



**University of  
Southern Indiana**

**FINANCIAL REPORT**

**2019–2020**

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**Additional copies of this report may be obtained from:**

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Orr Center, Room 027  
University of Southern Indiana  
8600 University Boulevard  
Evansville, IN 47712-3597  
Telephone: 812-464-1967  
or from the website at [USI.edu/about/financing/annual-financial-report](http://USI.edu/about/financing/annual-financial-report)

## Board of Trustees 2019–2020



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## University Officers 2019–2020

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## Message from the President



Dr. Ronald S. Rochon  
*President*

While the COVID-19 pandemic delivered additional challenges to higher education, here at the University of Southern Indiana, even with a 7% reduction in state appropriation, we have forged a path that allowed us to maintain academic excellence during periods of remote learning and our return to campus this fall. Additionally, due to fiscally sound decisions and support from our Board of Trustees, we were able to ensure that all employees receive their full salary and benefits through the end of December 2020.

To make sure students obtain the education they expect from USI, we created a Presidential Task Force to strategically guide us through critical areas of academics, student wellness and the logistics of our return. Our ability to continue to provide access to affordable public education for thousands of Hoosiers—and those who come to us from other parts of the country and abroad—helps Indiana maintain a strong workforce and healthy economy. The careers and life paths of our more than 45,600 alumni, as of October 2020, shape our state and region and make an impact around the world.

The pandemic shook but it did not break higher education at USI. Instead, it inspired and engaged us to look at new means of achieving success. A success that is interdependent—not only at this institution, but across the nation and globe.

### ***Enhancing Our Campus Footprint***

USI continues to address the needs of campus growth and improvement. Construction of a new Aquatic Center and phase II of the Screaming Eagles Complex, comprised of the Screaming Eagles Arena and renovation and expansion of the complex formerly known as the Physical Activities Center (PAC), is nearing completion. Both projects are part of a \$38.5 million project funded by the Indiana General Assembly in 2017, and to date two thirds of the allotted funds have been expended.

In a show of resounding support and faith in USI's ability to fulfill its mission, the state granted us the green light to proceed with a \$48 million renovation and expansion of our Health Professions Center. The Center will improve classrooms, laboratories, student study space and technology infrastructure across all three floors of the new building. As part of these improvements, the University Health Center will be moved to a new facility adjacent to our Recreation, Fitness and Wellness Center and will encompass a wide variety of health-related services, including counseling and wellness, as well as Public Safety. Funding for this project was secured as part of the 2017–19 Capital Improvement Budget Request from the state.

### ***Quality Academic Offerings***

At USI, our focus is on quality educational offerings and recruitment and retention. We have much to be proud of as we continue to see record-setting growth in our graduate programs in 2019-20 for the seventh consecutive semester, up 6.1% from last year with 1,537 students. USI offers 13 master's programs, two doctoral, one dual graduate, four post-master's certificates and seven post-baccalaureate certificates.

In a highly competitive marketplace, overall USI enrollment for the 2019 fall semester, at 10,734, is down by 2.6% from 2018. This includes students in undergraduate and graduate degree programs and 2,044 students enrolled in dual credit

including USI's College Achievement Program (CAP) in 27 high schools across Indiana. CAP continues to be an important tool in enabling many students to graduate college in four years or less. Transfer enrollment stands at 509 students in 2019, compared to 519 in 2018.

Students at USI represent 91 Indiana counties, 42 states and 69 countries. In-state students make up 80% of the student body, while out-of-state enrollment, including international students make up 20%. Minority and international students are at a record high at 15.4%.

Community service and partnerships remain a priority at USI, and the \$5.4 million the College of Nursing and Health Professions received in two federal funding grants in fall 2019 will allow us to continue to improve health outcomes for underserved populations in southwestern Indiana. The grants, which will be dispersed over a number of years, were from the Health Resources and Services Administration (HRSA), an agency of the U.S. Department of Health and Human Services: a \$3.7 million grant to implement the Geriatrics Workforce Enhancement Program (GWEP), and a \$1.7 million grant to develop a nurse practitioner residency program serving underserved communities. Through efforts like these, we are able to improve health outcomes for older adults in underserved communities of southwest Indiana by developing a workforce to maximize patient and family engagement and integrate geriatrics into primary care, and recruit nurse practitioners to fulfill a growing shortage in healthcare. This is just one example of how the University is partnering with community organizations to create important programming that can leave a lasting impact on our community and our students.

### ***Supporting Student Financial and Mental Health Success***

When the pandemic shifted the University to remote learning in Spring 2020, we took actions to help students with their financial and mental health needs while continuing their education at USI. The University received \$2.9 million from The Federal CARES Act, of which \$2.5 million has been distributed directly to students for various categories of costs related to COVID-19 in this fiscal year.

Students employed on campus kept their jobs and income for the duration of their contracts last Spring. Those with positions that allowed them to continue their duties remotely, did so; those with positions that required their physical presence continued to be paid, as did all USI employees.

For decades, the USI Foundation has utilized the Here & Now Fund for the unexpected. Gifts from alumni and friends to this fund totaled \$202,859, allowing our University to provide financial assistance for students in the most challenging times, including the pandemic.

Mental health and wellbeing play a significant role in students' ability to perform well academically, and the University was able to continue to offer private mental health counseling through USI's Counseling Center via Zoom and/or phone sessions to serve students remotely. Zoom wellness programs were created and group sessions held to help students deal with anxiety, stress, sadness and more. We have continued that offering alongside in-person counseling sessions.

### ***An Eye to the Future***

Despite reduced state funding and reduced student pools, as well as increased competition and demand for resources, we have been strategic in how we are moving forward. While COVID-19 diminished the funding support we received from the state, we are fortunate to maintain overall strong support for higher education at the state level. Current funding formulas remain at the forefront of our plans as we look to diversify sources of funding to remain vibrant.

While our graduate programs continue to grow, and we continue to see increases in the academic quality of the students choosing USI, our undergraduate enrollment has been gradually declining. We are seeking innovative admissions approaches to attract new student demographics to USI. I'm confident that we will be successful in addressing this challenge and moving the University in a positive direction.

We are working on a new University-wide strategic plan that will guide us into the future.

**Conclusion**

The University of Southern Indiana maintains a proud reputation as responsible steward to the southwest Indiana region. During both calm and troubled times, such as the pandemic, we have continued to serve the needs of our students and community. This financial report demonstrates our ability to do that through our responsiveness and the many quality academic offerings we offer. I remain excited about the future for this great institution. We have a history of grit and success, and I look forward to continuing that tradition. We are grateful for all of the continued support we receive.



Ronald S. Rochon, Ph.D.

*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, 2020, 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.

The financial report provides a key measure of an institution's well-being. This report confirms that the University weathered the challenges of COVID-19 well and remains in sound financial condition. University leadership continues to be diligent and to carefully manage resources within our resource base. USI continues to strive for excellence in teaching and learning as well as stewardship of the resources entrusted to us to achieve our core mission. For the 2019-2020 fiscal year, the University increased its net position by \$11.2 million, or 5.8%, from the prior year.

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. The unmodified audit opinion, the most favorable outcome of the audit process, is contained within the report.

Management's Discussion and Analysis (MD&A) provides an introduction and overview of the basic financial statements, as well as information regarding the 2019-2020 financial position and results of operations of the University. The financial statements and accompanying notes follow the MD&A.

As a public state-supported university, we remain appreciative that we are located in a state that values higher education and one where government leaders remain committed to providing our faculty, staff and students support to achieve our mission.

### **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 UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 represent 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation 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*.

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

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



INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Plan, Schedule of University Contributions Public Employees' Retirement Plan, Schedule of Changes in the University's Net OPEB Liability and Related Ratios, and Schedule of University Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Board of Trustees and University Officers, Message from the President, Message from the Vice President and Treasurer, and Home Counties of USI Undergraduate and Graduate Students Fall 2019 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Board of Trustees and University Officers, Message from the President, Message from the Vice President and Treasurer, and Home Counties of USI Undergraduate and Graduate Students Fall 2019 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 23, 2020

# Management's Discussion and Analysis

Management's discussion and analysis reviews the financial performance of the University of Southern Indiana (the University or USI) during the fiscal year ended June 30, 2020 and compares that performance with select information for the years ended June 30, 2019 and 2018. It is designed to focus on current activities, resulting changes, and currently known facts, and it is intended to answer questions that may result from the review of the information presented in the financial statements and to explain the financial position of the University.

## 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) standards.

In addition, the Consolidated Statements of Financial Position, the Consolidated Statements of Activities, the Consolidated Statements of Cash Flows, and the accompanying note disclosures of the University of Southern Indiana Foundation 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.

## 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)	2020	2019	2018
Current Assets	\$113,122	\$ 89,367	\$ 73,714
Noncurrent Assets:			
Capital assets, net of depreciation	214,636	209,995	195,979
Other non-current	34,011	63,402	49,958
<b>Total Assets</b>	<b>\$361,769</b>	<b>\$362,764</b>	<b>\$319,651</b>
Hedging Derivative Instruments	\$ 716	\$ 723	\$ 700
Deferred Outflow of Resources Related to Pensions	883	1,122	2,452
Deferred Outflow of Resources Related to OPEB	510	685	993
<b>Total Deferred Outflow of Resources</b>	<b>\$ 2,109</b>	<b>\$ 2,530</b>	<b>\$ 4,145</b>
Current Liabilities	\$ 28,853	\$ 25,938	\$ 19,954
Noncurrent Liabilities	121,517	140,380	118,212
<b>Total Liabilities</b>	<b>\$150,370</b>	<b>\$166,318</b>	<b>\$138,166</b>
Deferred Inflow of Resources Related to Pensions	\$ 1,180	\$ 1,162	\$ 838
Deferred Inflow of Resources Related to OPEB	7,228	3,922	2,062
<b>Total Deferred Inflow of Resources</b>	<b>\$ 8,408</b>	<b>\$ 5,084</b>	<b>\$ 2,900</b>
Net Position:			
Net investment in capital assets	\$122,917	\$122,743	\$105,308
Restricted—expendable	122	101	4,632
Unrestricted	82,061	71,048	72,790
<b>Total Net Position</b>	<b>\$205,100</b>	<b>\$193,892</b>	<b>\$182,730</b>

## Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, short-term investments, receivables net of allowances, inventory, and deposits with bond trustee in addition to lesser-valued resources like prepaid expenses and accrued interest that are grouped together and listed under the term "Other". Noncurrent assets include capital assets net of depreciation, long-term investments, and deposits with bond trustee.

Total assets decreased by \$995,000, or .3%, in fiscal year 2020 compared to a \$43.1 million, or 13.5%, increase in fiscal year 2019. Asset activity during the 2020 fiscal year is summarized by the following events.

Cash and cash equivalents increased by \$32.9 million from \$22.2 million at June 30, 2019, to \$55.1 million at June 30, 2020. Management began a planned, targeted liquidation of investments during the final months of fiscal year 2020 in preparation for the transfer of funds to new investment managers during fiscal year 2021 as approved by the University Board of Trustees. This strategy offered the secondary benefit of providing liquidity to meet short-term cash needs during the COVID-19 pandemic. During fiscal year 2019, cash and cash equivalents increased by \$4.6 million.

The increase in cash and cash equivalents corresponded to a decrease in the total value of investments at June 30, 2020, as noted above. Total investments declined to \$63.6 million in fiscal year 2020 from \$84.6 million in fiscal year 2019 and \$84.1 million in fiscal year 2018. Short-term investments increased by \$8.4 million while long-term investments decreased by \$29.4 million in fiscal year 2020. Investments purchased in prior fiscal years and scheduled to mature in fiscal year 2021 were reclassified from long term to short term. In addition, the University opted for shorter durations on investment purchases to maintain portfolio balance and investment income during an environment of interest rate volatility.

Net accounts receivable decreased \$1.6 million in 2020. Decreases in student receivables (\$112,000), auxiliary enterprises (\$378,000), gifts and non-operating grants (\$541,000), capital grants and gifts (\$109,000), and other receivables (\$787,000) were offset partially by a \$237,000 increase in contracts and operating grants and a \$111,000 decrease in allowance for uncollectible accounts. Net Accounts receivable declined by \$2.1 million in 2019.

The current portion of deposits with bond trustee decreased by \$15.9 million during 2020 as the University continued to spend the proceeds from the Series M student fee bonds, which were issued during fiscal year 2019 for the second phase of the renovation and expansion of the Physical Activities Center. The current portion of deposits with bond trustee increased by \$29.6 million in 2019 following the issuance of the Series M bonds in February of that year.

Net capital assets increased by \$4.6 million in 2020. Asset additions of \$20.2 million included an \$18.8 million increase to construction in progress and a \$1.4 million increase to other capital assets. These additions were offset partially by depreciation of \$15.3 million. Miscellaneous asset disposals and adjustments accounted for the remaining changes.

Inventories decreased by nearly \$294,000 in 2020 primarily due to less merchandise on hand in the Campus Store due to the COVID-19 pandemic. In 2019, inventories increased by \$529,000.

Other current assets and noncurrent deposits with bond trustee increased in 2020 by \$287,000 and \$9,000, respectively, compared to decreases in 2019 of \$731,000 and \$27,000, respectively.

## Deferred Outflow of Resources

Deferred outflows of resources, which represent the consumption of resources applicable to a future period, decreased by \$421,000, or 16.7%, in fiscal year 2020 compared to a \$1.6 million, or 39%, reduction in fiscal year 2019. Deferred outflow related to pensions fell by \$240,000 in 2020 and by \$1.3 million in fiscal year 2019. Likewise, deferred outflow related to other postemployment benefits (OPEB) dropped by \$174,000 in 2020 following a decrease of \$308,000 in 2019. Finally, hedging derivative instruments associated with the Series 2006 and Series 2008A bonds decreased slightly by \$7,000 in 2020 following an increase of \$24,000 in 2019.

## 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 payable; debt interest payable; unearned revenues, and other miscellaneous liabilities. Noncurrent liabilities consist of bonds payable, leases payable, the June 30 mark-to-market valuation for the Series 2006 and Series 2008A hedgeable financial derivatives, other postemployment benefits, 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 \$15.9 million, or 9.6%, in fiscal year 2020 after increasing by \$28.2 million, or 20.4%, during fiscal year 2019. Current liabilities grew by \$2.9 million, but noncurrent liabilities dropped by \$18.8 million primarily due to the repayment of outstanding debt.

Total bonds and leases payable decreased by \$11.2 million in 2020. The current portion of bonds and leases payable increased by \$1.5 million while the noncurrent portion fell by \$12.7 million. Total bonds and leases increased by \$29.4 million in 2019 following the issuance of the Series M student fee revenue bonds.

The current liability for unearned revenue climbed by nearly \$2.1 million in 2020. Students planning to return to USI for the 2020-2021 academic year were permitted to carry forward dining dollars from 2019-2020 academic year because the University transferred to remote learning in March 2020 due to the COVID-19 pandemic. Students will be allowed to use the funds through December 2020. These dollars accounted for much of the increase.

