</u> | <u>-</u> |
| Total for National Science Foundation | | | <u>95,528</u> | <u>-</u> |
| Total for Research and Development Cluster | | | <u>95,674</u> | <u>-</u> |
| Other Programs | | | | |
| <u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u> | | | | |
| Pass-Through Indiana Humanities Council | | | | |
| Promotion of the Humanities Federal/State Partnership | 45.129 | 23-1008 | <u>3,000</u> | <u>-</u> |
| Total for National Endowment for the Humanities | | | <u>3,000</u> | <u>-</u> |

UNIVERSITY OF SOUTHERN INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2023

| Cluster Title Federal Grantor Agency Pass-Through Entity Program Title/Project Title | Federal Assistance Listing Number | Pass-Through Entity (or Other) Identifying Number | Federal Awards Expended | Expenditures to Subrecipients |
|---|---|--|----------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Direct Grants | | | | |
| COVID-19 - Education Stabilization Fund | 84.425F | | 1,403,908 | - |
| Total for U.S. Department of Education | | | <u>1,403,908</u> | <u>-</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Direct Grants | | | | |
| Advanced Nursing Education Workforce Grant Program | 93.247 | | 171,374 | - |
| Advanced Nursing Education Workforce Grant Program | 93.247 | | <u>383,024</u> | <u>229,363</u> |
| <i>Total ALN 93.247</i> | | | <u>554,398</u> | <u>229,363</u> |
| Nurse Education, Practice Quality and Retention Grants | 93.359 | | 189,306 | - |
| COVID-19 - Nurse Education, Practice Quality and Retention Grants | 93.359 | | <u>43,750</u> | <u>-</u> |
| <i>Total ALN 93.359</i> | | | <u>233,056</u> | <u>-</u> |
| PPHF Geriatric Education Centers | 93.969 | | <u>853,384</u> | <u>331,467</u> |
| Pass-Through Indiana University | | | | |
| Area Health Education Centers | 93.107 | 8065 | 31,743 | - |
| Area Health Education Centers | 93.107 | 9484 | <u>87,201</u> | <u>-</u> |
| <i>Total ALN 93.107</i> | | | <u>118,944</u> | <u>-</u> |
| Pass-Through Indiana Center for Nursing | | | | |
| Nursing Workforce Diversity | 93.178 | None | <u>52,820</u> | <u>-</u> |
| Pass-Through Indiana Department of Health | | | | |
| COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | 000000000000000000061598 | <u>162,256</u> | <u>-</u> |
| Total for U.S. Department of Health and Human Services | | | <u>1,974,858</u> | <u>560,830</u> |
| Total for Other Programs | | | <u>3,381,766</u> | <u>560,830</u> |
| Total Federal Awards Expended | | | <u>\$ 3,756,624</u> | <u>\$ 1,121,660</u> |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

UNIVERSITY OF SOUTHERN INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the University and is presented on the accrual basis of accounting in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2. Federal Direct Student Loans

The number of guaranteed student loans and total amount for each program for University students for the year ended June 30, 2023, were as follows:

| | No. of Students | Amount |
|--|--------------------|---------------------|
| Direct Loan Program (Subsidized and Unsubsidized) | 2,985 | \$22,093,690 |
| Direct PLUS Loans (Parent and Graduate PLUS Loans) | <u>318</u> | <u>3,085,001</u> |
| Totals | <u>3,303</u> | <u>\$25,178,691</u> |

UNIVERSITY OF SOUTHERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

| Name of Opinion Unit | Opinion Issued |
|---|----------------|
| Business-Type Activities | Unmodified |
| Discretely Presented Component Unit | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | yes |

Identification of Major Programs and type of auditor's report issued on compliance for each:

| Assistance Listings Number | Name of Federal Program or Cluster | Opinion Issued |
|----------------------------|---|--------------------------|
| 84.425 | Student Financial Assistance Cluster COVID-19 - Education Stabilization Fund | Unmodified Unmodified |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes

Section II - Financial Statement Findings

No matters are reportable.

