

**AGENDA**

**FINANCE/AUDIT COMMITTEE**

**UNIVERSITY OF SOUTHERN INDIANA  
BOARD OF TRUSTEES**

**November 6, 2025**

**1. REVIEW OF AUDITED FINANCIAL STATEMENTS**

A report will be presented on the audited financial statements for the fiscal year ending June 30, 2025.  
(Attachment A).

**2. REPORT OF CONSTRUCTION CHANGE ORDERS AUTHORIZED BY THE PRESIDENT**

The construction change orders authorized by the President and approved by the Construction Committee  
(Attachment B) will be reviewed.

University Of Southern Indiana  
Statement of Net Position  
As of June 30, 2025 and 2024

|                                                   | 2025                  | 2024<br><i>Restated*</i> |
|---------------------------------------------------|-----------------------|--------------------------|
| <b>ASSETS</b>                                     |                       |                          |
| <b>Current Assets</b>                             |                       |                          |
| Cash and cash equivalents                         | \$ 28,881,331         | \$ 29,869,081            |
| Short-term investments                            | 10,736,576            | 20,378,817               |
| Accounts receivable, net                          | 10,569,957            | 11,240,653               |
| Inventories                                       | 526,913               | 493,376                  |
| Other current assets                              | 4,132,411             | 3,803,462                |
| Total current assets                              | <u>\$ 54,847,188</u>  | <u>\$ 65,785,389</u>     |
| <b>Noncurrent Assets</b>                          |                       |                          |
| Cash equivalent - Deposit with bond trustee       | \$ 9,443,339          | \$ 20,492,661            |
| Long-term investments                             | 93,660,542            | 80,113,507               |
| Net OPEB asset                                    | 6,950,001             | 8,285,312                |
| Subscription assets, net                          | 6,151,183             | 5,543,955                |
| Leased assets, net                                | 413,843               | 507,209                  |
| Capital assets, net                               | 229,823,952           | 223,494,780              |
| Total noncurrent assets                           | <u>\$ 346,442,860</u> | <u>\$ 338,437,424</u>    |
| <b>Total Assets</b>                               | <b>\$ 401,290,048</b> | <b>\$ 404,222,813</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>              |                       |                          |
| Hedging derivative instruments                    | \$ 28,173             | \$ 28,469                |
| Deferred amount on bond refundings                | 840,108               | 1,092,905                |
| Deferred outflow of resources related to pensions | 1,700,364             | 1,958,335                |
| Deferred outflow of resources related to OPEB     | 1,213,343             | 3,467,495                |
| Total deferred outflow of resources               | <u>\$ 3,781,988</u>   | <u>\$ 6,547,204</u>      |
| <b>LIABILITIES</b>                                |                       |                          |
| <b>Current Liabilities</b>                        |                       |                          |
| Accounts payable and accrued liabilities          | \$ 3,652,157          | \$ 3,024,689             |
| Accrued payroll, benefits, and deductions         | 7,758,788             | 7,747,310                |
| Bonds payable                                     | 11,022,037            | 11,739,718               |
| Leases and subscriptions payable                  | 2,409,050             | 1,933,519                |
| Debt interest payable                             | 792,938               | 882,424                  |
| Unearned revenue                                  | 8,265,627             | 8,292,763                |
| Other current liabilities                         | 1,639,203             | 202,046                  |
| Total current liabilities                         | <u>\$ 35,539,800</u>  | <u>\$ 33,822,469</u>     |
| <b>Noncurrent Liabilities</b>                     |                       |                          |
| Bonds payable                                     | \$ 81,079,354         | \$ 92,101,391            |
| Leases and subscriptions payable                  | 2,874,042             | 2,837,970                |
| Derivative instruments--interest rate swap        | 28,173                | 28,469                   |
| Compensated absences and termination benefits     | 3,140,671             | 3,382,795                |
| Net pension liability                             | 5,258,823             | 4,754,719                |
| Other noncurrent liabilities                      | 13,507                | 1,021,983                |
| Total noncurrent liabilities                      | <u>\$ 92,394,570</u>  | <u>\$ 104,127,327</u>    |
| <b>Total Liabilities</b>                          | <b>\$ 127,934,370</b> | <b>\$ 137,949,796</b>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                       |                          |
| Deferred inflow of resources related to PPPs      | \$ 1,326,869          | \$ 1,001,441             |
| Deferred inflow of resources related to bonds     | 96,036                | 192,071                  |
| Deferred inflow of resources related to pensions  | 823,143               | 752,012                  |
| Deferred inflow of resources related to OPEB      | 2,993,833             | 3,890,449                |
| Total deferred inflow of resources                | <u>\$ 5,239,881</u>   | <u>\$ 5,835,973</u>      |
| <b>NET POSITION</b>                               |                       |                          |
| Net investment in capital assets                  | \$ 146,977,471        | \$ 140,417,854           |
| Restricted                                        |                       |                          |
| Expendable                                        |                       |                          |
| OPEB                                              | 6,950,001             | 8,285,312                |
| Debt Service                                      | 2,185                 | 35,678                   |
| Scholarship, research, and other                  | 20,652                | 16,365                   |
| Unrestricted                                      | 117,947,476           | 118,229,039              |
| <b>Total Net Position</b>                         | <b>\$ 271,897,785</b> | <b>\$ 266,984,248</b>    |

\*See Note 17 in the Notes to Financial Statements.