The noncurrent liabilities related to retirement benefits declined by a combined \$6.1 million during 2020 after a decline of \$4.5 million in 2019. Other postemployment benefits accounted for much of the 2020 change, falling by \$6.1 million while the net pension liability fell by \$281,000, marking the fourth consecutive year that it has decreased. Compensated absences and termination benefits increased slightly by \$251,000.

The cumulative effect of changes to other current and noncurrent liabilities resulted in a \$767,000 decrease to total liabilities in 2020 compared to a \$752,000 increase in 2019.

## Deferred Inflow of Resources

Deferred inflows of resources, which represent acquisitions of resources applicable to a future period, increased by \$3.3 million, or 65.4%, in fiscal year 2020 following a \$2.2 million, or 75.3%, increase in fiscal year 2019. Deferred inflow of resources related to other postemployment accounted for the increase in 2020 as deferred inflow of resources related to pensions was virtually unchanged.

## Net Position

Net Position in fiscal year 2020 grew by \$11.2 million, or 5.8%, matching the \$11.2 million, or 6.1%, increase in fiscal year 2019. Net investment in capital assets and restricted expendable assets grew by \$195,000 combined during 2020 while unrestricted increased \$11 million. At June 30, 2020, unrestricted net position totaled \$82.1 million and comprised 40% of total net position. Of the total unrestricted amount, \$71.3 million has been internally designated as follows.

- \$17.7 million for equipment and facilities maintenance and replacement
- \$4.1 million for technology and software replacement
- \$18.9 million for auxiliary systems
- \$1 million for working capital and outstanding encumbrances
- \$10.6 million for academic operations and initiatives
- \$3.2 million for insurance and campus safety
- \$15.8 million for medical premiums

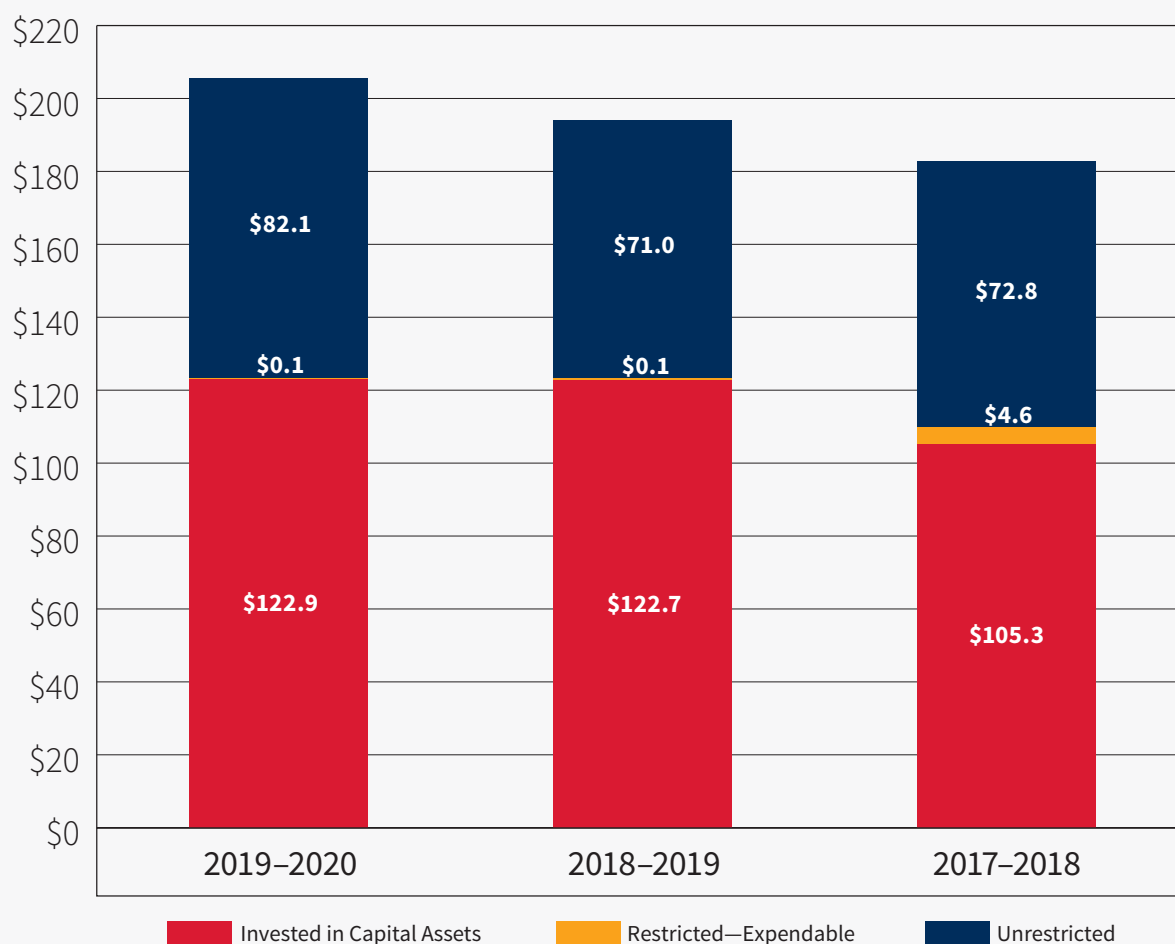
## Statement of Revenues, Expenses, and Changes in Net Position

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.

An important 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. A truer measure of fiscal year net income is the amount shown on the statement as "Income before other revenues, expenses, gains or losses."

## ANALYSIS OF NET POSITION (IN MILLIONS)



## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30 (in thousands of dollars)	2020	2019	2018
Operating Revenues	\$ 76,452	\$ 82,435	\$ 79,755
Operating Expenses	(155,083)	(160,454)	(158,004)
<b>Operating Losses</b>	<b>(78,631)</b>	<b>(78,019)</b>	<b>(78,249)</b>
Non-operating Revenues	92,349	91,192	84,662
Non-operating Expenses	(3,687)	(3,394)	(2,793)
<b>Income before other revenues, expenses, gains or losses</b>	<b>10,031</b>	<b>9,779</b>	<b>3,620</b>
Other Revenues	1,177	1,383	18,477
<b>Increase in Net Position</b>	<b>11,208</b>	<b>11,162</b>	<b>22,097</b>
Net Position—Beginning of Year	193,892	182,730	170,057
Prior-period Adjustment for Change in Accounting Principle	—	—	(9,424)
<b>Net Position—End of Year</b>	<b>\$ 205,100</b>	<b>\$ 193,892</b>	<b>\$ 182,730</b>

## Revenues

Operating revenues decreased by \$6 million in fiscal year 2020 compared to a \$2.7 million increase in fiscal year 2019. The 2020 decrease was driven by the following factors.

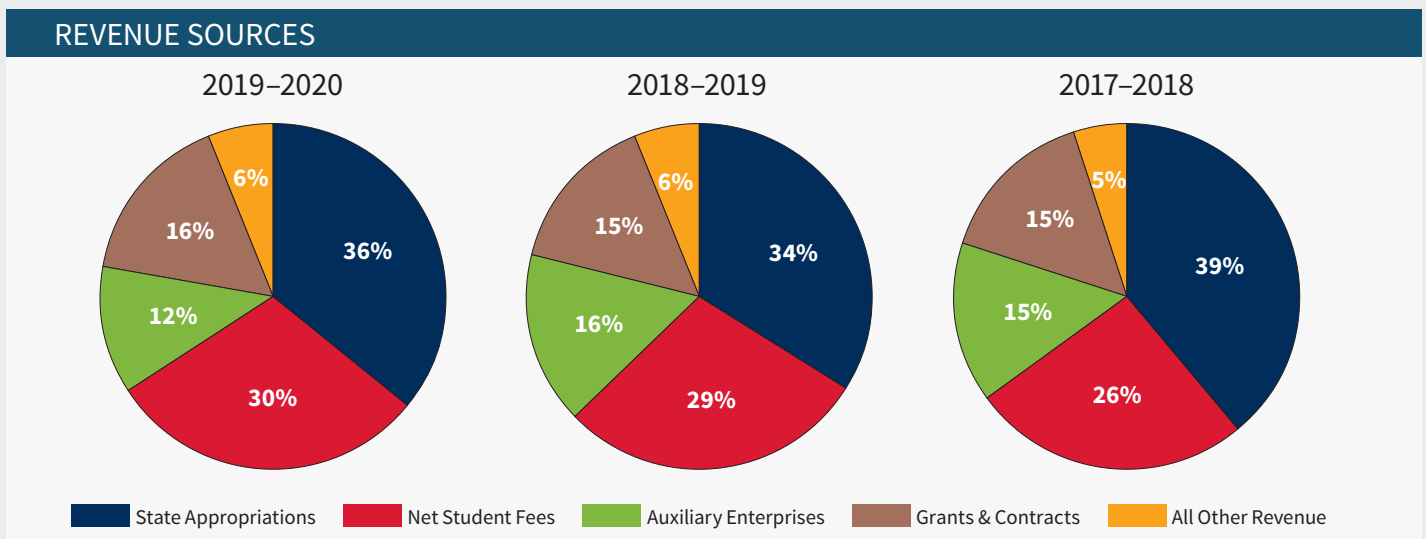
- Net student fees remained steady, increasing modestly from just under \$51 million in 2019 to \$51.6 million in 2020. Gross student fees decreased by \$467,000 while scholarship discounts and allowances decreased by nearly \$1.1 million.
- Net revenues from auxiliary enterprises decreased from \$26.8 million in 2019 to \$20.6 million in 2020. Most of the decline can be attributed to the COVID-19 pandemic.
  - Housing revenues fell by \$2.5 million, including \$1.9 million in credits applied to student accounts when the University closed housing to most students in March.
  - Dining revenues declined by \$2.2 million. As noted above regarding the increase in unearned revenue, students planning to return to USI for the 2020-2021 academic year were permitted to carry forward dining dollars from 2019-2020 academic year when the University transferred to remote learning in March 2020. This revenue will be recognized as earned in fiscal year 2021.
  - Campus Store revenues fell by almost \$1.1 million as the store was closed from late March through early July due to the pandemic. Although online sales continued, the inability of customers to visit the store hindered sales.
  - All other auxiliary revenues declined by \$413,000.
- Operating grants and contracts from all sources grew in 2020 by \$232,000 while other operating revenues fell during the same period by \$624,000.

Non-operating revenues increased by \$1.2 million in fiscal year 2020 after an increase of \$6.5 million in 2019. The following elements contributed to the growth in fiscal year 2020.

- State operating and fee replacement appropriations grew slightly from \$58.6 million in 2019 to \$59.3 million in 2020.
- Non-operating gift income, which comes almost entirely from the USI Foundation, fell by \$568,000, or 12.2%, in 2020.
- Net investment income rose \$380,000 in 2020. Of the \$3.1 million in investment income shown on the face of the Statement of Revenues, Expenses, and Changes in Net Position, \$1 million is attributable to the change in unrealized gains on investments from June 30, 2019, to June 30, 2020.
- Non-operating grants and contracts from all sources, which consist primary of federal and state funds received for student financial assistance, increased by \$648,000. Non-operating federal grants and contracts include \$2.5 million from the Higher Education Emergency Relief Fund (HEERF) awarded as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The University received the funds to provide emergency aid grants to eligible students for expenses associated with the disruption of campus operations due to COVID-19.

Other revenues, which includes capital appropriations, grants, and gifts, remained steady, declining moderately from \$1.4 million in 2019 to \$1.2 million in 2020.

Total revenues (operating, non-operating, and other) decreased by \$5 million, or 2.9% after decreasing by \$7.9 million, or 4.3%, in fiscal year 2019. The graph below shows the composition of the University's revenues for the three most recent fiscal years ended June 30.



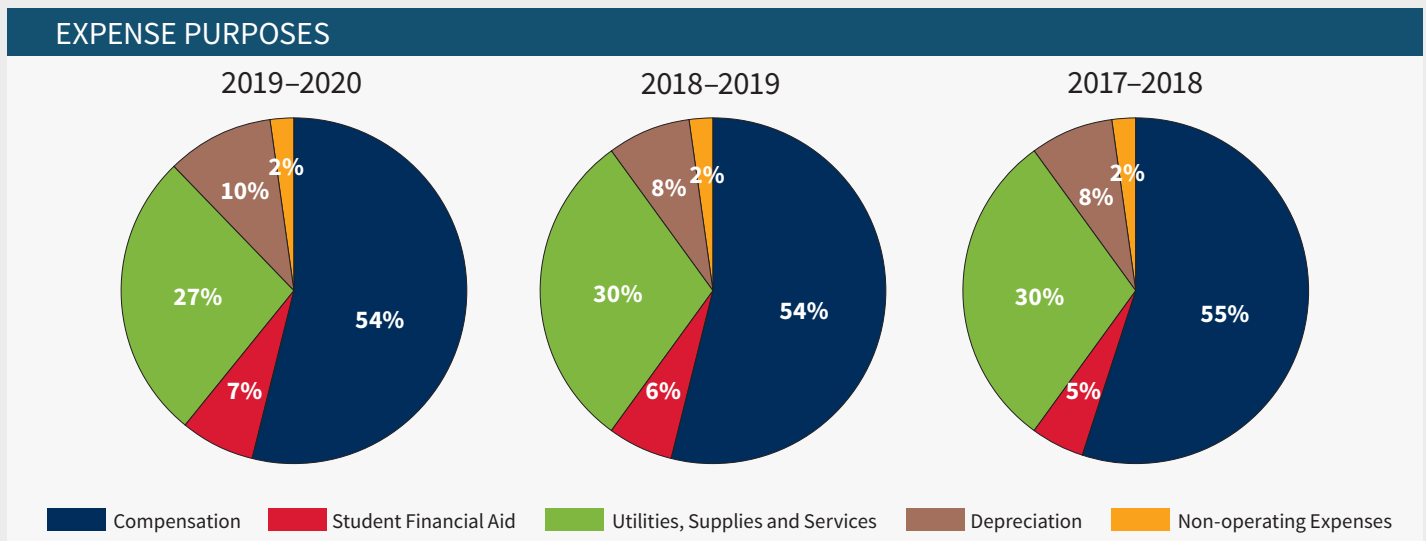
## Expenses

Operating expenses decreased by \$5.4 million in fiscal year 2020 following an increase of \$2.5 million in fiscal year 2019. The following expenses contributed to the current year decrease.

- Compensation, which includes salaries, wages, and benefits, comprised \$85.8 million, or 55.3 %, of operating expenses and decreased by \$2.9 million in 2020. Salaries and wages decreased by \$1.1 million, and benefits decreased by \$1.8 million.
- Student financial assistance expenses increased by \$2.4 million, or 27.2% to in 2020. This amount represents financial aid refunded to students because the aid received exceeded charges owed to the University. Amounts applied to student accounts against outstanding charges are reported as contra revenues in the operating revenues section of the Statement of Revenues, Expenses, and Changes in Net Position. The \$11.2 million student financial aid expense includes \$2.5 million in payments to eligible students for costs associated with the disruption of campus operations due to COVID-19. These payments were funded from the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Supplies and other services decreased by \$6.5 million in 2020. This category includes but is not limited to contracted and professional services, classroom and lab supplies, software, access fees for electronic databases and publications, travel, facility maintenance, equipment maintenance, and non-capital equipment. With the campus open to authorized individuals only from March 18 through the end of the fiscal year on June 30, expenses declined across many categories as normal operations were adapted to a remote working environment during the COVID-19 pandemic.
- Depreciation increased by \$2 million during 2020 as several significant capital projects completed during the 2019 fiscal year, including the Stone Family Center for Health Sciences, the Fuquay Welcome Center, and the Screaming Eagles Arena, experienced a full year of depreciation.
- Utilities decreased by \$390,000.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. These expenditures increased by \$294,000 in fiscal year 2020 due to greater debt interest costs.