UNIVERSITY OF SOUTHERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Enrollment Reporting
Federal Agency: Department of Education
Federal Programs: Federal Pell Grant Program, Federal Direct Student Loans
Assistance Listings Numbers: 84.063, 84.268
Compliance Requirement: Special Tests and Provisions - Enrollment Reporting
Audit Findings: Material Weakness, Other Matters

Condition and Context

As a recipient of Title IV funding from the Federal Pell Grant Program (Pell) and Federal Direct Student Loans program (direct loan), the University was responsible for reporting accurate enrollment information for students receiving those awards to the National Student Loan Data System (NSLDS). Enrollment reporting requires the University to review, update, and certify student enrollment statuses, program information, and effective dates for each student receiving a Pell and/or direct loan award with a change in its enrollment information. Although the University had policies and procedures in place over Enrollment Reporting, a specific process to ensure system defects did not impact reporting requirements was not implemented. As such, errors in reporting campus level and program level data went undetected.

A sample of 40 students was selected to determine if the University was notifying the Department of Education of changes in student enrollment information in a timely and accurate manner. Of the 40 students tested, 11 students had incorrect enrollment effective dates reported to the NSLDS for both campus-level and program level data.

Follow-up procedures determined that the issue was isolated to students in the Spring 2023 term who had a change in enrollment status from the census date to the end of the term. The issue was a result of a system defect that pulled the wrong dates into the report the University used to submit the data to the NSLDS. The issue affected 160 students out of a total of 6,952 students.

The lack of effective internal controls was a systemic issue throughout the audit period, while the noncompliance was isolated to the Spring 2023 term.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

UNIVERSITY OF SOUTHERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 685.309(b) states in part:

"Enrollment reporting process.

- (1) Upon receipt of an enrollment report from the Secretary, a school must update all information in the report and return the report to the Secretary—
 - (i) In the manner and format prescribed by the Secretary; and
 - (ii) Within the timeframe prescribed by the Secretary. . . ."

The 2022-2023 Federal Student Aid Handbook, Volume 2, Chapter 3 states in part:

"Sharing Information With NSLDS, Federal Loan Servicers, And Guarantors

Reporting student enrollment data to NSLDS

Student enrollment information is important, and all schools participating or approved to participate in the FSA programs must have online enrollment access and have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through an enrollment roster file. Enrollment information is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. Program-level enrollment data is also used to determine a student's eligibility for Direct Subsidized Loans. For students moving into repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. You're required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. . . ."

Cause

A proper system of internal controls over enrollment reporting was not effective to ensure that accurate enrollment data was submitted to the NSLDS. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the University's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, enrollment information was not properly submitted to the NSLDS.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the University's management establish a system of internal controls that includes a review of Banner job processes to verify source data is correctly populated so as to ensure that all data elements required to be submitted to the NSLDS are accurate.

UNIVERSITY OF SOUTHERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the University. The document is presented as intended by the University.



CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Enrollment Reporting

Summary of Finding:

Although the University had policies and procedures in place over Enrollment Reporting, a process to ensure that system defects did not impact reporting requirements was not implemented. As such, for students who had a reduction or increase in enrollment status during the Spring 2023 term, errors in reporting campus level and program level data went undetected. Students with a status of withdrawn or with no changes during the period were accurately reported. It was recommended that the University's management establish a system of internal controls that includes a review of Banner job processes to verify source data is correctly populated so as to ensure that all data elements required to be submitted to NSLDS are accurate.

Contact Person Responsible for Corrective Action: Angel Nelson, Associate Registrar

Contact Phone Number and Email Address: (812) 465-1626; angel.nelson@usi.edu

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

While the University of Southern Indiana had internal controls in place to verify the accuracy of our enrollment reporting data, these controls were not effective in discovering system errors. In order to correct this deficiency, the following corrective actions have been implemented:

1. The system defect within our student information system has been corrected by our vendor.
2. All student records affected by the system defect have been corrected in the National Student Loan Clearinghouse database.
3. Beginning in January 2024, the University increased the number of records selected for review from the enrollment file, making sure to review some students who had a reduction or increase in enrollment status, as well as some who had withdrawn.
4. Associate Registrar has subscribed to the e-community for our software vendor to monitor for future system errors.

Anticipated Completion Date:

The system defect was corrected with the installation of a system patch that was installed on June 4, 2023.

All other steps in the corrective action plan have been completed as of January 26, 2024.

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . .The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”

Finance and Administration

OTHER REPORTS

In addition to this report, other reports may have been issued for the University. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.