University of Southern Indiana  
Statement of Revenues, Expenses, and Changes in Net Position  
Fiscal years ended June 30, 2025 and 2024

|                                                                                            | 2025                  | 2024                  |
|--------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                                                                            |                       | <i>*Restated</i>      |
| <b>Operating Revenues</b>                                                                  |                       |                       |
| Student fees                                                                               | \$ 78,271,409         | \$ 76,116,668         |
| Scholarship discounts and allowances                                                       | (34,872,747)          | (31,110,311)          |
| Grants and contracts                                                                       | 1,448,459             | 1,730,214             |
| Auxiliary enterprises                                                                      | 24,296,887            | 22,046,383            |
| Room and board discounts and allowances                                                    | (5,056,228)           | (4,068,131)           |
| Other operating revenues                                                                   | 3,194,645             | 3,125,372             |
| Total operating revenues                                                                   | <u>\$ 67,282,425</u>  | <u>\$ 67,840,195</u>  |
| <b>EXPENSES</b>                                                                            |                       |                       |
| <b>Operating Expenses</b>                                                                  |                       |                       |
| Salaries and wages                                                                         | \$ 67,338,838         | \$ 65,102,838         |
| Benefits                                                                                   | 30,981,641            | 25,566,221            |
| Student financial aid                                                                      | 4,267,734             | 3,804,632             |
| Utilities                                                                                  | 6,619,885             | 6,013,415             |
| Supplies and other services                                                                | 50,143,917            | 50,391,825            |
| Depreciation and amortization                                                              | 18,009,417            | 17,142,950            |
| Total operating expenses                                                                   | <u>\$ 177,361,432</u> | <u>\$ 168,021,881</u> |
| Operating loss                                                                             | \$ (110,079,007)      | \$ (100,181,686)      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                                                   |                       |                       |
| State appropriations                                                                       | \$ 67,750,597         | \$ 67,044,723         |
| Gifts                                                                                      | 5,282,838             | 5,972,087             |
| Federal grants and contracts                                                               | 14,951,275            | 11,947,610            |
| State/Local grants and contracts                                                           | 10,330,528            | 9,385,080             |
| Nongovernmental grants and contracts                                                       | 895,787               | 1,767,771             |
| Investment income (net of investment expense of \$241,912 and \$230,646 for 2025 and 2024) | 8,543,497             | 7,236,150             |
| Interest on capital asset related debt                                                     | (3,393,728)           | (4,353,088)           |
| Bond issuance costs                                                                        | -                     | -                     |
| Other non-operating revenues/(expenses)                                                    | 75,274                | 5,116                 |
| Net non-operating revenues (expenses)                                                      | <u>\$ 104,436,068</u> | <u>\$ 99,005,449</u>  |
| Income before other revenues, expenses, gains or losses                                    | \$ (5,642,939)        | \$ (1,176,237)        |
| Capital appropriations                                                                     | \$ 10,182,333         | \$ 3,856,126          |
| Capital gifts                                                                              | 374,143               | 964,465               |
| Total other revenues                                                                       | <u>\$ 10,556,476</u>  | <u>\$ 4,820,591</u>   |
| Increase in net position                                                                   | \$ 4,913,537          | \$ 3,644,354          |
| <b>NET POSITION</b>                                                                        |                       |                       |
| Net position - beginning of year                                                           | \$ 266,984,248        | \$ 264,460,224        |
| Prior period adjustment for change in accounting principle                                 | \$ -                  | \$ (1,120,330)        |
| <b>Net position - end of year</b>                                                          | <b>\$ 271,897,785</b> | <b>\$ 266,984,248</b> |

\*See Note 17 in the Notes to Financial Statements.

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

University Of Southern Indiana  
Statement of Cash Flows  
Fiscal Years Ended June 30, 2025 and 2024

|                                                             | 2025                   | 2024                   |
|-------------------------------------------------------------|------------------------|------------------------|
| <b>Cash Flows from Operating Activities</b>                 |                        |                        |
| Tuition and fees                                            | \$ 43,323,488          | \$ 44,887,220          |
| Grants and contracts                                        | 669,941                | 1,085,684              |
| Payments to suppliers                                       | (49,621,388)           | (51,161,878)           |
| Payments for utilities                                      | (6,619,885)            | (6,013,415)            |
| Payments to employees                                       | (66,939,981)           | (64,987,152)           |
| Payments for benefits                                       | (28,085,093)           | (25,630,585)           |
| Payments for scholarships                                   | (4,267,734)            | (3,804,632)            |
| Auxiliary enterprises receipts                              | 19,392,330             | 17,961,654             |
| Sales and services of educational depts.                    | 632,459                | 627,174                |
| Proceeds from Fiduciary Activities                          | 716,069                | 624,335                |
| Payments for Fiduciary Activities                           | (703,668)              | (614,101)              |
| Other receipts (payments)                                   | 2,320,949              | 1,203,180              |
| <b>Net cash used by operating activities</b>                | <b>\$ (89,182,513)</b> | <b>\$ (85,822,516)</b> |
| <b>Cash Flows from Noncapital Financing Activities</b>      |                        |                        |
| State appropriations                                        | \$ 67,750,597          | \$ 67,044,723          |
| Gifts and grants for other than capital purposes            | 32,615,551             | 27,721,158             |
| Other non-operating receipts (payments)                     | 102,345                | 38,897                 |
| <b>Net cash provided by noncapital financing activities</b> | <b>\$ 100,468,493</b>  | <b>\$ 94,804,778</b>   |
| <b>Cash Flows from Capital Financing Activities</b>         |                        |                        |
| Proceeds from capital debt                                  | \$ -                   | \$ -                   |
| Capital appropriations                                      | 10,292,375             | 1,483,291              |
| Capital gifts                                               | 451,239                | 466,413                |
| Proceeds from leased assets                                 | (350)                  | -                      |
| Bond financing costs                                        | (33,500)               | (34,450)               |
| Purchase of capital assets                                  | (20,884,657)           | (27,324,467)           |
| Principal paid on capital debt and right-to-use assets      | (14,307,713)           | (14,117,867)           |
| Interest paid on capital debt and right-to-use assets       | (3,394,901)            | (3,727,893)            |
| <b>Net cash used by capital financing activities</b>        | <b>\$ (27,877,507)</b> | <b>\$ (43,254,973)</b> |
| <b>Cash Flows from Investing Activities</b>                 |                        |                        |
| Proceeds from sales and maturities of investments           | \$ 47,663,797          | \$ 49,024,400          |
| Interest on investments                                     | 4,855,193              | 4,168,633              |
| Purchase of investments                                     | (47,964,535)           | (35,311,551)           |
| <b>Net cash provided by investing activities</b>            | <b>\$ 4,554,455</b>    | <b>\$ 17,881,482</b>   |
| Net increase (decrease) in cash                             | \$ (12,037,072)        | \$ (16,391,229)        |
| Cash – beginning of year                                    | 50,361,742             | 66,752,971             |
| <b>Cash – end of year</b>                                   | <b>\$ 38,324,670</b>   | <b>\$ 50,361,742</b>   |