Total expenses (operating and non-operating) decreased by \$5.1 million, or 3.1%, in fiscal year 2020 compared to an increase of \$3.1 million, or 1.9 %, in fiscal year 2019. The composition of total expenses for all three years is depicted by major categories in the graph below.



## Change in Net Position

The difference between revenues and expenses results in an increase or decrease to net position. For the fiscal year ending June 30, 2020, total revenues exceeded total expenses, resulting in an increase in net position of \$11.2 million after increases of \$11.2 million and \$22.1 million in 2019 and 2018, respectively. The 2018 increase was reduced by \$9.4 million for a prior-period adjustment related to the required implementation of GASB Statement 75 for other postemployment benefits, leaving a net increase of nearly \$12.7 million for the year.

## 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.

This 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. The chart below shows the University's sources, uses and changes in cash and cash equivalents for the three most recent fiscal years ended June 30.

<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Year Ended June 30 (in thousands of dollars)	2020	2019	2018
Net cash provided (used) by			
Operating activities	\$(63,485)	\$(61,594)	\$(64,096)
Noncapital financing activities	89,832	87,727	84,080
Capital financing activities	(17,686)	(23,767)	(21,142)
Investing activities	24,262	2,255	1,078
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 32,923</b>	<b>\$ 4,621</b>	<b>\$ (80)</b>

### Operating activities

- Cash used by operating activities increased by \$1.9 million in fiscal year 2020 compared to a decrease of \$2.5 million in fiscal year 2019.
- Student fees and auxiliary enterprises generated the largest inflows of cash for all fiscal years.
- Payments of salaries and wages to employees, payments for employee benefits, and payments to suppliers used the most cash in all fiscal years.

### Noncapital financing activities

- Cash provided by noncapital financing activities increased by \$2.1 million in 2020 following an increase of \$3.6 million in 2019.
- State appropriations and non-capital gifts and grants provided the largest inflows of cash in all fiscal years.

### Capital financing activities

- Cash used by capital financing activities decreased by \$6.1 million in 2020 after an increase of \$2.6 million in 2019.
- Cash activity associated with funds on deposit with bond trustee resulted in the most cash inflows for 2020. Proceeds from the issuance of Series M student fee revenue bonds provided the most cash in 2019. Capital appropriations from the State of Indiana were the largest source of cash inflows in 2018.
- The purchase of capital assets resulted in the largest cash outflows for 2020 and 2018. Cash activity associated with funds on deposit with bond trustee resulted produced the most cash outflows for 2019.

### Investing activities

- Cash provided by Investing activities increased by \$22 million during the 2020 fiscal year after increasing by \$1.2 million in 2019.
- Proceeds from sales and maturities of investments increased by \$10.7 million in 2020 compared to a \$2.7 million increase in 2019.
- Cash from interest earned on investments was \$2.2 million in 2020, up from \$1.6 million in 2019.
- Purchases of investments declined by \$10.8 million during 2020. In 2019, purchases of investments grew by \$1.9 million.

### Summary of Statement of Cash Flows

For the 2020 fiscal year, the University cash balance increased by \$32.9 million as management began a planned, targeted liquidation of investments during the final months of the fiscal year in preparation for the transfer of funds to new investment managers during fiscal year 2021. This strategy offered the secondary benefit of providing liquidity to meet short-term cash needs during the COVID-19 pandemic. In 2019, the University cash balance increased by \$4.6 million. The cash balance at June 30, 2020, was \$55,105,307 compared to \$22,182,515 at June 30, 2019, and \$17,561,947 at June 30, 2018.



## Factors Affecting Future Periods

The University relies on operating and capital appropriations provided by the State of Indiana to fulfill its mission. As a result, the financial strength of the State has a direct effect on the financial health of the University.

On April 9, 2020, the State Budget Agency notified public colleges and universities within the state of its decision to rescind guidance sent on February 17 regarding cash funding of certain projects and, instead, asked the institutions to exercise the bonding authority provided for in HEA 1001—2019. In August 2020, the University acted on that authority and issued the Series N Bonds for the Health Professions Center Classroom Renovation and Expansion. Annual debt service payments of approximately \$2.9 million are scheduled through October 2039. As part of the issuance, Moody's assigned an A1 rating to the debt and affirmed the A1 ratings on outstanding rated student fee bonds and the A2 rating on rated auxiliary system revenue bonds. Likewise, S&P Global assigned an A long-term rating on the Series N Bonds and affirmed its A long-term rating on Series K-1, Series K-3, and Series M student fee bonds with a stable outlook.

In June 2020, the State Budget Agency proposed holding a reserve of 7% on university operating and line item appropriations for fiscal year 2021. The proposal was accepted by the Indiana State Budget Committee. This reserve equates to a \$3.4 million reduction for USI. The uncertainty surrounding the State of Indiana budget led the USI Board of Trustees to approve an interim operating budget on May 28, 2020, which ensured that all faculty and staff were paid through December 31, 2020. The Board is expected to approve a final budget for the 2021 fiscal year at its meeting on November 5, 2020. While the University reserves are sufficient to absorb this reduction, a permanent reduction of operating and line item appropriations would have to be offset by an increase in student fees or a significant reduction of operating costs.

Indiana law requires the Indiana Commission for Higher Education (ICHE) to issue non-binding tuition-increase recommendations to the State's public colleges and universities. While the ICHE recommendations are non-binding, the University Board of Trustees assign them considerable weight when establishing tuition rates. On June 4, 2019, the Board of Trustees approved tuition rates for the 2019-2020 and 2020-2021 academic years. Undergraduate residents of Indiana will pay \$269.52 in 2020-2021, a 2% increase from 2019-2020. Although the rate of increase exceeds slightly the 1.65% ICHE recommendation, it was the final step in the strategic fee realignment process that began in 2013-2014. That strategy was designed to provide the resources necessary for the University to meet the educational needs of the region and the State while maintaining the affordability that is an important part of its mission.

In Fall 2020, the University welcomed another record number of graduate students with 1,766 students enrolled in masters and doctoral programs. Graduate enrollment increased 14.9% over Fall 2019 and has risen 21.9% over the past two years. The Master of Business Administration (MBA) Program, housed within the Romain College of Business, continues to fuel this growth. More than 1,000 students are pursuing their MBA at USI currently, either in a traditional program or in an accelerated, online-only program. In addition, the incoming first-year undergraduate class boasted a high school GPA of 3.48 on a 4.0 scale, a new record for USI. Joint graduate and undergraduate enrollment for Fall 2020 totaled 8,505, a decrease of 2.1% from Fall 2019.

After transitioning to remote learning for students and remote work for employees during the Spring 2020 and Summer 2020 terms, the University has positioned itself well to operate effectively during the COVID-19 pandemic while continuing to offer students a high-quality educational experience. For Fall 2020, the University installed a flexible course delivery model to accommodate varying circumstances for the student body. With the model, considering social distancing and safety practices, students can be on campus for face-to-face courses and a combination of technology-enhanced, hybrid, and online formats. Each college offers a diverse selection of courses with a variety of delivery modes to ensure a positive experience for students. In July 2020, the University was awarded \$2.9 million from the Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These dollars will be used to cover costs associated with significant changes to the delivery of instruction due to COVID-19. In addition, the University opened student housing to students after deliberation and consultation with medical authorities. Maximum occupancy was set to 85% with apartment buildings left vacant intentionally with individual bedrooms and bathrooms reserved for possible quarantine use. Special training and contract tracing protocols were given to employees in Housing and Residence Life to promote safety among staff and students alike.

The 2020 fiscal year will mark the final year of the 2016-2020 strategic plan, and efforts are underway to build the next strategic plan. The Strategic Planning Coordinating Committee has been charged with (1) establishing a process to ensure there is active engagement of the USI community in the formulation and execution of the University's third strategic plan; (2) reviewing the 2010-2015 and 2016-2020 strategic plans with a focus on lessons learned; (3) being cognizant of the current financial realities as part of the environmental scan; (4) giving appropriate attention to measurement and identification of performance indicators in the design of the strategic plan; and (5) developing the plan in a timely manner and moving expeditiously toward University-wide implementation. In September 2020, the University was awarded \$2.5 million from the Lilly Endowment for the second phase of a project that will create an innovative infrastructure for adult learners who seek additional educational credentials, an initiative that will align well with the new strategic plan. Although development and presentation of the plan was delayed by COVID-19, the plan is scheduled to be presented to the University Board of Trustees for approval at its meeting on November 5, 2020.

While the long-term financial effects of COVID-19 remain unclear, the 2020 Financial Report reinforces that the University of Southern Indiana remains financially sound and well positioned for the future.

## Statement of Net Position

<b>As of June 30</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 55,105,307	\$ 22,182,515
Short-term investments	29,656,004	21,301,748
Accounts receivable, net	7,041,981	8,619,684
Inventories	1,567,141	1,860,995
Deposits with bond trustee	17,180,846	33,118,401
Other current assets	2,570,800	2,284,092
<b>Total current assets</b>	<b>\$113,122,079</b>	<b>\$ 89,367,435</b>
<b>Noncurrent Assets</b>		
Long-term investments	\$ 33,909,011	\$ 63,308,763
Deposits with bond trustee	102,131	92,790
Capital assets, net	214,636,340	209,995,021
<b>Total noncurrent assets</b>	<b>\$248,647,482</b>	<b>\$273,396,574</b>
<b>Total Assets</b>	<b>\$361,769,561</b>	<b>\$362,764,009</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Hedging derivative instruments	\$ 715,835	\$ 723,332
Deferred outflow of resources related to pensions	882,537	1,122,246
Deferred outflow of resources related to OPEB	510,325	684,494
<b>Total deferred outflow of resources</b>	<b>\$ 2,108,697</b>	<b>\$ 2,530,072</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,701,233	\$ 3,505,078
Accrued payroll, benefits, and deductions	6,997,711	6,881,673
Bonds and leases payable	13,309,999	11,776,729
Debt interest payable	881,335	973,164
Unearned revenue	4,471,610	2,328,205
Other current liabilities	490,901	473,461
<b>Total current liabilities</b>	<b>\$ 28,852,789</b>	<b>\$ 25,938,310</b>
<b>Noncurrent Liabilities</b>		
Bonds and leases payable	\$ 95,217,650	\$107,929,535
Derivative instruments—interest rate swap	715,836	723,332
Other postemployment benefits	17,291,193	23,407,069
Compensated absences and termination benefits	3,277,277	3,026,196
Net pension liability	5,008,824	5,289,879
Other noncurrent liabilities	6,712	4,370
<b>Total noncurrent liabilities</b>	<b>\$121,517,492</b>	<b>\$140,380,381</b>
<b>Total Liabilities</b>	<b>\$150,370,281</b>	<b>\$166,318,691</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflow of resources related to pensions	\$ 1,179,620	\$ 1,162,041
Deferred inflow of resources related to OPEB	7,228,492	3,921,819
<b>Total deferred inflow of resources</b>	<b>\$ 8,408,112</b>	<b>\$ 5,083,860</b>
<b>NET POSITION</b>		
Net investment in capital assets	\$122,917,304	\$122,742,844
Restricted		
Expendable		
Debt Service	102,131	92,790
Scholarship, research, and other	19,902	8,279
Unrestricted	82,060,528	71,047,617
<b>Total Net Position</b>	<b>\$205,099,865</b>	<b>\$193,891,530</b>

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	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 983,114	\$ 971,033
Accounts and interest receivable	158,095	111,574
Contributions receivable, net	6,418,219	6,270,353
Prepaid expenses	1,520	946
Investments	129,046,137	125,260,153
Cash value of life insurance	511,638	503,182
Beneficial interest in charitable remainder trusts	1,144,297	815,838
Beneficial interest in perpetual trusts	4,012,103	4,122,365
Beneficial interest in Community Foundation	67,545	66,758
Real estate held for investment	2,471,215	2,471,215
Land and land improvements, net of accumulated depreciation; 2020 – \$8,108, 2019 – \$3,315	316,187	274,848
Buildings, net of accumulated depreciation; 2020 – \$573,531, 2019 – \$531,020	329,234	300,711
Property management deposits	4,445	5,320
<b>Total assets</b>	<b>\$145,463,749</b>	<b>\$141,174,296</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 36,277	\$ 39,988
Deposits	4,445	5,320
Deferred income	1,500	7,240
Payable to related parties	1,350,541	2,023,298
Annuities payable	1,606,430	1,541,425
<b>Total liabilities</b>	<b>\$ 2,999,193</b>	<b>\$ 3,617,271</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	\$ 6,333,172	\$ 5,230,474
Undesignated board endowments	10,162,818	10,201,728
	<b>\$ 16,495,990</b>	<b>\$ 15,432,202</b>
With donor restrictions		
Perpetual-in-nature endowments	\$ 75,969,041	\$ 73,729,822
Purpose restrictions	42,654,515	41,789,760
Time restrictions for future periods	7,345,010	6,605,241
	<b>\$125,968,566</b>	<b>\$122,124,823</b>
<b>Total net assets</b>	<b>\$142,464,556</b>	<b>\$137,557,025</b>
<b>Total liabilities and net assets</b>	<b>\$145,463,749</b>	<b>\$141,174,296</b>

## Statement of Revenues, Expenses, and Changes in Net Position

Fiscal Year Ended June 30	2020	2019
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student fees	\$ 79,731,906	\$ 80,198,567
Scholarship discounts and allowances	(28,154,751)	(29,238,866)
Grants and contracts	1,786,572	1,554,760
Auxiliary enterprises	22,098,071	28,270,256
Room and board discounts and allowances	(1,533,270)	(1,497,390)
Other operating revenues	2,523,433	3,147,174
Total operating revenues	\$ 76,451,961	\$ 82,434,501
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Salaries and wages	\$ 63,366,007	\$ 64,512,721
Benefits	22,411,937	24,190,158
Student financial aid	11,234,090	8,832,202
Utilities	5,020,249	5,410,259
Supplies and other services	37,749,806	44,229,338
Depreciation	15,300,728	13,279,216
Total operating expenses	\$155,082,817	\$160,453,894
Operating loss	\$ (78,630,856)	\$ (78,019,393)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 59,250,228	\$ 58,552,040
Gifts	4,090,516	4,658,977
Federal grants and contracts	15,586,265	13,378,467
State/Local grants and contracts	10,161,130	11,193,987
Nongovernmental grants and contracts	185,047	711,577
Investment income (net of investment expense of \$70,761 and \$68,211 for 2020 and 2019)	3,075,926	2,696,153
Interest on capital asset related debt	(3,657,840)	(3,041,154)
Bond issuance costs	(2,007)	(316,190)
Other non-operating revenues/(expenses)	(27,650)	(36,197)
Net non-operating revenues (expenses)	\$ 88,661,615	\$ 87,797,660
Income before other revenues, expenses, gains or losses	\$ 10,030,759	\$ 9,778,267
Capital appropriations	\$ 1,112,962	\$ 931,336
Capital grants and gifts	64,614	451,470
Total other revenues	\$ 1,177,576	\$ 1,382,806
Increase in net position	\$ 11,208,335	\$ 11,161,073
<b>NET POSITION</b>		
Net position – beginning of year	\$193,891,530	\$182,730,457
<b>Net position – end of year</b>	<b>\$205,099,865</b>	<b>\$193,891,530</b>

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	2020	2019
<b>REVENUES AND OTHER SUPPORT</b>		
Contributions	\$ 5,592,111	\$ 4,225,399
Grants	429,171	207,159
Change in value of split-interest agreements	210,504	(125,650)
Rental property income, net	15,544	9,379
Miscellaneous income	208,119	204,395
Reclassification of donor intent	—	—
Net assets released from restrictions	—	—
<b>Total revenues and other support</b>	<b>\$ 6,455,449</b>	<b>\$ 4,520,682</b>
<b>EXPENSES</b>		
Program Services – University of Southern Indiana		
Scholarships and awards	\$ 2,858,219	\$ 2,613,154
Educational grants and academic enhancements	1,290,824	2,497,859
Athletic support	142,670	98,127
Other University support	502,324	873,851
Capital projects	13,386	216,867
Community outreach	10,000	15,000
<b>Total program services</b>	<b>\$ 4,817,423</b>	<b>\$ 6,314,858</b>
Management and general	\$ 732,657	\$ 718,881
Fundraising	226,036	201,508
Uncollectible pledge loss	151,292	34,915
<b>Total expenses</b>	<b>\$ 5,927,408</b>	<b>\$ 7,270,162</b>
<b>OTHER CHANGES</b>		
Investment income, net	\$ 4,465,666	\$ 6,681,615
Change in fair value of perpetual trusts and Community Foundation	(109,474)	17,455
Mineral royalty income	14,843	25,270
Gain on cash value of life insurance	8,455	34,446
<b>Total other changes</b>	<b>\$ 4,379,490</b>	<b>\$ 6,758,786</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 4,907,531</b>	<b>\$ 4,009,306</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>\$137,557,025</b>	<b>\$133,547,719</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$142,464,556</b>	<b>\$137,557,025</b>

# Statement of Cash Flows

Year Ended June 30	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 52,693,932	\$ 52,430,050
Grants and contracts	1,794,780	1,572,559
Payments to suppliers	(38,259,796)	(43,518,377)
Payments for utilities	(5,020,249)	(5,410,259)
Payments to employees	(63,434,180)	(64,410,995)
Payments for benefits	(24,635,445)	(23,742,664)
Payments for scholarships	(11,234,090)	(8,832,202)
Collection of loans to students and employees	—	15,659
Auxiliary enterprises receipts	22,128,026	27,238,820
Sales and services of educational depts.	767,159	892,571
Other receipts (payments)	1,714,748	2,170,671
<b>Net cash used by operating activities</b>	<b>\$(63,485,115)</b>	<b>\$(61,594,167)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	\$ 59,250,228	\$ 58,552,040
Gifts and grants for other than capital purposes	30,563,888	29,170,119
Other non-operating receipts (payments)	17,439	5,028
<b>Net cash provided by noncapital financing activities</b>	<b>\$ 89,831,555</b>	<b>\$ 87,727,187</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	\$ —	\$ 37,245,000
Capital appropriations	1,112,962	4,268,063
Capital grants and gifts	173,268	2,519,691
Bond financing costs	(29,657)	(352,387)
Purchase of capital assets	(19,481,778)	(27,130,449)
Principal paid on capital debt	(11,649,470)	(12,131,809)
Interest paid on capital debt and leases	(3,739,084)	1,371,034
Deposits with trustees	15,928,214	(29,556,206)
<b>Net cash used by capital financing activities</b>	<b>\$(17,685,545)</b>	<b>\$(23,767,063)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ 52,937,326	\$ 42,253,079
Interest on investments	2,175,499	1,608,406
Purchase of investments	(30,850,928)	(41,606,874)
<b>Net cash provided by investing activities</b>	<b>\$ 24,261,897</b>	<b>\$ 2,254,611</b>
Net increase (decrease) in cash	\$ 32,922,792	\$ 4,620,568
Cash – beginning of year	22,182,515	17,561,947
<b>Cash – end of year</b>	<b>\$ 55,105,307</b>	<b>\$ 22,182,515</b>

# Statement of Cash Flows—continued

Year Ended June 30	2020	2019
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$(78,630,856)	\$(78,019,393)
<b>ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Depreciation expense	15,300,728	13,279,216
Provision for uncollectible accounts	(111,479)	(197,224)
<b>CHANGES IN ASSETS, LIABILITIES, AND DEFERRED RESOURCES:</b>		
Operating receivables	1,039,598	995,651
Inventories	293,854	(528,712)
Other assets	(427,182)	604,392
Accounts payable	(687,806)	2,461,086
Unearned revenue	2,143,405	469,161
Deposits held for others	2,342	(1,811)
Employee and retiree benefits	(2,407,719)	(672,192)
Loans to students and employees	—	15,659
<b>Net cash used by operating activities:</b>	<b>\$(63,485,115)</b>	<b>\$(61,594,167)</b>
<b>NONCASH TRANSACTIONS</b>		
Unrealized gain/(loss) on short-term investments	\$ 90,694	\$ 26,776
Unrealized gain/(loss) on long-term investments	950,207	1,171,661
Equipment	460,270	164,834
Capital lease	(460,270)	(164,834)
<b>Net noncash transactions</b>	<b>\$ 1,040,901</b>	<b>\$ 1,198,437</b>

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



## Component Unit

## University of Southern Indiana Foundation

## Consolidated Statements of Cash Flows

Year Ended June 30	2020	2019
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,907,531	\$ 4,009,306
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized gain on sale of investments	(2,876,980)	(3,610,879)
Uncollectible pledge loss	(151,292)	(34,915)
Increase in cash value of life insurance	(8,455)	(34,446)
Change in fair value of beneficial interest in trusts, perpetual trusts and Community Foundation	(218,984)	(40,675)
Contributions and receipts on contributions receivable restricted for endowment and long-term purposes	(2,333,996)	(1,934,314)
Depreciation	47,304	44,025
Unrealized (gain) loss on investments	891,435	(668,650)
Changes in		
Accounts and interest receivable	(46,521)	2,399
Contributions receivable	(481,691)	(329,885)
Prepaid expenses	(575)	84,133
Accounts payable and payable to related parties	(676,468)	(1,469,273)
Annuities payable	65,005	(84,474)
Deferred income	(5,740)	4,890
<b>Net cash used in operating activities</b>	<b>\$ (889,427)</b>	<b>\$ (4,062,758)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property improvements	(117,166)	(31,825)
Purchase of investments	(21,736,628)	(22,868,448)
Sales and maturities of investments	19,936,189	24,552,243
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (1,917,605)</b>	<b>\$ 1,651,970</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment and long-term purposes		
Scholarships and awards	1,673,923	941,980
Education and academic enhancements	1,134,837	1,387,146
Other University support	10,353	589
<b>Net cash provided by financing activities</b>	<b>\$ 2,819,113</b>	<b>\$ 2,329,715</b>
Increase (Decrease) in Cash and Cash Equivalents	12,081	(81,073)
Cash and Cash Equivalents, Beginning of Year	971,033	1,052,106
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 983,114</b>	<b>\$ 971,033</b>



# 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 alumnus, 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 with the exception of 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, agency, 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 to students and to deliver quality programs. 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 Comprehensive Annual Financial Report issued annually by the State of Indiana.

### New Accounting Pronouncements

As of May 2020, the University adopted GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later in light of the COVID-19 pandemic.

### 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, typically 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.

### 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 for the 2019-20 fiscal year. For 2018-19, retail merchandise was considered expended when purchased. The net result of the change is immaterial on the Statement of Revenues, Expenses, and Changes in Net Position. The value of the inventory on hand at the end of the fiscal year is based on a physical count. Cost is determined using the retail or weighted average method of accounting.

### 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. Amounts held for construction and renovation are classified as current assets on the Statement of Net Position. Amounts held for payment of long-term debt obligations are classified as noncurrent assets. Year-end balances do not meet the criteria established by GASB 9 to be considered cash or cash equivalents due to bond covenants and timing of projects and, therefore, are not included in the ending cash balance reported on the Statement of Cash Flows.

## 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 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 2,800 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, 2020.

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 of the donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total \$2,940,659. The currently known value is not included in the capitalized asset value at June 30, 2020.

## 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.

## Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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.

## 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 and 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, certificates of deposit, repurchase agreements, money market mutual funds, savings, and negotiable order-of-withdrawal accounts. 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, 2020, the bank balances of the University’s operating demand deposit accounts were \$48,842,831, of which \$809,132 was covered by federal depository insurance. The bank balances of the University’s operating demand deposit accounts were \$22,126,126, at June 30, 2019, of which \$848,116 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.

**Investments** — The University’s investments at June 30, 2020, are identified in the table below.

INVESTMENTS						
Investment Type	Market Value	Type %	Investment Maturities (in Years)			
			Less than 1 year	1–5 years	6–10 years	More than 10 years
Certificates of deposit	26,711,521	42%	19,848,143	6,863,378	—	—
Agency securities	33,392,123	53%	8,172,436	18,798,756	6,317,290	103,641
U.S. Treasury securities	3,461,371	5%	1,635,425	1,825,946	—	—
<b>Totals</b>	<b>\$63,565,015</b>	<b>100%</b>	<b>\$29,656,004</b>	<b>\$27,488,080</b>	<b>\$6,317,290</b>	<b>\$103,641</b>
Maturity %	100.0%		47%	43%	10%	0%

The University’s investments at June 30, 2019, are identified in the table below.

INVESTMENTS						
Investment Type	Market Value	Type %	Investment Maturities (in Years)			
			Less than 1 year	1–5 years	6–10 years	More than 10 years
Certificates of deposit	29,249,705	34%	11,638,701	17,611,004	—	—
Agency securities	49,707,958	59%	7,816,367	36,272,861	5,489,519	129,211
U.S. Treasury securities	5,652,848	7%	1,846,680	3,806,168	—	—
<b>Totals</b>	<b>\$84,610,511</b>	<b>100%</b>	<b>\$21,301,748</b>	<b>\$57,690,033</b>	<b>\$5,489,519</b>	<b>\$129,211</b>
Maturity %	100%		25%	68%	7%	0%

**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 does not contain legal or policy requirements which limit exposure to custodial credit risk for deposits or investments, but preference is given to Indiana institutions based on the additional insurance coverage provided by the State. Of the \$63.6 million invested at June 30, 2020, \$36.9 million in U.S. securities are 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 \$84.6 million invested at June 30, 2019, \$55.4 million in U.S. securities were held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. All certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

**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 47% 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 does not have a formal policy for credit risk. Of the \$63.6 million in investments at June 30, 2020, \$36.1 million were rated Aaa by Moody's Investors Service, and \$27.4 million in investments were unrated. At June 30, 2019, \$55.3 million in investments were rated Aaa by Moody's Investors Service, and \$29.3 million were unrated. The unrated investments include Certificates of Deposit and other Treasury and Agency securities without ratings.

**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's policy limits the investments in any one Indiana institution to 25% of the total portfolio of certificate of deposits and repurchase agreements as valued at the end of the preceding month. At June 30, 2020, and June 30, 2019, the University is in compliance with that policy.

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 \$3.5 million invested in U.S. Treasury Securities at June 30, 2020, and \$5.7 million invested in U.S. Treasury Securities at June 30, 2019, 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, 2020					
Bank	Certificates of Deposit	Percentage of CDs	US Agency Securities	Total	Percentage of Total
Banterra Bank	\$ 2,086,094	8%	\$ —	\$ 2,086,094	3%
Boonville Federal Savings	576,892	2%	—	576,892	1%
Fifth Third Bank	83,687	0%	18,104,584	18,188,271	30%
First Federal Savings Bank	2,436,431	9%	—	2,436,431	4%
First Financial Bank	4,248,299	16%	—	4,248,299	7%
German American Bank	3,641,732	14%	2,222,718	5,864,450	10%
Indiana Members Credit Union	2,741,737	10%	—	2,741,737	5%
J P Morgan	549,140	2%	—	549,140	1%
Legence Bank	892,883	3%	—	892,883	2%
Lynnville National Bank	107,072	0%	—	107,072	0%
Old National Bank	4,165,230	16%	9,097,280	13,262,510	22%
PNC Bank	396,720	2%	1,748,533	2,145,253	4%
Regions Bank	1,604,372	6%	2,219,008	3,823,380	6%
United Fidelity Bank	3,181,232	12%	—	3,181,232	5%
<b>Total</b>	<b>\$26,711,521</b>	<b>100%</b>	<b>\$33,392,123</b>	<b>\$60,103,644</b>	<b>100%</b>

June 30, 2019					
Bank	Certificates of Deposit	Percentage of CDs	US Agency Securities	Total	Percentage of Total
Banterra Bank	\$ 2,057,765	7%	\$ —	\$ 2,057,765	3%
Boonville Federal Savings	712,629	3%	—	712,629	1%
Evansville Commerce Bank	2,671,116	9%	—	2,671,116	3%
Fifth Third Bank	411,760	1%	30,906,279	31,318,039	40%
First Federal Savings Bank	2,373,554	8%	—	2,373,554	3%
First Financial Bank	4,151,078	14%	—	4,151,078	5%
German American Bank	5,177,375	18%	3,175,685	8,353,060	10%
J P Morgan	535,590	2%	—	535,590	1%
Legence Bank	868,886	3%	—	868,886	1%
Lynnville National Bank	104,858	0%	—	104,858	0%
Old National Bank	4,082,857	14%	9,921,281	14,004,138	18%
PNC Bank	1,167,152	4%	3,853,135	5,020,287	6%
Regions Bank	1,828,887	6%	1,851,578	3,680,465	5%
United Fidelity Bank	3,106,198	11%	—	3,106,198	4%
<b>Total</b>	<b>\$29,249,705</b>	<b>100%</b>	<b>\$49,707,958</b>	<b>\$78,957,663</b>	<b>100%</b>

**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. 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, 2020.

FAIR VALUE MEASUREMENTS		FAIR VALUE AT JUNE 30, 2020		
	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)
Investments				
Certificates of deposit	26,711,521	26,711,521		
U.S. Treasury securities	3,461,371	3,461,371		
Agency securities	33,116,452		33,116,452	
Agency mortgage securities	275,671		275,671	
<b>Total investments</b>	<b>\$63,565,015</b>	<b>\$30,172,892</b>	<b>\$33,392,123</b>	<b>—</b>
Derivative Instruments				
Interest rate swap	(715,836)		(715,836)	
<b>Total derivative instruments</b>	<b>\$ (715,836)</b>	<b>—</b>	<b>\$ (715,836)</b>	<b>—</b>

The University had the following fair value measurements at June 30, 2019.