|                                                                                                      | 2025                   | 2024                   |
|------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Reconciliation of net operating revenues (expenses) to net cash used by operating activities:</b> |                        |                        |
| Operating loss                                                                                       | \$ (110,079,007)       | \$ (99,932,270)        |
| <b>Adjustments to reconcile net loss to net cash provided (used) by operating activities:</b>        |                        |                        |
| Depreciation and amortization expense                                                                | 18,009,417             | 17,142,950             |
| Provision for uncollectible accounts                                                                 | 152,652                | (717,326)              |
| <b>Changes in assets, liabilities, and deferred resources:</b>                                       |                        |                        |
| Operating receivables                                                                                | (824,218)              | (418,565)              |
| Inventories                                                                                          | (33,537)               | 38,268                 |
| Other assets                                                                                         | (244,700)              | (565,199)              |
| Accounts payable                                                                                     | 567,543                | (656,379)              |
| Unearned revenue                                                                                     | (27,136)               | (380,548)              |
| Deposits held for others                                                                             | 143                    | 6,355                  |
| Employee and retiree benefits                                                                        | 3,283,929              | (350,036)              |
| Fiduciary funds                                                                                      | 12,401                 | 10,234                 |
| <b>Net cash used by operating activities:</b>                                                        | <b>\$ (89,182,513)</b> | <b>\$ (85,822,516)</b> |
| <hr/>                                                                                                |                        |                        |
| <b>Noncash Transactions</b>                                                                          |                        |                        |
| Unrealized gain/(loss) on short-term investments                                                     | \$ 83,422              | \$ 59,968              |
| Unrealized gain/(loss) on long-term investments                                                      | 3,520,633              | 3,041,047              |
| Subscription assets                                                                                  | (3,588,415)            | (2,367,131)            |
| Leased assets                                                                                        | (53,950)               | (487,074)              |
| <b>Net noncash transactions</b>                                                                      | <b>\$ (38,310)</b>     | <b>\$ 246,810</b>      |

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

#### **NOTE 1 – Summary of Significant Accounting Policies**

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

#### **Basis of Accounting**

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

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

#### **New Accounting Pronouncements**

The University adopted GASB Statement 101, *Compensated Absences* – which supersedes Statement 16, *Accounting for Compensated Absences* – effective for the fiscal year ended June 30, 2025. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB).

The University also adopted GASB Statement 102, *Certain Risk Disclosures* – which amends NCGA Interpretation 6, *Notes to the Financial Statements Disclosures*, paragraph 5 – effective for the fiscal year ended June 30, 2025. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

#### **Cash and Cash Equivalents**

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

#### **Investments**

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

and Changes in Net Position.

### **Accounts Receivable**

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

### **Inventories**

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

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

### **Cash Equivalent - Deposits with Bond Trustee**

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

### **Subscription assets, net**

Subscription-based information technology arrangements (SBITAs) are contracts that convey control of the right to use another party's information technology software as specified in the contract for a period of time in an exchange or exchange-like transaction. Subscription assets are presented on the Statement of Net Position net of accumulated amortization. The University recognizes an intangible right-to-use asset at the commencement of the subscription term as the sum of 1) the initial subscription liability amount, 2) payments made to the SBITA vendor before commencement of the subscription term, and 3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized over the length of the subscription term.

### **Leased assets, net**

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

### **Capital Assets Accounting Policies**

The University capitalizes equipment with a cost of \$5,000 or more. Building components, land improvements, infrastructure and computer software are capitalized if costs exceed \$50,000. All capitalized assets have a useful life greater than two years. Library materials are capitalized using the

group method. Periodicals and subscriptions are expensed as incurred. Renovations to buildings and other improvements are capitalized if costs are greater than \$50,000 and the renovation meets one of the following criteria:

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

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

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

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

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

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of approximately 3,000 objects that are primarily 19<sup>th</sup> 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, 2025.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University's mission: to enhance the cultural awareness of its students, faculty, staff and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Some donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total \$3,258,910. The currently known value is not included in the capitalized asset value at June 30, 2025.

#### **Other Postemployment Benefits (OPEB)**

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

VEBA. Investments are reported at market value, except for money market investments, which are reported at cost.

#### **Accrued Payroll, Benefits and Deductions**

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

#### **Unearned Revenue**

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

#### **Compensated Absences and Termination Benefits**

Liabilities for compensated absences are accrued for vacation, sick and other paid leaves based on past service and measured at the salary rate in effect on the Statement of Net Position date. A last-in, first-out (LIFO) assumption is used for leave balances. Additional amounts are accrued for required salary-related payments due to terminating or retiring employees. The salary-related payments included are the University's share of Social Security and Medicare taxes and the University's contributions to a defined benefit retirement plan and a defined contribution retirement plan.