FAIR VALUE MEASUREMENTS		FAIR VALUE AT JUNE 30, 2019		
	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)
Investments				
Certificates of deposit	29,249,705	29,249,705		
U.S. Treasury securities	5,652,848	5,652,848		
Agency securities	49,233,492		49,233,492	
Agency mortgage securities	474,466		474,466	
<b>Total investments</b>	<b>\$84,610,511</b>	<b>\$34,902,553</b>	<b>\$49,707,958</b>	<b>—</b>
Derivative Instruments				
Interest rate swap	(723,332)		(723,332)	
<b>Total derivative instruments</b>	<b>\$ (723,332)</b>	<b>—</b>	<b>\$ (723,332)</b>	<b>—</b>

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, 2020 and June 30, 2019.

## NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2020, classified by type and the fair value changes of those derivative instruments are as follows.

DERIVATIVE INSTRUMENTS					JUNE 30, 2020
Derivative Instrument	Type	Change in Fair Value	Classification	Fair Value at June 30, 2019	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	\$(61,788)	Derivative Instrument Interest Rate Swap	\$(546,789)	\$3,608,322
Series 2008A	Cash flow hedge: Pay-fixed interest rate swap	\$ 69,284	Derivative Instrument Interest Rate Swap	\$(169,047)	\$5,475,000

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2019, classified by type and the fair value changes of those derivative instruments are as follows.

DERIVATIVE INSTRUMENTS					JUNE 30, 2019
Derivative Instrument	Type	Change in Fair Value	Classification	Fair Value at June 30, 2019	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	\$(52,362)	Derivative Instrument Interest Rate Swap	\$(485,001)	\$3,987,774
Series 2008A	Cash flow hedge: Pay-fixed interest rate swap	\$ 28,834	Derivative Instrument Interest Rate Swap	\$(238,331)	\$7,275,000

The University determined that both pay-fixed interest rate swaps met the criteria for effectiveness as of June 30 of both years. The pay-fixed, receive-variable interest rate swaps are designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swaps was estimated based on the present value of their estimated future cash flows.

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

Type	Objective	Current Notional	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	\$3,608,322	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 2008 Bonds	\$5,475,000	7/1/2008	10/1/2021	65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps	A3

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2019, along with the credit rating of the associated counterparty.

Type	Objective	Current Notional	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	\$3,987,774	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 2008 Bonds	\$7,275,000	7/1/2008	10/1/2021	65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps	A3

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

Fiscal Year Ending	Series 2006		Series 2008A		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	397,209	161,633	2,375,000	182,372	2,772,209	344,005	3,116,214
2022	415,797	142,762	3,100,000	55,580	3,515,797	198,342	3,714,139
2023	435,257	123,007	—	—	435,257	123,007	558,264
2024	455,626	102,328	—	—	455,626	102,328	557,954
2025	476,951	80,681	—	—	476,951	80,681	557,632
2026-2030	1,427,482	101,791	—	—	1,427,482	101,791	1,529,273
2031-2035	—	—	—	—	—	—	—
<b>Total</b>	<b>\$3,608,322</b>	<b>\$712,202</b>	<b>\$5,475,000</b>	<b>\$237,952</b>	<b>\$9,083,322</b>	<b>\$950,154</b>	<b>\$10,033,476</b>

**Credit Risk** — The fair value of the hedging derivative instruments is in a liability position as of June 30, 2020, and June 30, 2019, with Series 2006 having a balance of \$546,789 and \$485,001 and Series 2008A having a balance of \$169,047 and \$238,331, respectively. Because both of the derivative instruments and the debts being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instruments would simply be netted against the payoff of the debts.

**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%, and Series 2008A is fixed at 3.97%.

**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 LIBOR 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, 2020, compared to the previous fiscal year.

ACCOUNTS RECEIVABLE		
	2020	2019
Student fees receivable	\$ 5,048,837	\$ 5,160,840
Auxiliary enterprises	1,866,424	2,244,192
Gifts and nonoperating grants	1,755,850	2,296,780
Contracts and operating grants	306,041	68,711
Capital grants and gifts	—	108,654
Other	1,129,608	1,916,765
Current accounts receivable, gross	10,106,760	11,795,942
Allowance for uncollectible accounts	(3,064,779)	(3,176,258)
Current accounts receivable, net	\$ 7,041,981	\$ 8,619,684

The amounts shown above for 2019 have been reclassified from the accounts receivable note published in the 2018-19 Financial Report for comparative purposes. The University defined new categories of accounts receivable during the 2019-20 fiscal year to better illustrate the relationship between amounts reported as accounts receivable on the Statement of Net Position and revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position. There was no change in gross receivables, allowance for uncollectible accounts, or net amounts.

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



## NOTE 6 – Capital Assets, Net of Accumulated Depreciation

The table below displays the increase in total capital assets from \$425.1 million at July 1, 2019, to \$443.8 million on June 30, 2020. Gross capital assets, less accumulated depreciation of \$229.2 million, equal net capital assets of \$214.6 million at June 30, 2020.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION					
	Balance June 30, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
<b>Capital Assets Not Being Depreciated</b>					
Land	5,085,613	—	—	(15)	5,085,598
Construction in Progress	6,899,551	18,757,022	(3,394,597)	—	22,261,976
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 11,985,164</b>	<b>\$ 18,757,022</b>	<b>\$ (3,394,597)</b>	<b>\$ (15)</b>	<b>\$ 27,347,574</b>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	15,236,711	—	—	—	15,236,711
Infrastructure	8,498,279	—	2,079,211	—	10,577,490
Educational Buildings	238,273,856	—	946,123	—	239,219,979
Auxiliary Buildings	121,026,099	—	369,263	(117,913)	121,277,449
Equipment	26,529,162	924,377	—	(680,632)	26,772,907
Library Materials	2,779,973	31,975	—	(110,744)	2,701,204
Capital Lease Equipment	727,786	460,270	—	(499,529)	688,527
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 413,071,866</b>	<b>\$ 1,416,622</b>	<b>\$ 3,394,597</b>	<b>\$ (1,408,818)</b>	<b>\$ 416,474,267</b>
<b>Total Capital Assets</b>	<b>\$ 425,057,030</b>	<b>\$ 20,173,644</b>	<b>—</b>	<b>\$ (1,408,833)</b>	<b>\$ 443,821,841</b>
<b>Less Accumulated Depreciation</b>					
Land Improvements	(10,834,161)	(692,323)	—	—	(11,526,484)
Infrastructure	(3,271,793)	(206,653)	—	—	(3,478,446)
Educational Buildings	(102,551,723)	(8,898,396)	—	—	(111,450,119)
Auxiliary Buildings	(74,050,401)	(3,761,907)	—	15,888	(77,796,420)
Equipment	(21,450,318)	(1,505,707)	—	667,632	(22,288,393)
Library Materials	(2,482,076)	(88,124)	—	110,744	(2,459,456)
Capital Lease Equipment	(421,537)	(147,618)	—	382,972	(186,183)
<b>Total Accumulated Depreciation</b>	<b>\$ (215,062,009)</b>	<b>\$ (15,300,728)</b>	<b>—</b>	<b>\$ 1,177,236</b>	<b>\$ (229,185,501)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>\$ 198,009,857</b>	<b>\$ (13,884,106)</b>	<b>\$ 3,394,597</b>	<b>\$ (231,582)</b>	<b>\$ 187,288,766</b>
<b>Total Net Capital Assets</b>	<b>\$ 209,995,021</b>	<b>\$ 4,872,916</b>	<b>—</b>	<b>\$ (231,597)</b>	<b>\$ 214,636,340</b>



The table below displays the increase in total capital assets from \$398.7 million at July 1, 2018, to \$425.1 million on June 30, 2019. Gross capital assets, less accumulated depreciation of \$215.1 million, equal net capital assets of \$210 million at June 30, 2019.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION					
	Balance June 30, 2018	Additions	Transfers	Deletions	Balance June 30, 2019
<b>Capital Assets Not Being Depreciated</b>					
Land	5,036,654	48,959	—	—	5,085,613
Construction in Progress	34,075,086	24,187,401	(51,362,936)	—	6,899,551
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 39,111,740</b>	<b>\$ 24,236,360</b>	<b>\$ (51,362,936)</b>	<b>—</b>	<b>\$ 11,985,164</b>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	14,990,461	—	246,250	—	15,236,711
Infrastructure	8,256,226	—	242,053	—	8,498,279
Educational Buildings	187,692,018	—	50,581,838	—	238,273,856
Auxiliary Buildings	120,733,304	—	292,795	—	121,026,099
Equipment	24,248,932	3,049,837	—	(769,607)	26,529,162
Library Materials	2,962,326	53,207	—	(235,560)	2,779,973
Capital Lease Equipment	662,831	164,834	—	(99,879)	727,786
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 359,546,098</b>	<b>\$ 3,267,878</b>	<b>\$ 51,362,936</b>	<b>\$ (1,105,046)</b>	<b>\$ 413,071,866</b>
<b>Total Capital Assets</b>	<b>\$ 398,657,838</b>	<b>\$ 27,504,238</b>	<b>—</b>	<b>\$ (1,105,046)</b>	<b>\$ 425,057,030</b>
<b>Less Accumulated Depreciation</b>					
Land Improvements	(10,152,180)	(681,981)	—	—	(10,834,161)
Infrastructure	(3,074,492)	(197,301)	—	—	(3,271,793)
Educational Buildings	(95,882,855)	(6,668,868)	—	—	(102,551,723)
Auxiliary Buildings	(70,068,474)	(3,981,927)	—	—	(74,050,401)
Equipment	(20,544,794)	(1,499,469)	—	593,945	(21,450,318)
Library Materials	(2,610,403)	(107,233)	—	235,560	(2,482,076)
Capital Lease Equipment	(345,686)	(142,437)	—	66,586	(421,537)
<b>Total Accumulated Depreciation</b>	<b>\$(202,678,884)</b>	<b>\$(13,279,216)</b>	<b>—</b>	<b>\$ 896,091</b>	<b>\$(215,062,009)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>\$ 156,867,214</b>	<b>\$(10,011,338)</b>	<b>\$ 51,362,936</b>	<b>\$ (208,955)</b>	<b>\$ 198,009,857</b>
<b>Total Net Capital Assets</b>	<b>\$ 195,978,954</b>	<b>\$ 14,225,022</b>	<b>—</b>	<b>\$ (208,955)</b>	<b>\$ 209,995,021</b>

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

CONSTRUCTION WORK IN PROGRESS		
Facility	Balance as of June 30, 2019	Balance as of June 30, 2020
Physical Activities Center(PAC)	\$5,515,959	\$21,223,129
Upgrade Energy Management System	703,121	—
University Center West Partial Roof Replacement	374,918	—
Housing HVAC PTAC Replacement/Installation	—	403,659
Other projects (not exceeding \$250,000)	305,553	635,188
<b>Total</b>	<b>\$6,899,551</b>	<b>\$22,261,976</b>

## NOTE 7 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2020 and 2019, are shown below.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
Bonds payable	\$119,397,413	\$ —	\$11,378,866	\$108,018,547	\$13,174,420	\$ 94,844,127
Leases payable	308,851	460,270	260,019	509,102	135,579	373,523
Derivative instruments – interest rate swap	723,332	61,788	69,284	715,836	—	715,836
Other postemployment benefits	23,407,069	3,851,007	9,966,883	17,291,193	—	17,291,193
Compensated absences	3,227,737	2,689,690	2,389,067	3,528,360	477,871	3,050,489
Termination benefits	380,205	403,807	253,749	530,263	303,475	226,788
Net pension liability	5,289,879	900,564	1,181,619	5,008,824	—	5,008,824
Other noncurrent liabilities	4,370	21,227	18,885	6,712	—	6,712
<b>Total</b>	<b>\$152,738,856</b>	<b>\$ 8,388,353</b>	<b>\$25,518,372</b>	<b>\$135,608,837</b>	<b>\$14,091,345</b>	<b>\$121,517,492</b>

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
Bonds payable	\$ 90,023,376	\$41,573,737	\$12,199,700	\$119,397,413	\$11,631,663	\$107,765,750
Leases payable	318,338	164,834	174,321	308,851	145,066	163,785
Derivative instruments – interest rate swap	699,804	52,362	28,834	723,332	—	723,332
Other postemployment benefits	26,045,725	4,003,602	6,642,258	23,407,069	—	23,407,069
Compensated absences	3,184,537	2,861,484	2,818,284	3,227,737	326,622	2,901,115
Termination benefits	413,701	183,146	216,642	380,205	255,124	125,081
Net pension liability	7,135,346	555,173	2,400,640	5,289,879	—	5,289,879
Other noncurrent liabilities	6,181	6,093	7,904	4,370	—	4,370
<b>Total</b>	<b>\$127,827,008</b>	<b>\$49,400,431</b>	<b>\$24,488,583</b>	<b>\$152,738,856</b>	<b>\$12,358,475</b>	<b>\$140,380,381</b>



**NOTE 8 – Debt Related to Capital Assets**

**Bonds Payable** — The following schedule details bonds payable at June 30, 2020, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE							
	Issue Date	Interest Rate	Maturity Date	Original Issue Amount	Principal Outstanding June 30, 2020	Principal Outstanding June 30, 2019	Current Portion June 30, 2020
<b>Student Fee Bonds</b>							
<b>Direct Placements of Debt</b>							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	3,608,322	3,987,774	397,209
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	14,060,000	18,410,000	4,440,000
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	7,150,000	7,470,000	330,000
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	21,440,000	21,440,000	3,085,000
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,955,000	9,955,000	100,000
Student Fee Bonds – Direct Placements				89,535,000	56,213,322	61,262,774	8,352,209
<b>Other Debt</b>							
Series J, Business and Engineering Center	2009	3.45% to 3.70%	2019	50,185,000	—	2,425,000	—
Series K-1, Teaching Theatre	2012	2.00% to 4.00%	2032	12,300,000	8,280,000	8,760,000	500,000
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	33,395,000	34,570,000	1,225,000
Student Fee Bonds – Other Debt				99,730,000	41,675,000	45,755,000	1,725,000
Student Fee Bonds				189,265,000	97,888,322	107,017,774	10,077,209
<b>Auxiliary System Bonds</b>							
<b>Direct Placements of Debt</b>							
Series 2008A, Student Housing Facilities	2008	3.97%	2021	9,800,000	5,475,000	7,275,000	2,375,000
<b>Other Debt</b>							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	2,630,000	3,090,000	480,000
Auxiliary System Bonds				17,805,000	8,105,000	10,365,000	2,855,000
<b>Subtotal Bonds Payable</b>				<b>\$207,070,000</b>	<b>\$105,993,322</b>	<b>\$117,382,774</b>	<b>\$12,932,209</b>
<b>Net Unamortized Premiums and Costs</b>				<b>—</b>	<b>\$ 2,025,225</b>	<b>\$ 2,014,640</b>	<b>\$242,211</b>
<b>Total Bonds Payable</b>					<b>\$108,018,547</b>	<b>\$119,397,414</b>	<b>\$13,174,420</b>

The University of Southern Indiana Student Fee Bonds Series J of 2009, Series K-1 and K-3 of 2012, Series L-1, L-2, and L-3 of 2017, and Series M of 2019 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 Bonds, Series 2003 and Series 2008A, are 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. These auxiliary system bonds also 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.