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

#### **Net Pension Liability**

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

#### **Deferred Outflows and Deferred Inflows**

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

## **Net Position**

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

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

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

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

## **Restricted and Unrestricted Resources**

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

## **Classification of Revenues and Expenses**

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

## **Operating Revenues and Expenses**

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

## **Non-operating Revenues and Expenses**

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

## **Other Revenues**

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

### **Component Unit**

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

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

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

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

### **NOTE 2 – Deposits and Investments**

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

#### **Deposits**

At June 30, 2025, the bank balances of the University's operating demand deposit accounts were \$21,484,239, of which \$764,205 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were \$25,562,323, at June 30, 2024, of which \$1,019,166 was covered by federal depository insurance. The remaining balances were insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the

failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party. The balance of the cash equivalents - unrestricted investment accounts was \$9,661,337, at June 30, 2025, and \$4,617,488, at June 30, 2024. The balance of the cash equivalents - deposits with bond trustee was \$9,443,339, at June 30, 2025, and \$20,492,661, at June 30, 2024.

### Investments

The University's investments at June 30, 2025, are identified in the table below.

| Investment Type                       | Market Value         | Type % | Maturities (in Years) |                     |                     |                     |                    |
|---------------------------------------|----------------------|--------|-----------------------|---------------------|---------------------|---------------------|--------------------|
|                                       |                      |        | Less than 1 year      | 1 – 3 years         | 4 – 5 years         | 6 – 10 years        | More than 10 years |
| <b>Unrestricted investments</b>       |                      |        |                       |                     |                     |                     |                    |
| Certificates of deposit               | 1,673,504            | 2%     | 1,118,887             | 554,617             | -                   | -                   | -                  |
| Agency securities                     | 9,864,499            | 9%     | 2,410,647             | 3,238,781           | 1,625,768           | 2,589,303           | -                  |
| Asset-backed securities               | 9,843,162            | 9%     | 36,794                | 2,203,002           | 3,367,855           | 1,851,931           | 2,383,580          |
| Corporate bonds                       | 37,343,303           | 36%    | 3,105,124             | 7,943,342           | 15,870,043          | 10,424,794          | -                  |
| Foreign bonds                         | 1,827,763            | 2%     | 401,369               | 467,870             | 469,636             | 488,888             | -                  |
| Municipal bonds                       | 2,687,976            | 3%     | 268,851               | 143,609             | 912,575             | 1,362,941           | -                  |
| U.S. treasury securities              | 41,156,911           | 39%    | 3,394,904             | 5,632,583           | 11,091,888          | 18,063,716          | 2,973,820          |
| <b>Total unrestricted investments</b> | <b>\$104,397,118</b> |        | <b>\$10,736,576</b>   | <b>\$20,183,804</b> | <b>\$33,337,765</b> | <b>\$34,781,573</b> | <b>\$5,357,400</b> |
| <b>Maturity %</b>                     | <b>100%</b>          |        | <b>10%</b>            | <b>20%</b>          | <b>32%</b>          | <b>33%</b>          | <b>5%</b>          |

The University's investments at June 30, 2024, are identified in the table below.

| Investment Type                       | Market Value         | Type % | Maturities (in Years) |                     |                     |                     |                    |
|---------------------------------------|----------------------|--------|-----------------------|---------------------|---------------------|---------------------|--------------------|
|                                       |                      |        | Less than 1 year      | 1 – 3 years         | 4 – 5 years         | 6 – 10 years        | More than 10 years |
| <b>Unrestricted investments</b>       |                      |        |                       |                     |                     |                     |                    |
| Certificates of deposit               | 13,102,947           | 13%    | 11,490,098            | 1,303,241           | 309,608             | -                   | -                  |
| Agency securities                     | 8,487,026            | 8%     | 1,512,642             | 2,492,435           | 2,085,252           | 2,396,697           | -                  |
| Asset-backed securities               | 9,720,746            | 10%    | 72,839                | 1,284,736           | 3,847,205           | 2,348,595           | 2,167,371          |
| Corporate bonds                       | 33,794,264           | 34%    | 4,257,044             | 8,652,243           | 7,973,305           | 12,911,672          | -                  |
| Foreign bonds                         | 1,902,327            | 2%     | 83,496                | 740,323             | 469,756             | 608,752             | -                  |
| Municipal bonds                       | 2,092,669            | 2%     | 319,719               | 437,409             | 87,434              | 1,176,315           | 71,792             |
| U.S. treasury securities              | 31,392,345           | 31%    | 2,642,979             | 3,652,763           | 6,723,371           | 15,535,633          | 2,837,599          |
| <b>Total unrestricted investments</b> | <b>\$100,492,324</b> |        | <b>\$20,378,817</b>   | <b>\$18,563,150</b> | <b>\$21,495,931</b> | <b>\$34,977,664</b> | <b>\$5,076,762</b> |
| <b>Maturity %</b>                     | <b>100%</b>          |        | <b>20%</b>            | <b>19%</b>          | <b>21%</b>          | <b>35%</b>          | <b>5%</b>          |

### Investment Custodial Credit Risk

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

Of the \$104.4 million invested at June 30, 2025, \$51 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the \$100.5 million invested at June 30, 2024, \$39.9 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government.

### Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not address exposure to fair value losses arising from changes in interest rates, but the investment objective is to obtain the highest revenue while maintaining safety and insuring adequate liquidity for institutional needs. To that end, management maintained 10% of investments in short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

### Credit Risk

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

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

|                                       | June 30, 2025       |                     |                    |                     |                     |                      |
|---------------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|----------------------|
| Rating                                | A                   | Aa                  | Aaa                | Baa                 | Unrated             | Total                |
| <b>Unrestricted investments</b>       |                     |                     |                    |                     |                     |                      |
| Agency securities                     | -                   | 9,864,499           | -                  | -                   | -                   | 9,864,499            |
| Asset-backed securities               | 87,515              | 1,124,905           | 3,460,210          | 107,175             | 5,063,357           | 9,843,162            |
| Certificates of deposit               | -                   | -                   | -                  | -                   | 1,673,504           | 1,673,504            |
| Corporate bonds                       | 18,190,996          | 4,591,854           | 626,653            | 12,769,444          | 1,164,356           | 37,343,303           |
| Foreign bonds                         | -                   | 597,677             | -                  | 1,106,511           | 123,575             | 1,827,763            |
| Municipal bonds                       | 265,741             | 1,413,606           | 245,945            | 115,370             | 647,314             | 2,687,976            |
| U.S. treasury securities              | -                   | 29,893,093          | -                  | .                   | 11,263,818          | 41,156,911           |
| <b>Total unrestricted investments</b> | <b>\$18,544,252</b> | <b>\$47,485,634</b> | <b>\$4,332,808</b> | <b>\$14,098,500</b> | <b>\$19,935,924</b> | <b>\$104,397,118</b> |

|                                       | June 30, 2024       |                    |                     |                     |                     |                      |
|---------------------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| Rating                                | A                   | Aa                 | Aaa                 | Baa                 | Unrated             | Total                |
| <b>Unrestricted investments</b>       |                     |                    |                     |                     |                     |                      |
| Agency securities                     | -                   | -                  | 8,487,026           | -                   | -                   | 8,487,026            |
| Asset-backed securities               | 532,656             | 579,061            | 4,439,745           | 475,554             | 3,693,730           | 9,720,746            |
| Certificates of deposit               | -                   | -                  | -                   | -                   | 13,102,947          | 13,102,947           |
| Corporate bonds                       | 16,307,658          | 1,415,959          | 456,284             | 13,952,970          | 1,661,393           | 33,794,264           |
| Foreign bonds                         | 563,494             | -                  | -                   | 1,219,093           | 119,740             | 1,902,327            |
| Municipal bonds                       | 299,969             | 960,414            | 335,821             | 111,386             | 385,079             | 2,092,669            |
| U.S. treasury securities              | -                   | -                  | 27,083,868          | -                   | 4,308,477           | 31,392,345           |
| <b>Total unrestricted investments</b> | <b>\$17,703,777</b> | <b>\$2,955,434</b> | <b>\$40,802,744</b> | <b>\$15,759,003</b> | <b>\$23,271,366</b> | <b>\$100,492,324</b> |

### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University has established the following requirements as part of its Investment Policy Statement. At June 30, 2025, and June 30, 2024, the University is in compliance with that policy.

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

Investments not explicitly guaranteed by the U.S. government are subject to disclosure if any one issuer represents 5% or more of total investments. The \$41.2 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2025, and \$31.4 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2024, 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, 2025                    |                         |                   |                     |                      |                         |                     |                     |
|----------------------------------|-------------------------|-------------------|---------------------|----------------------|-------------------------|---------------------|---------------------|
| Bank                             | Certificates of Deposit | Percentage of CDs | Bonds               | US Agency Securities | Asset-Backed Securities | Total               | Percentage of Total |
| Banterra Bank                    | 1,118,887               | 67%               | -                   | -                    | -                       | 1,118,887           | 2%                  |
| Fifth Third Bank                 | -                       | 0%                | 8,953,175           | 327,056              | 2,512,065               | 11,792,296          | 19%                 |
| First Federal Savings Bank       | -                       | 0%                | -                   | -                    | -                       | -                   | 0%                  |
| First Financial Bank NA          | -                       | 0%                | -                   | -                    | -                       | -                   | 0%                  |
| German American Bank             | 312,712                 | 19%               | 954,630             | 2,852,713            | -                       | 4,120,055           | 7%                  |
| Johnson Asset Management         | 241,905                 | 14%               | 15,774,758          | 1,311,906            | 273,656                 | 17,602,225          | 28%                 |
| Longfellow Investment Management | -                       | 0%                | 9,805,247           | -                    | 6,340,370               | 16,145,617          | 25%                 |
| Old National Bank                | -                       | 0%                | 6,371,232           | 5,171,231            | 717,071                 | 12,259,534          | 19%                 |
| Regions Bank                     | -                       | 0%                | -                   | 201,593              | -                       | 201,593             | 0%                  |
| United Fidelity Bank             | -                       | 0%                | -                   | -                    | -                       | -                   | 0%                  |
| <b>Total</b>                     | <b>\$1,673,504</b>      | <b>100%</b>       | <b>\$41,859,042</b> | <b>\$9,864,499</b>   | <b>\$9,843,162</b>      | <b>\$63,240,207</b> | <b>100%</b>         |

| June 30, 2024                    |                         |                   |                     |                      |                         |                     |                     |
|----------------------------------|-------------------------|-------------------|---------------------|----------------------|-------------------------|---------------------|---------------------|
| Bank                             | Certificates of Deposit | Percentage of CDs | Bonds               | US Agency Securities | Asset-Backed Securities | Total               | Percentage of Total |
| Banterra Bank                    | 4,347,323               | 33%               | -                   | -                    | -                       | 4,347,323           | 6%                  |
| Fifth Third Bank                 | -                       | 0%                | 5,377,137           | 490,010              | 2,405,294               | 8,272,441           | 12%                 |
| First Federal Savings Bank       | 2,918,380               | 22%               | -                   | -                    | -                       | 2,918,380           | 4%                  |
| First Financial Bank NA          | 1,057,188               | 8%                | -                   | -                    | -                       | 1,057,188           | 2%                  |
| German American Bank             | 309,608                 | 3%                | 1,203,197           | 1,039,972            | -                       | 2,552,777           | 4%                  |
| Johnson Asset Management         | 230,670                 | 2%                | 15,041,644          | 1,275,133            | 323,040                 | 16,870,487          | 24%                 |
| Longfellow Investment Management | -                       | 0%                | 10,415,604          | -                    | 6,129,435               | 16,545,039          | 24%                 |
| Old National Bank                | -                       | 0%                | 5,751,678           | 5,022,184            | 862,977                 | 11,636,839          | 17%                 |
| Regions Bank                     | -                       | 0%                | -                   | 659,727              | -                       | 659,727             | 1%                  |
| United Fidelity Bank             | 4,239,778               | 32%               | -                   | -                    | -                       | 4,239,778           | 6%                  |
| <b>Total</b>                     | <b>\$13,102,947</b>     | <b>100%</b>       | <b>\$37,789,260</b> | <b>\$8,487,026</b>   | <b>\$9,720,746</b>      | <b>\$69,099,979</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. The foreign bonds in the portfolio are bonds of foreign companies traded in U.S. markets denominated in U.S. dollars. Therefore, it is not exposed to foreign currency risk.