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

ANNUAL DEBT SERVICE REQUIREMENTS				
Fiscal Year Ended June 30	Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2021	\$10,727,209	\$1,461,809	\$2,205,000	\$1,893,720
2022	11,635,797	1,151,526	2,290,000	1,804,675
2023	6,640,257	927,917	2,385,000	1,711,438
2024	6,795,626	775,592	2,490,000	1,611,250
2025	4,321,951	644,437	2,600,000	1,499,412
2026-2030	18,192,482	1,512,374	11,675,000	5,868,525
2031-2035	2,340,000	323,640	13,040,000	2,871,950
2036-2040	1,035,000	30,233	7,620,000	465,200
<b>Total</b>	<b>\$61,688,322</b>	<b>\$6,827,528</b>	<b>\$44,305,000</b>	<b>\$17,726,170</b>

## NOTE 9 – Lease Obligations

The University spent \$209,800 and \$236,399 on operating leases as of June 30, 2020 and 2019, respectively. These leases are included in supplies and other services on the Statement of Revenues, Expenses, and Changes in Net Position. The following schedule summarizes the types of operating lease payments at June 30, 2020, compared to the previous fiscal year.

OPERATING LEASE PAYMENTS		
	2020	2019
Off-campus facilities	\$ 134,350	\$ 135,347
Equipment	61,294	87,399
Vehicles	14,156	13,653

The University also has lease agreements with Xerox Corporation for the use of copiers that are substantively lease-purchases. These capital lease obligations are included in the Statement of Net Position. The gross amount of assets recorded for these capital leases totaled \$688,527 and \$727,786 as of June 30, 2020 and 2019, respectively. Accumulated depreciation of leased equipment totaled \$186,183 and \$421,537 as of June 30, 2020 and 2019, respectively.

The expense resulting from amortization of assets recorded under capital leases is included with depreciation expense on the Statement of Revenues, Expenses and Changes in Net Position.

Future minimum scheduled lease payments under these agreements are illustrated in the following schedule.

FUTURE MINIMUM LEASE PAYMENTS		
Fiscal year ending June 30	Capital Leases	Operating Leases
2021	\$145,609	\$ 99,482
2022	145,609	14,116
2023	132,412	—
2024	99,918	—
2025	7,918	—
Total future minimum payments	\$531,466	\$113,598
Less interest	(22,364)	
Total principal payments outstanding	\$509,102	

## NOTE 10 – 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 \$5,702,573 to these programs in fiscal year 2019-20, which represents approximately 9% of the total University payroll and 10.67% 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 \$4,724,583 to this plan for 667 participating employees for fiscal year ending June 30, 2020, and \$4,776,078 for 672 participating employees for fiscal year ending June 30, 2019. The annual payroll for this group totaled \$44,903,126 and \$44,995,676 for fiscal years ending June 30, 2020 and 2019, 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 \$229,200 to this plan for 159 participating employees for fiscal year ending June 30, 2020, and \$193,973 to this plan for 137 participating employees for the fiscal year ending June 30, 2019. The annual payroll for this group totaled \$3,274,286 and \$2,771,038 for fiscal years ending June 30, 2020 and 2019, 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 [www.tiaa.org](http://www.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, 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 [www.in.gov/inprs/annualreports.htm](http://www.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 creditable 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).	A spouse or dependent beneficiary of a member with a minimum of 15 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 & 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, 2019, postretirement benefits were issued to members as a 13th check

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. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements)	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 (in accordance with INPRS requirements).	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 (in accordance with INPRS requirements).

**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 \$748,790 for 182 employees participating in the PERF Hybrid plan during the 2019-20 fiscal year and \$872,785 for 213 employees participating during 2018-19. 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 \$5,008,824 at June 30, 2020, and \$5,289,879 at June 30, 2019, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2019 for assets and June 30, 2018 rolled forward to June 30, 2019 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, 2019, the University's proportion was 0.15%, which was a 0.01 decrease from June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$(23,766). At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

DEFERRED RESOURCES	JUNE 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	132,632	—
Changes in assumptions	1,115	544,496
Net difference between projected and actual earnings on pension plan investments	—	236,754
Changes in proportion and differences between the University's contributions and proportionate share of contributions	—	398,370
The University's contributions subsequent to the measurement date	748,790	—
<b>Total</b>	<b>\$882,537</b>	<b>\$1,179,620</b>

For the year ended June 30, 2019, the University recognized pension expense of \$(191,591). At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

DEFERRED RESOURCES	JUNE 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	69,181	361
Changes in assumptions	12,603	849,363
Net difference between projected and actual earnings on pension plan investments	156,665	—
Changes in proportion and differences between the University's contributions and proportionate share of contributions	12,205	312,317
The University's contributions subsequent to the measurement date	871,592	—
<b>Total</b>	<b>\$1,122,246</b>	<b>\$1,162,041</b>

\$748,790 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

YEAR ENDED JUNE 30	
2020	(358,313)
2021	(516,331)
2022	(152,847)
2023	(18,382)
2024	—
Thereafter	—
<b>Total</b>	<b>\$(1,045,873)</b>

**Actuarial assumptions** — The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.25%
<b>Salary Increases</b>	2.50-4.25%, including inflation
<b>Investment rate of return</b>	6.75%, net of investment expense
<b>Cost of Living Increases</b>	It is assumed a service-based 13th check will be paid in the 2020 and 2021 fiscal years. Thereafter, the following COLAs, compounded annually, are assumed: 0.40% beginning on January 1, 2022 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039

A load of final average salary of \$400 was included to reflect unused sick leave.

Mortality rates were based on the RP-2014 Total Data Set Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report for healthy members and the RP-2014 Disability Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report for disabled members.

The actuarial assumptions used in the June 30, 2019 valuation were adopted by the INPRS Board in May 2019. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014 and were first used in the June 30, 2015 valuation.

The long-term expected rate of return on pension plan investments was determined 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. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. 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	22%	4.9%
Private Markets	14	7.0
Fixed Income – Ex Inflation-Linked	20	2.5
Fixed Income – Inflation-Linked	7	1.3
Commodities	8	2.0
Real Estate	7	6.7
Absolute Return	10	2.9
Risk Parity	12	5.3
<b>Total</b>	<b>100%</b>	

**Discount rate** — The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the 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 State 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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate.



## PROPORTIONATE SHARE OF NET PENSION LIABILITY

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
University's proportionate share of the net pension liability	\$8,044,237	\$5,008,824	\$2,477,057

**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 11 – 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 \$100,000 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 \$100,000 for flood for each loss. There is also a \$100,000 minimum deductible for "Windstorm" meaning wind, wind driven rain or hail. Educators' legal liability has a \$50,000 retention for each wrongful acts claim. General liability, cyber liability, professional liability, commercial crime, workers' compensation, pollution (which includes mold), and commercial auto are insured by commercial insurance 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 renew the \$10 million excess of \$15 million earthquake coverage for the 2019-20 policy year. This elimination offsets cost increases in other lines in coverage to maintain the same overall cost as the previous fiscal year. Additionally, 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; one of these plans is also available to retirees. A third health care plan is only available to retirees. All 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 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. Changes in the balance of claims liabilities during the 2018-19 and 2019-20 fiscal years are as follows. The amounts shown for claims incurred and claims paid in 2018-19 have been amended from the amounts published in the 2018-2019 Financial Report for comparative purposes. The amounts previously reported represented claims incurred for events during the fiscal year listed and payments on those claims. The revised amounts reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years. This change had no impact on the beginning and ending liability amounts for 2018-19 as published and they remain unchanged.

### CHANGE IN CLAIM LIABILITY

Fiscal Year	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2018-19	\$1,118,770	\$14,890,190	\$(14,726,493)	\$1,282,467
2019-20	\$1,282,467	\$16,475,746	\$(16,447,000)	\$1,311,213

## NOTE 12 – Other Postemployment Benefits (OPEB)

### General Information about the OPEB Plan

**Plan Description** — The USI Voluntary Employees' Benefit Association (VEBA) Trust provides OPEB for eligible full-time employees. VEBA is a single employer defined benefit healthcare plan administered by the Old National Trust Company. The USI Board of Trustees has the authority to establish or amend the benefit provisions of the plan. Old National Trust Co. 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 Bancorp, One Main Street, Evansville, IN 47708, or by calling 800-731-2265.

**Benefits Provided** — VEBA 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.

**Employees covered by benefit terms**— At June 30, 2020, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	276
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	327
<b>Total</b>	<b>603</b>

Inactive employees or beneficiaries currently receiving life insurance benefit payments	336
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	569
<b>Total</b>	<b>905</b>

**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, dental premiums, and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental, and life insurance ranged from \$133.07 to \$580.09 per month for single coverage and \$388.41 to \$1,603.31 for family coverage. Retiree contributions for medical and dental ranged from \$112.32 to \$577.08 per month for single coverage and \$341.00 to \$1,600.31 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

The University's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, with liabilities as of July 1, 2019 being based on an actuarial valuation date of July 1, 2018 projected to July 1, 2019 on a "no gain/no loss" basis.

**Actuarial assumptions**— The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

<b>Inflation</b>	2.25%
<b>Salary increases</b>	2.50-4.25%, including inflation
<b>Healthcare cost trend rates</b>	8% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years for medical 5% for 2021, decreasing 0.25% per year to an ultimate rate of 3% for 2029 and later for dental

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for healthy retirees, SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses, and SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 for disabled retirees.

Retiree contributions are assumed to increase according to healthcare trend rates.

The actuarial assumptions used in the June 30, 2020 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
<b>Total</b>	<b>100%</b>	

**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. Based on this year’s expected benefit payments, the minimum required University contribution to finance future benefit payments is 50% of pay-go cost.

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, 2020
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66
Fidelity 20-Year Go Municipal Bond Index	2.45
Bond Index Range	2.21-3.66%

CHANGES IN THE NET OPEB LIABILITY			JUNE 30, 2020
	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2019	\$47,752,416	\$24,345,347	\$23,407,069
<b>Changes for the year:</b>			
Service Cost	493,102		493,102
Interest	3,315,220		3,315,220
Changes in assumptions	(671,887)		(671,887)
Differences between expected and actual experience	(7,223,292)		(7,223,292)
Contributions- employer		578,788	(578,788)
Net Investment Income		1,492,916	(1,492,916)
Benefit Payments	(1,800,914)	(1,800,914)	—
Administrative Expense		(42,685)	42,685
<b>Net Changes</b>	<b>(5,887,771)</b>	<b>228,105</b>	<b>(6,115,876)</b>
Balances at 6/30/2020	\$41,864,645	\$24,573,452	\$17,291,193

CHANGES IN THE NET OPEB LIABILITY			JUNE 30, 2019
	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2018	\$49,864,398	\$23,818,673	\$26,045,725
<b>Changes for the year:</b>			
Service Cost	504,688		504,688
Interest	3,447,775		3,447,775
Changes in assumptions	—		—
Differences between expected and actual experience	(3,795,748)		(3,795,748)
Contributions- employer		1,197,189	(1,197,189)
Net Investment Income		1,649,321	(1,649,321)
Benefit Payments	(2,268,697)	(2,268,697)	—
Administrative Expense		(51,139)	51,139
<b>Net Changes</b>	<b>(2,111,982)</b>	<b>526,674</b>	<b>(2,638,656)</b>
Balances at 6/30/2019	\$47,752,416	\$24,345,347	\$23,407,069

**Sensitivity of the net OPEB liability to changes in the discount rate** — The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability 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	\$22,300,941	\$17,291,193	\$13,089,007

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates** — The following presents the net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (7% decreasing to 3.5%) or 1-percentage-point higher (9% decreasing to 5.5%) than the current healthcare cost trend rates.

	1% Decrease (7% decreasing to 3.5%)	Healthcare Cost Trend Rates (8% decreasing to 4.5%)	1% Increase (9% decreasing to 5.5%)
Net OPEB liability	\$13,153,595	\$17,291,193	\$22,196,687

**OPEB plan fiduciary net position** — Detailed information about the VEBA plan's fiduciary net position is available in Old National Bank's audited financial report.

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

For the year ended June 30, 2020, the University recognized OPEB expense of \$(2,056,246). At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

DEFERRED RESOURCES		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	—	6,768,181
Changes in assumptions	240,584	447,925
Net differences between projected and actual earnings in OPEB plan investments	269,741	12,386
<b>Total</b>	<b>\$510,325</b>	<b>\$7,228,492</b>

For the year ended June 30, 2019, the University recognized OPEB expense of \$726,503. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

DEFERRED RESOURCES		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	—	3,905,305
Changes in assumptions	481,170	—
Net differences between projected and actual earnings in OPEB plan investments	203,324	16,514
<b>Total</b>	<b>\$684,494</b>	<b>\$3,921,819</b>

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	
2021	(4,246,601)
2022	(2,534,531)
2023	29,418
2024	33,547
2025	—
Thereafter	—

### NOTE 13 – 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 \$3,528,360 and \$3,227,737 for June 30, 2020 and 2019, respectively. The current year change represents a \$275,034 increase in accrued vacation; a \$4,925 increase in sick leave liability; a \$19,012 increase in Social Security and Medicare taxes; a \$1,331 decrease in Public Employees' Retirement Fund (PERF) contributions; and a \$2,983 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, \$286,400 was paid out to terminating employees. Payout for terminating employees in fiscal year 2020-21 is expected to increase approximately 66.85% because of the number who will have reached the requisite retirement age and years of service. For that reason, \$477,871 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining \$3,050,489 is classified as a noncurrent liability.

### NOTE 14 – 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 remain static for purposes of calculating this liability.