### **NOTE 3 – Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. GASB Statement 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to measure fair value. The hierarchy includes the following three levels.

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

The following table presents value of University deposits and investments as reported in the accompanying Statement of Net Position at fair valuation on a recurring basis and their level within the fair-value hierarchy at June 30, 2025.

**FAIR VALUE MEASUREMENTS**

**FAIR VALUE AT JUNE 30, 2025**

|                                                       |                       | FAIR VALUE MEASUREMENT USING                                               |                                                           |                                                    |
|-------------------------------------------------------|-----------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                       | Fair Value            | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Unrestricted investments</b>                       |                       |                                                                            |                                                           |                                                    |
| Agency securities                                     | 9,864,499             | -                                                                          | 9,864,499                                                 | -                                                  |
| Asset-backed securities                               | 9,843,162             | -                                                                          | 9,843,162                                                 | -                                                  |
| Certificates of deposit                               | 1,673,504             | 1,673,504                                                                  | -                                                         | -                                                  |
| Corporate bonds                                       | 37,343,303            | -                                                                          | 37,343,303                                                | -                                                  |
| Foreign bonds                                         | 1,827,763             | -                                                                          | 1,827,763                                                 | -                                                  |
| Municipal bonds                                       | 2,687,976             | -                                                                          | 2,687,976                                                 | -                                                  |
| U.S. treasury securities                              | 41,156,911            | 41,156,911                                                                 | -                                                         | -                                                  |
| <b>Total unrestricted investments</b>                 | <b>\$ 104,397,118</b> | <b>\$ 42,830,415</b>                                                       | <b>\$ 61,566,703</b>                                      | <b>-</b>                                           |
| <b>Derivative instruments</b>                         |                       |                                                                            |                                                           |                                                    |
| Interest rate swap                                    | (28,173)              | -                                                                          | (28,173)                                                  | -                                                  |
| <b>Total derivative instruments</b>                   | <b>\$ (28,173)</b>    | <b>-</b>                                                                   | <b>\$ (28,173)</b>                                        | <b>-</b>                                           |
| <b>Investments - deposits with bond trustee</b>       |                       |                                                                            |                                                           |                                                    |
| Agency securities                                     | -                     | -                                                                          | -                                                         | -                                                  |
| U.S. treasury securities                              | -                     | -                                                                          | -                                                         | -                                                  |
| <b>Total investments - deposits with bond trustee</b> | <b>-</b>              | <b>-</b>                                                                   | <b>-</b>                                                  | <b>-</b>                                           |

The University had the following fair value measurements at June 30, 2024.

| FAIR VALUE MEASUREMENTS                               |                       | FAIR VALUE AT JUNE 30, 2024                                                |                                                           |                                                    |
|-------------------------------------------------------|-----------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                       |                       | FAIR VALUE MEASUREMENT USING                                               |                                                           |                                                    |
|                                                       | Fair Value            | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Unrestricted investments</b>                       |                       |                                                                            |                                                           |                                                    |
| Agency securities                                     | 8,487,026             | -                                                                          | 8,487,026                                                 | -                                                  |
| Asset-backed securities                               | 9,720,746             | -                                                                          | 9,720,746                                                 | -                                                  |
| Certificates of deposit                               | 13,102,947            | 13,102,947                                                                 | -                                                         | -                                                  |
| Corporate bonds                                       | 33,794,264            | -                                                                          | 33,794,264                                                | -                                                  |
| Foreign bonds                                         | 1,902,327             | -                                                                          | 1,902,327                                                 | -                                                  |
| Municipal bonds                                       | 2,092,669             | -                                                                          | 2,092,669                                                 | -                                                  |
| U.S. treasury securities                              | 31,392,345            | 31,392,345                                                                 | -                                                         | -                                                  |
| <b>Total unrestricted investments</b>                 | <b>\$ 100,492,324</b> | <b>\$ 44,495,292</b>                                                       | <b>\$ 55,997,032</b>                                      | <b>-</b>                                           |
| <b>Derivative instruments</b>                         |                       |                                                                            |                                                           |                                                    |
| Interest rate swap                                    | (28,469)              | -                                                                          | (28,469)                                                  | -                                                  |
| <b>Total derivative instruments</b>                   | <b>\$ (28,469)</b>    | <b>-</b>                                                                   | <b>\$ (28,469)</b>                                        | <b>-</b>                                           |
| <b>Investments - deposits with bond trustee</b>       |                       |                                                                            |                                                           |                                                    |
| Agency securities                                     | -                     | -                                                                          | -                                                         | -                                                  |
| U.S. treasury securities                              | -                     | -                                                                          | -                                                         | -                                                  |
| <b>Total investments - deposits with bond trustee</b> | <b>-</b>              | <b>-</b>                                                                   | <b>-</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, 2025, and June 30, 2024.

#### NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2025, classified by type and the fair value changes of those derivative instruments are as follows.

| Derivative Instrument | Type                                             | Change in Fair Value |                                          | Fair Value at June 30, 2025 |                  |
|-----------------------|--------------------------------------------------|----------------------|------------------------------------------|-----------------------------|------------------|
|                       |                                                  | Amount               | Classification                           | Amount                      | Current Notional |
| Series 2006           | Cash flow hedge:<br>Pay-fixed interest rate swap | \$296                | Derivative Instrument Interest Rate Swap | \$(28,173)                  | \$1,427,482      |

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2024, classified by type and the fair value changes of those derivative instruments are as follows.

| Derivative Instrument | Type                                             | Change in Fair Value |                                          | Fair Value at June 30, 2024 |                  |
|-----------------------|--------------------------------------------------|----------------------|------------------------------------------|-----------------------------|------------------|
|                       |                                                  | Amount               | Classification                           | Amount                      | Current Notional |
| Series 2006           | Cash flow hedge:<br>Pay-fixed interest rate swap | \$19,722             | Derivative Instrument Interest Rate Swap | \$(28,469)                  | \$1,904,433      |

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

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2025, and June 30, 2024, along with the credit rating of the associated counterparty.

| Type                         | Objective                                               | Effective Date | Maturity Date | Terms                     | Counterparty Credit Rating |
|------------------------------|---------------------------------------------------------|----------------|---------------|---------------------------|----------------------------|
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the Series 2006 Bonds | 1/1/2008       | 1/1/2028      | 65% of 3 mo. USD-SOFR-CME | Baa1                       |

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

| Fiscal Year Ending | Series 2006        |                  | Total Debt Service |
|--------------------|--------------------|------------------|--------------------|
|                    | Principal          | Interest         |                    |
| 2026               | 499,270            | 58,021           | 557,291            |
| 2027               | 522,636            | 34,301           | 556,937            |
| 2028               | 405,576            | 9,470            | 415,046            |
| <b>Total</b>       | <b>\$1,427,482</b> | <b>\$101,792</b> | <b>\$1,529,274</b> |

*Credit Risk* - The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2025, and June 30, 2024, with a balance of \$28,173 and \$28,469 respectively. Because the Series 2006 derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instrument would simply be netted against the payoff of the debt.

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

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

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

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

#### **NOTE 5 – Accounts Receivable**

The following schedule summarizes accounts receivable at June 30, 2025, compared to the previous fiscal year.

|                                      | <b>2025</b>  | <b>2024</b>  |
|--------------------------------------|--------------|--------------|
| Student fees receivable              | \$ 4,825,219 | \$ 4,095,976 |
| Auxiliary enterprises                | 996,663      | 908,615      |
| Gifts and nonoperating grants        | 2,333,665    | 3,488,788    |
| Contracts and operating grants       | 115,184      | 100,403      |
| Capital grants and gifts             | 420,956      | 498,052      |
| Other                                | 3,251,673    | 3,369,570    |
| Current accounts receivable, gross   | 11,943,360   | 12,461,404   |
| Allowance for uncollectible accounts | (1,373,403)  | (1,220,751)  |
| Current accounts receivable, net     | 10,569,957   | 11,240,653   |

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

## **NOTE 6 - Other Postemployment Benefits (OPEB)**

### *General Information about the OPEB Plan*

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

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

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

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

Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement with Anthem to a fully insured option with United Healthcare. On January 1, 2024, USI also moved from Anthem to United Healthcare for its cost-plus medical plans offered to retirees and dependents who are not eligible for Medicare and active employees. Dental insurance is provided to all eligible retirees from HRI Dental & Vision (formerly Paramount Dental). Effective January 1, 2023, the University changed providers for retiree life insurance, moving from Standard Insurance Company to Sun Life Assurance Company of Canada.

*Employees covered by benefit terms.* At June 30, 2025, the following employees were covered by the benefit terms.

|                                                                                         |                   |
|-----------------------------------------------------------------------------------------|-------------------|
| Inactive employees or beneficiaries currently receiving medical/dental benefit payments | 304               |
| Inactive employees entitled to but not yet receiving medical/dental benefit payments    | 0                 |
| Active employees eligible for medical/dental                                            | 141               |
| <b>Total</b>                                                                            | <u><u>445</u></u> |

|                                                                                         |                   |
|-----------------------------------------------------------------------------------------|-------------------|
| Inactive employees or beneficiaries currently receiving life insurance benefit payments | 430               |
| Inactive employees entitled to but not yet receiving life insurance benefit payments    | 0                 |
| Active employees eligible for life insurance                                            | 344               |
| <b>Total</b>                                                                            | <u><u>774</u></u> |

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

The University uses a pay-as-you-go financing method where employee payroll deductions for post-retirement benefits and retiree contributions for medical and dental premiums are made at about the same time and in the same amount as benefit payments and expenses coming due. The University remits medical claims incurred and medical, dental and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental and life insurance ranged from \$50.90 to \$661.15 per month for single coverage and \$458.66 to \$1,827.87 for family coverage. Retiree contributions for medical and dental ranged from \$50.31 to \$658.79 per month for single coverage and \$458.07 to \$1,825.51 for family coverage. The University also offers retiree and spouse coverage, as well as retiree and dependent coverage, with rates falling within the ranges provided.

*Net OPEB Liability (Asset).*

For fiscal year ending June 30, 2025, a June 30, 2025, measurement date was used. Liabilities as of June 30, 2025, are based on an actuarial valuation date of July 1, 2024, with results projected to the June 30, 2025, measurement date, reflecting actual premiums and contributions. Liabilities as of June 30, 2024, are based on an actuarial valuation date of July 1, 2024, with no adjustments.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

|                             |                                                                                                                                                                                                                                                                                              |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation                   | 2.00% for wages<br>2.50% for real rates of return                                                                                                                                                                                                                                            |
| Salary increases            | 2.00-8.50%, including inflation                                                                                                                                                                                                                                                              |
| Healthcare cost trend rates | 8.00% for 2026, decreasing 0.25% per year to an ultimate rate of 4.50%<br>for 2041 and later years for pre 65 medical<br>6.50% for 2026, decreasing 0.25% per year to an ultimate rate of 4.50%<br>for 2035 and later years for post 65 medical<br>4.00% for 2026 and later years for dental |

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

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

The actuarial assumptions used in the June 30, 2025, 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.

| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|------------------------|--------------------------|-----------------------------------------------|
| Domestic Large Cap     | 45%                      | 7.5%                                          |
| Domestic Mid/Small Cap | 15                       | 8.5                                           |
| International Equity   | 10                       | 7.5                                           |
| Domestic Bonds         | 30                       | 2.5                                           |
| Total                  | <u>100%</u>              |                                               |