The University has 18 retirees currently receiving early-retirement benefits, 10 of whose benefits stop after this fiscal year, and 13 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals \$530,263 at June 30, 2020. Of that amount, \$303,475 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 \$226,788 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

### NOTE 15 – Functional Expenditures

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 EXPENDITURES				FISCAL YEAR ENDED JUNE 30, 2020			
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$33,255,654	\$ 9,575,089			\$ 3,167,055		\$ 45,997,798
Academic Support	5,649,977	2,007,030			4,325,629		\$ 11,982,636
Student Services	5,991,384	2,036,853			3,625,705		\$ 11,653,942
Institutional Support	9,331,954	4,738,228			6,754,188		\$ 20,824,370
Operation and Maintenance of Plant	3,423,239	1,278,051		4,215,166	6,300,460		\$ 15,216,916
Depreciation						15,300,728	\$ 15,300,728
Student Aid			11,234,090				\$ 11,234,090
Public Service	1,068,314	292,899			1,130,536		\$ 2,491,749
Research	94,330	20,720			111,683		\$ 226,733
Auxiliary Enterprises	4,551,155	2,463,067		805,083	12,334,550		\$ 20,153,855
<b>TOTAL</b>	<b>\$63,366,007</b>	<b>\$22,411,937</b>	<b>\$11,234,090</b>	<b>\$5,020,249</b>	<b>\$37,749,806</b>	<b>\$15,300,728</b>	<b>\$155,082,817</b>

FUNCTIONAL EXPENDITURES							FISCAL YEAR ENDED JUNE 30, 2019	
Function	Salaries and Wages	Benefits	Student Financial Aid	Utilities	Supplies and Other Services	Depreciation	Total	
Instruction	\$33,703,470	\$10,582,148			\$ 3,568,573		\$ 47,854,191	
Academic Support	5,537,252	2,056,557			5,101,559		\$ 12,695,368	
Student Services	5,862,697	2,217,498			4,431,113		\$ 12,511,308	
Institutional Support	9,451,004	4,598,148			6,041,895		\$ 20,091,047	
Operation and Maintenance of Plant	3,851,949	1,672,866		4,517,541	8,571,027		\$ 18,613,383	
Depreciation						13,279,216	\$ 13,279,216	
Student Aid			8,832,202				\$ 8,832,202	
Public Service	1,201,279	352,513			976,331		\$ 2,530,123	
Research	121,899	28,221			126,524		\$ 276,644	
Auxiliary Enterprises	4,783,171	2,682,207		892,718	15,412,316		\$ 23,770,412	
<b>TOTAL</b>	<b>\$64,512,721</b>	<b>\$24,190,158</b>	<b>\$8,832,202</b>	<b>\$5,410,259</b>	<b>\$44,229,338</b>	<b>\$13,279,216</b>	<b>\$160,453,894</b>	

## NOTE 16 – Subsequent Event

### Institutional Portion of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund (HEERF)

On July 14, 2020, the University was awarded \$2,945,141 for the institutional portion of the CARES HEERF grant by the U.S. Department of Education. The funds will be used to offset housing revenue refunded to students due to the campus closure and to cover costs associated with significant changes to the delivery of instruction due to the coronavirus.

### Series N Bond Issue

On August 6, 2020, the University issued \$41,170,000 in student fee revenue bonds with an all-in true interest cost of 2.02%. Net proceeds from the bond issue are to be used to fund the construction and equipping of the Health Professions Center Classroom Renovation and Expansion project. Annual debt service payments of approximately \$2.9 million are scheduled through October 2039.

### Barnes & Noble College Management Agreement

On August 18, 2020, the University entered into an agreement with Barnes & Noble College Booksellers, LLC, to provide management services for the USI Campus Store effective October 15, 2020. The scope of services includes operation of the USI Campus Store located in the University Center West, course materials services, operation of the Screagle Zone, located in the Screaming Eagles Arena, and the USI Campus Store website. The initial term expires on June 30, 2026, and the University has the option to renew the agreement for one-year renewal terms. The University will receive a minimum annual guarantee or the applicable sum of the percentage commissionable sales in addition to other financial considerations.

### Lilly Endowment Inc. Grant for Charting the Future Phase 2 Implementation

On September 17, 2020, the University was awarded \$2,498,934 from the Lilly Endowment for the second phase of the Charting the Future for Indiana's Colleges and Universities Initiative. This grant will fund a project that will create an innovative infrastructure for adult learners to obtain additional education credentials. The grant period is September 1, 2020, through December 31, 2022. Funds are expected to be available in October 2020.

## 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 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 may be used at the discretion of the Foundation's management and the board of directors (board).

**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.

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 and Cash Equivalents*

The Foundation considers all liquid investments not classified with investments and with original maturities of three months or less to be cash equivalents. At June 30, 2020 and 2019, the Foundation had cash equivalents of \$250,000 and \$0, respectively.

### *Contributions Receivable – Deferred Gifts*

During 2020 and 2019, the Foundation received certain irrevocable pledges to be paid from individual estates or more commonly referred to as deferred gifts. These contribution receivables are recorded as revenues with donor restrictions based on the intent of the donor. The amounts were 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 ranged from 3.61% to 5.59%.

### *Investments and Net Investment Return*

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. 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 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.

Investments in real estate are recorded at the fair market value when donated or at the lower of cost or market if purchased. The properties held for investment are not depreciated.

### **Property and Equipment**

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

### **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, 2020 and 2019.

### **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.

### **Reclassifications**

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

**NOTE 2 – Contributions Receivable**

Contributions receivable at June 30, 2020 and 2019, consisted of the following:

<b>CONTRIBUTIONS RECEIVABLE</b>			
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 10,951	\$ 2,391,325	\$ 2,402,276
Due in one to five years	—	657,990	657,990
Due in five or more years	—	9,763,000	9,763,000
	<b>10,951</b>	<b>12,812,315</b>	<b>12,823,266</b>
<b>Less</b>			
Allowance for uncollectible contributions	—	3,496,330	3,496,330
Unamortized discount	—	2,908,717	2,908,717
	<b>\$ 10,951</b>	<b>\$ 6,407,268</b>	<b>\$ 6,418,219</b>

The discount rates ranged from 0.52% to 5.59% for 2020. Approximately 37% of the contributions receivable at June 30, 2020, were due from three donors.

<b>CONTRIBUTIONS RECEIVABLE</b>			
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 20,148	\$ 1,413,472	\$ 1,433,620
Due in one to five years	—	982,649	982,649
Due in five or more years	—	10,464,000	10,464,000
	<b>20,148</b>	<b>12,860,121</b>	<b>12,880,269</b>
<b>Less</b>			
Allowance for uncollectible contributions	—	3,487,605	3,487,605
Unamortized discount	—	3,122,311	3,122,311
	<b>\$ 20,148</b>	<b>\$ 6,250,205</b>	<b>\$ 6,270,353</b>

The discount rates ranged from 1.14% to 5.59% for 2019. Approximately 44% of the contributions receivable at June 30, 2019, were due from four donors.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2020 and 2019, were as follows:

<b>SPECIFIC CONTRIBUTIONS RECEIVABLE</b>		
	2020	2019
Scholarships and awards	\$2,502,455	\$2,794,228
Educational grants and academic enhancements	1,422,777	1,346,061
Athletic support	91,916	21,162
Other University support	2,093,510	1,752,573
Capital projects	—	95
Community outreach	1,911	5,211
Time restrictions	305,650	351,023
<b>Total</b>	<b>\$6,418,219</b>	<b>\$6,270,353</b>

### 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, 2020 and 2019, comprise the following:

FINANCIAL ASSETS AVAILABLE		
	2020	2019
Total financial assets (including cash, accounts and interest receivable, contributions receivable and investments)	\$136,605,565	\$132,613,113
Board-designated endowments with underlying donor-imposed restrictions		
Restricted funds	(1,390,995)	(1,152,843)
Endowments	(25,436,586)	(25,194,679)
Donor-imposed restrictions		
Restricted funds	(15,841,976)	(15,503,602)
Assets held under split-interest agreements	(1,891,355)	(1,334,584)
Endowments	(75,969,041)	(73,729,822)
<b>Net financial assets after donor-imposed restrictions</b>	<b>16,075,612</b>	<b>15,697,583</b>
Designations without donor restrictions		
Board-designated endowment spendable funds	(425,723)	(424,410)
Board-designated endowments	(9,737,095)	(9,777,318)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 5,912,794</b>	<b>\$ 5,495,855</b>

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 \$35,173,681 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, 2020 and 2019, are restricted for the following purposes or periods:

<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
	<b>2020</b>	<b>2019</b>
<b>Subject to expenditure for specified purpose</b>		
Scholarships and awards	\$ 6,100,156	\$ 5,585,957
Educational grants and academic enhancements	3,977,272	4,005,738
Capital projects	430,603	419,548
Athletics	179,129	131,983
Other University support	3,657,537	3,979,295
Community outreach	218,278	217,813
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	658,849	607,837
Educational grants and academic enhancements	38,560	12,583
Capital projects	-	100
Athletics	96,026	22,044
Other University support	1,791,974	1,539,970
Community outreach	2,000	5,455
	<b>17,150,384</b>	<b>16,528,323</b>
<b>Subject to the passage of time</b>		
Beneficial interests in charitable trusts held by others	1,144,297	815,838
Assets held under split-interest agreements	1,891,355	1,334,584
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	297,255	332,454
	<b>3,332,907</b>	<b>2,482,876</b>
<b>Endowments</b>		
Board-designated endowments subject to endowment spending policy and appropriation for specific purpose		
Restricted by donors for		
Scholarships and awards	13,388,525	13,183,618
Educational grants and academic enhancements	9,997,095	9,939,665
Athletics	817,649	827,068
Other University support	777,078	785,749
Community outreach	216,766	219,255
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	352	1,418
Educational grants and academic enhancements	211,083	211,083
Other University support	28,038	26,823
	<b>25,436,586</b>	<b>25,194,679</b>
Donor-restricted endowments subject to endowment spending policy and appropriation		
Scholarships and awards	\$ 49,960,965	\$ 48,617,918
Educational grants and academic enhancements	12,109,757	10,928,644
Other University support	10,613,643	10,692,822
Contributions receivable, the proceeds from which have been restricted by donors for		
Scholarships and awards	1,817,041	2,167,335
Educational grants and academic enhancements	1,183,229	1,129,888
Other University support	284,406	193,215
	<b>75,969,041</b>	<b>73,729,822</b>
<b>Total endowments</b>	<b>101,405,627</b>	<b>98,924,501</b>
<b>Not subject to spending policy or appropriation</b>		
Beneficial interest in assets held by Community Foundation	67,545	66,758
Beneficial interests in perpetual trusts	4,012,103	4,122,365
	<b>4,079,648</b>	<b>4,189,123</b>
	<b>\$125,968,566</b>	<b>\$122,124,823</b>

**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		
	2020	2019
Expiration of time restrictions	\$ 69,280	\$ 23,542
Satisfaction of purpose restrictions		
Scholarships and awards	1,252,334	1,193,682
Educational grants and academic enhancements	1,081,920	1,723,369
Athletics	130,153	87,111
Other University support	1,183,692	194,060
Capital projects	13,386	215,867
Community outreach	10,000	12,500
	<b>3,740,765</b>	<b>3,450,131</b>
Restricted-purpose spending-rate distributions and appropriations		
Scholarships and awards	1,273,979	1,040,950
Educational grants and academic enhancements	159,638	578,197
Athletics	12,517	11,015
Other University support	13,474	200,870
	<b>1,459,608</b>	<b>1,831,032</b>
	<b>\$5,200,373</b>	<b>\$5,281,163</b>

**NOTE 5 – Investments and Investment Return**

Investments at June 30, 2020 and 2019, consisted of the following:

INVESTMENTS	Fair Value	
	2020	2019
Short-term investments and cash equivalents	\$ 2,442,877	\$ 889,030
Certificate of deposit	249,995	250,000
U.S. Treasury securities	2,677,491	2,393,063
Municipal securities	424,799	—
Corporate debt securities	4,856,354	4,915,155
Common stocks	17,964,596	15,723,530
Mutual funds		
Fixed income	29,235,291	28,037,671
International	16,770,708	17,008,932
Large cap	45,185,724	46,085,557
Small cap/mid cap	8,266,977	8,678,880
Alternative investment – private investment fund	971,325	1,278,335
<b>Total</b>	<b>\$129,046,137</b>	<b>\$125,260,153</b>

Total investment return for the years ended June 30, 2020 and 2019, was comprised of the following:

INVESTMENT RETURN		
	2020	2019
Interest and dividend income	\$2,683,250	\$2,611,603
Investment management fees	(203,129)	(209,517)
	<b>2,480,121</b>	<b>2,402,086</b>
Net realized and unrealized gains on investments reported at fair value	1,985,545	4,279,529
	<b>\$4,465,666</b>	<b>\$6,681,615</b>

### 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, 2020 and 2019, consist of the following:

ALTERNATIVE INVESTMENTS				
2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$ 971,325	\$906,000	N/A	N/A
2019				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (A)	\$1,278,335	\$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 \$4,012,103 and \$4,122,365, which represents the fair value of the trusts' assets at June 30, 2020 and 2019, respectively. The change in fair value of these trusts for 2020 and 2019 was (\$110,262) and \$15,302, 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, 2020 and 2019, the residual benefits were valued at \$1,144,297 and \$815,838, respectively. The change in fair value of these trusts for 2020 and 2019 was \$328,459 and \$23,219, 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, 2020 and 2019, in the funds with donor restrictions, of \$1,466,579 and \$1,541,425, 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%.

The Foundation has been the recipient of life insurance proceeds from a fringe benefit supplemental agreement, which requires future payments to an annuitant until death. The assets received are recorded at fair value with donor restrictions. The Foundation has recorded a liability at June 30, 2020 and 2019, in the fund with donor restrictions, of \$139,851 and \$0, respectively, which represents the present value of the future annuity obligation. The liability has been determined using a discount rate of 2.1%.

## Note 8 – Endowment

The Foundation's endowment consists of approximately 485 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, 2020 and 2019, was:

COMPOSITION OF NET ASSETS BY ENDOWMENT			
2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$9,737,095	\$ 25,436,586	\$ 35,173,681
<b>Donor-restricted endowment funds</b>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	48,950,291	48,950,291
Accumulated investment gains	—	29,646,859	29,646,859
<b>Total endowment funds</b>	<b>\$9,737,095</b>	<b>\$104,033,736</b>	<b>\$113,770,831</b>
2019			
Board-designated endowment funds	\$9,777,318	\$ 25,194,679	\$ 34,971,997
<b>Donor-restricted endowment funds</b>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	45,684,767	45,684,767
Accumulated investment gains	—	30,063,013	30,063,013
<b>Total endowment funds</b>	<b>\$9,777,318</b>	<b>\$100,942,459</b>	<b>\$110,719,777</b>

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, 2020 and 2019, these assets were valued at \$2,628,109 and \$2,017,958, respectively.

Changes in endowment net assets for the years ended June 30, 2020 and 2019, were:

<b>CHANGES IN ENDOWMENT NET ASSETS</b>			
<b>2020</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$9,777,318	\$100,942,459	\$110,719,777
<b>Investment return</b>			
Investment income	329,765	3,691,169	4,020,934
Net depreciation	(77,125)	(847,298)	(924,423)
<b>Total investment return</b>	<b>252,640</b>	<b>2,843,871</b>	<b>3,096,511</b>
Contributions	69,600	3,398,845	3,468,445
Appropriation of endowment assets for expenditure	(362,463)	(2,989,668)	(3,352,131)
Reclassification of donor intent	—	155	155
Other changes – uncollectible pledge loss	—	(101,000)	(101,000)
Other changes – change in value of split-interest agreements	—	(60,926)	(60,926)
	(292,863)	247,406	(45,457)
<b>Endowment net assets, end of year</b>	<b>\$9,737,095</b>	<b>\$104,033,736</b>	<b>\$113,770,831</b>

<b>2019</b>			
Endowment net assets, beginning of year	\$9,585,887	\$ 96,181,581	\$105,767,468
<b>Investment return</b>			
Investment income	414,307	4,298,413	4,712,720
Net appreciation	58,266	600,065	658,331
<b>Total investment return</b>	<b>472,573</b>	<b>4,898,478</b>	<b>5,371,051</b>
Contributions	67,186	2,778,111	2,845,297
Appropriation of endowment assets for expenditure	(348,328)	(2,838,707)	(3,187,035)
Reclassification of donor intent	—	1,682	1,682
Other changes – uncollectible pledge loss	—	(2,208)	(2,208)
Other changes – change in value of split-interest agreements	—	(76,478)	(76,478)
	(281,142)	(137,600)	(418,742)
<b>Endowment net assets, end of year</b>	<b>\$9,777,318</b>	<b>\$100,942,459</b>	<b>\$110,719,777</b>

### **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 \$8,903 and \$0 for 2020 and 2019, 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, 2020 and 2019. Valuation of certificates of deposit is excluded from the tables.

FAIR VALUE MEASUREMENTS		JUNE 30, 2020		
	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)
<b>Investments</b>				
Short-term investments and cash equivalents	\$ 2,442,877	\$ 2,442,877	\$ —	\$ —
U.S. Treasury securities	2,677,491	—	2,677,491	—
Municipal securities	424,799	—	424,799	—
Corporate debt securities	4,856,354	—	4,856,354	—
Common stocks	17,964,596	17,964,596	—	—
<b>Mutual funds</b>				
Fixed income	29,235,291	29,235,291	—	—
International	16,770,708	16,770,708	—	—
Large cap	45,185,724	45,185,724	—	—
Small cap/mid cap	8,266,977	8,266,977	—	—
Private investment fund, measured at net asset value (A)	971,325	—	—	—
	<b>\$128,796,142</b>	<b>\$119,866,173</b>	<b>\$7,958,644</b>	<b>\$ —</b>
<b>Beneficial interest in charitable remainder trusts</b>	<b>\$ 1,144,297</b>	<b>\$ —</b>	<b>\$1,144,297</b>	<b>\$ —</b>
<b>Beneficial interest in perpetual trusts</b>	<b>\$ 4,012,103</b>	<b>\$ —</b>	<b>\$4,012,103</b>	<b>\$ —</b>
<b>Beneficial interest in Community Foundation</b>	<b>\$ 67,545</b>	<b>\$ —</b>	<b>\$67,545</b>	<b>\$ —</b>

FAIR VALUE MEASUREMENTS		JUNE 30, 2019		
	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)
<b>Investments</b>				
Short-term investments and cash equivalents	\$ 889,030	\$ 889,030	\$ —	\$ —
U.S. Treasury securities	2,393,063	—	2,393,063	—
Corporate debt securities	4,915,155	—	4,915,155	—
Common stocks	15,723,530	15,723,530	—	—
<b>Mutual funds</b>				
Fixed income	28,037,671	28,037,671	—	—
International	17,008,932	17,008,932	—	—
Large cap	46,085,557	46,085,557	—	—
Small cap/mid cap	8,678,880	8,678,880	—	—
Private investment fund, measured at net asset value (A)	1,278,335	—	—	—
	<b>\$125,010,153</b>	<b>\$116,423,600</b>	<b>\$7,308,218</b>	<b>\$ —</b>
<b>Beneficial interest in charitable remainder trusts</b>	<b>\$815,838</b>	<b>\$ —</b>	<b>\$815,838</b>	<b>\$ —</b>
<b>Beneficial interest in perpetual trusts</b>	<b>\$ 4,122,365</b>	<b>\$ —</b>	<b>\$4,122,365</b>	<b>\$ —</b>
<b>Beneficial interest in Community Foundation</b>	<b>\$ 66,758</b>	<b>\$ —</b>	<b>\$66,758</b>	<b>\$ —</b>

(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, 2020 and 2019.

#### **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 2 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 2 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 \$548,900 and \$523,800 to the University for the years ended June 30, 2020 and 2019, respectively, for accounting, computer, administrative and other miscellaneous services provided to the Foundation by University personnel.

Amounts due to the University for approved program expenditures and approved construction commitments included in payable to related parties as of June 30, 2020 and 2019, were \$1,350,541 and \$2,023,298, 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, 2020 and 2019, approximately 22% and 32%, respectively, of all contributions were received from two donors and one donor respectively.

### *Contributions Receivable – Deferred Gifts*

As of June 30, 2020 and 2019, the Foundation has recorded contribution pledges for deferred gifts of \$10,763,000 and \$10,488,000, respectively, of which \$3,466,330 and \$3,462,605, respectively, were reserved as an allowance for uncollectible amounts and \$2,880,120 and \$3,068,052, respectively, were recorded as a discount based on estimated discount rates for each individual pledge for a net pledge receivable amount of \$4,416,550 and \$3,957,343, 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.

### *COVID-19*

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19 in 2020, economic uncertainties have arisen, which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## Note 13 – Subsequent Events

Subsequent events have been evaluated through October 1, 2020, 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 7 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**
2019	0.15%	\$5,008,824	\$7,895,963	63.44%	80.06%
2018	0.16%	\$5,289,879	\$7,945,732	66.58%	78.89%
2017	0.16%	\$7,135,346	\$7,934,387	89.93%	72.69%
2016	0.16%	\$7,449,403	\$7,866,561	94.70%	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 8 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
2020	\$ 591,745	\$ (591,745)	—	\$5,299,679	11.17%
2019	\$ 689,942	\$ (689,942)	—	\$7,895,963	8.74%
2018	\$ 773,886	\$ (773,886)	—	\$7,945,732	9.74%
2017	\$ 849,087	\$ (849,087)	—	\$7,934,387	10.70%
2016	\$1,264,361	\$(1,264,361)	—	\$7,866,561	16.07%
2015	\$1,015,471	\$(1,015,471)	—	\$9,112,942	11.14%
2014	\$1,059,754	\$(1,059,754)	—	\$9,514,281	11.14%
2013	\$ 921,537	\$ (921,537)	—	\$9,594,423	9.60%

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

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

## SCHEDULE OF CHANGES IN THE UNIVERSITY'S NET OPEB LIABILITY AND RELATED RATIOS

*Last 3 Fiscal Years\**

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 493,102	\$ 504,688	\$ 558,526
Interest	3,315,220	3,447,775	3,441,886
Changes of benefit terms	—	—	—
Changes in assumptions	(671,887)	—	962,342
Differences between expected and actual experience	(7,223,292)	(3,795,748)	(2,749,612)
Benefit Payments	(1,800,914)	(2,268,697)	(1,888,109)
<b>Net change in total OPEB liability</b>	<b>\$ (5,887,771)</b>	<b>\$ (2,111,982)</b>	<b>\$ 325,033</b>
<b>Total OPEB liability-beginning</b>	<b>\$47,752,416</b>	<b>\$49,864,398</b>	<b>\$49,539,365</b>
<b>Total OPEB liability-ending (a)</b>	<b>\$41,864,645</b>	<b>\$47,752,416</b>	<b>\$49,864,398</b>
<b>Plan fiduciary net position</b>			
Contributions-employer	\$ 578,788	\$ 1,197,189	\$ 1,888,109
Net investment income	1,492,916	1,649,321	1,243,292
Benefit payments	(1,800,914)	(2,268,697)	(1,888,109)
Administrative expense	(42,685)	(51,139)	(53,016)
<b>Net change in plan fiduciary net position</b>	<b>\$ 228,105</b>	<b>\$ 526,674</b>	<b>\$ 1,190,276</b>
<b>Plan fiduciary net position-beginning</b>	<b>\$24,345,347</b>	<b>\$23,818,673</b>	<b>\$22,628,397</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$24,573,452</b>	<b>\$24,345,347</b>	<b>\$23,818,673</b>
<b>University's net OPEB liability-ending (a-b)</b>	<b>\$17,291,193</b>	<b>\$23,407,069</b>	<b>\$26,045,725</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>58.70%</b>	<b>50.98%</b>	<b>47.77%</b>
<b>Covered employee payroll</b>	<b>\$32,786,514</b>	<b>\$37,026,262</b>	<b>\$42,347,069</b>
<b>University's net OPEB liability as a percentage of covered-employee payroll</b>	<b>52.74%</b>	<b>63.22%</b>	<b>61.51%</b>

## SCHEDULE OF UNIVERSITY CONTRIBUTIONS

*OPEB as of June 30, 2018 (post-implementation of GASB Statement 75)*

*Last 3 Fiscal Years\**

	2020	2019	2018
Actuarially determined contribution	\$ 2,531,454	\$ 2,712,899	\$ 2,814,869
Contributions in relation to the actuarially determined contribution	578,788	1,197,189	1,888,109
Contribution deficiency (excess)	\$ 1,952,666	\$ 1,515,710	\$ 926,760
<b>Covered employee payroll</b>	<b>\$32,786,514</b>	<b>\$37,026,262</b>	<b>\$42,347,069</b>
<b>Contributions as a percentage of covered employee payroll</b>	<b>1.77%</b>	<b>3.23%</b>	<b>4.46%</b>

\*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 in 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:** In 2019, PERF DB was modified pursuant to HEA 1059. Previously, statute generally required PERF members to have 15 years of credible service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of credible service.

**Source:** Indiana Public Retirement System  
Public Employees' Retirement Fund  
Report on Allocation of Pension Amounts  
For the Year Ended June 30, 2019

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) Comprehensive Annual Financial Reports (CAFR):

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
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
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 .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
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

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
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
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



## Net OPEB Liability

**Changes in assumptions:** Mortality table has been updated to SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for healthy retirees, the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses, and the SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 for disabled retirees. This change caused a slight increase in the University's liabilities.

Medical/Rx trend rates have been updated to an initial rate of 8% decreasing by 0.50% annually to an ultimate rate of 4.50% while dental trend rates have been reset to an initial of 5% down to 3% decreasing by 0.25% annually. This change caused a decrease in the University's liabilities.

Methods and assumptions used to determine contribution rates:

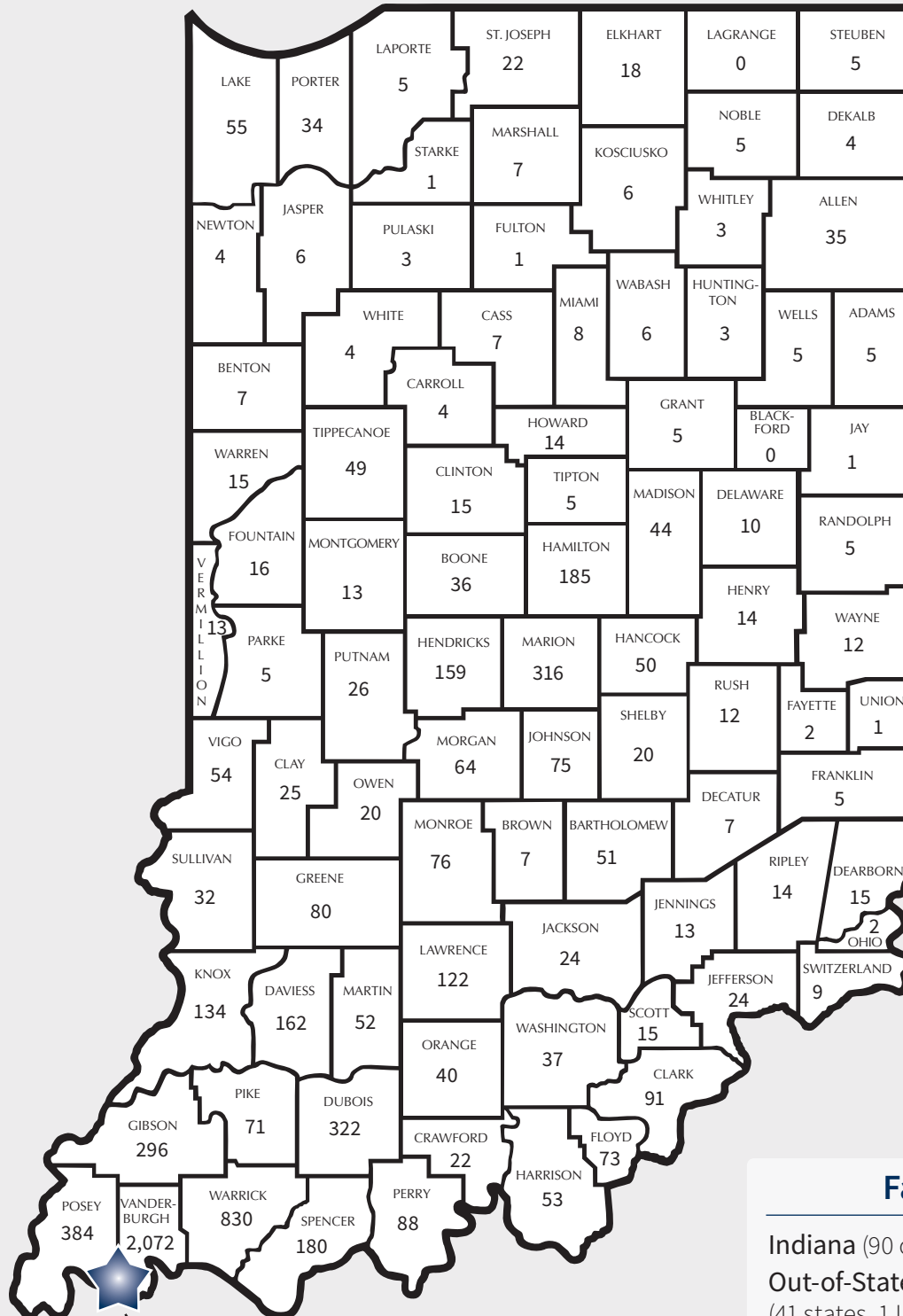
Fiscal Year	Actuarial Cost Method	Amortization Type	Remaining Amortization Period	Asset Valuation Method	Inflation	Salary Increases	Investment Rate of Return
2020	Entry Age Normal Level % of Salary	Level Dollar, closed	26 years	Market value of assets	2.25%	2.50-4.25%	7%, net of OPEB plan investment expense, 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
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% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years	5% for 2021, decreasing 0.25% per year to an ultimate rate of 3% 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% for 2027 and later years	4.75% for 2020, decreasing 0.25% per year to an ultimate rate of 3% 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% for 2019, decreasing 0.50% per year to an ultimate rate of 5% for 2027 and later years	5% for 2019, decreasing 0.25% per year to an ultimate rate of 3% for 2027 and later years

There have been no substantive plan provision changes since the last full valuation, which was for fiscal year ending June 30, 2018.



# Home Counties of USI Students (Fall 2019)



University of Southern Indiana

Fall 2019	
Indiana (90 counties)	6,947
Out-of-State (41 states, 1 U.S. territory)	1,537
International (53 nations)	206
<b>Total Enrollment</b>	<b>8,690</b>



It is the policy of the University of Southern Indiana to be in full compliance with all federal and state non-discrimination and equal opportunity laws, orders and regulations relating to race, color, religion, sex (including pregnancy), national origin, age, disability, genetic information, sexual orientation, gender identity or veteran status. Questions or concerns should be directed to the Affirmative Action Officer/Title IX Coordinator, USI Human Resources Department, 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 the Counseling Center. Students requesting services must register with the Disabled Student Services program in the Counseling Center at least 60 days prior to date needed.





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Evansville, Indiana 47712