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

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

|                                                  |               |
|--------------------------------------------------|---------------|
| Yield as of                                      | June 30, 2025 |
| Bond Buyer Go 20-Bond Municipal Bond Index       | 5.20%         |
| S&P Municipal Bond 20-Year High Grade Rate Index | 4.81          |
| Fidelity 20-Year Go Municipal Bond Index         | 4.71          |
| Bond Index Range                                 | 4.71-5.20%    |

*Changes in the Net OPEB Liability (Asset) June 30, 2025*

|                                                          |                                | Increase<br>(Decrease)                |                                          |
|----------------------------------------------------------|--------------------------------|---------------------------------------|------------------------------------------|
|                                                          | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability (Asset)<br>(a)-(b) |
| <b>Balances at 6/30/2024</b>                             | <u>\$21,310,695</u>            | <u>\$29,596,007</u>                   | <u>\$(8,285,312)</u>                     |
| <b>Changes for the year:</b>                             |                                |                                       |                                          |
| Service Cost                                             | 98,354                         |                                       | 98,354                                   |
| Interest                                                 | 1,441,039                      |                                       | 1,441,039                                |
| Change in assumptions                                    | 490,168                        |                                       | 490,168                                  |
| Differences between<br>expected and actual<br>experience | 3,300,663                      |                                       | 3,300,663                                |
| Contributions-<br>employer                               |                                | 473,853                               | (473,853)                                |
| Net Investment Income                                    |                                | 3,561,384                             | (3,561,384)                              |
| Benefit Payments                                         | (1,673,853)                    | (1,673,853)                           | -                                        |
| Administrative Expense                                   |                                | (40,324)                              | 40,324                                   |
| <b>Net Changes</b>                                       | <u>3,656,371</u>               | <u>2,321,060</u>                      | <u>1,335,311</u>                         |
| <b>Balances at 6/30/2025</b>                             | <u>\$24,967,066</u>            | <u>\$31,917,067</u>                   | <u>\$(6,950,001)</u>                     |

*Changes in the Net OPEB Liability (Asset) June 30, 2024*

|                                                    |                                | Increase<br>(Decrease)                |                                          |
|----------------------------------------------------|--------------------------------|---------------------------------------|------------------------------------------|
|                                                    | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability (Asset)<br>(a)-(b) |
| <b>Balances at 6/30/2023</b>                       | \$19,960,452                   | \$26,897,357                          | \$(6,936,905)                            |
| <b>Changes for the year:</b>                       |                                |                                       |                                          |
| Service Cost                                       | 144,046                        |                                       | 144,046                                  |
| Interest                                           | 1,360,374                      |                                       | 1,360,374                                |
| Change in benefit terms                            | (127,716)                      |                                       | (127,716)                                |
| Change in assumptions                              | 2,081,622                      |                                       | 2,081,622                                |
| Differences between expected and actual experience | (743,843)                      |                                       | (743,843)                                |
| Contributions-employer                             |                                | 89,240                                | (89,240)                                 |
| Net Investment Income                              |                                | 4,014,163                             | (4,014,163)                              |
| Benefit Payments                                   | (1,364,240)                    | (1,364,240)                           | -                                        |
| Administrative Expense                             |                                | (40,513)                              | 40,513                                   |
| <b>Net Changes</b>                                 | 1,350,243                      | 2,698,650                             | (1,348,407)                              |
| <b>Balances at 6/30/2024</b>                       | \$21,310,695                   | \$29,596,007                          | \$(8,285,312)                            |

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

|                            | 1% Decrease<br>(6%) | Discount Rate<br>(7%) | 1% Increase<br>(8%) |
|----------------------------|---------------------|-----------------------|---------------------|
| Net OPEB liability (asset) | (4,407,889)         | (6,950,001)           | (9,113,866)         |

*Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates.* The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (7.00% decreasing to 3.50%) or 1-percentage-point higher (9.00% decreasing to 5.50%) than the current healthcare cost trend rates.

|                            | 1% Decrease<br>(7.00%<br>decreasing to<br>3.50%) | Healthcare<br>Cost Trend<br>Rates<br>(8.00%<br>decreasing to<br>4.50%) | 1% Increase<br>(9.00%<br>decreasing to<br>5.50%) |
|----------------------------|--------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------|
| Net OPEB liability (asset) | (9,150,847)                                      | (6,950,001)                                                            | (4,381,865)                                      |

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*  
For the year ended June 30, 2025, the University recognized OPEB expense of \$3,166,700. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

|                                                                                | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                             | -                                    | -                                |
| Changes in assumptions                                                         | -                                    | -                                |
| Net differences between projected and actual earnings in OPEB plan investments | -                                    | (1,780,490)                      |
| Total                                                                          | -                                    | (1,780,490)                      |

For the year ended June 30, 2024, the University recognized OPEB expense of \$(694,224). At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

|                                                                                | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                             | -                                    | (371,921)                        |
| Changes in assumptions                                                         | 1,040,811                            | -                                |
| Net differences between projected and actual earnings in OPEB plan investments | -                                    | (1,091,844)                      |
| Total                                                                          | \$1,040,811                          | (1,463,765)                      |

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:**

|            |           |
|------------|-----------|
| 2026       | 240,557   |
| 2027       | (972,786) |
| 2028       | (741,792) |
| 2029       | (306,469) |
| 2030       | -         |
| Thereafter | -         |

**NOTE 7 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization**

The table below displays the increase in total capital assets from \$506,978,871 at June 30, 2024, to \$527,467,175 on June 30, 2025. Gross capital assets, less accumulated depreciation of \$297,643,223, equal net capital assets of \$229,823,952 at June 30, 2025.

|                                                   | Balance<br>June 30,2024 | Additions             | Transfers             | Deletions             | Balance<br>June 30,2025 |
|---------------------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| <b>Capital Assets Not Being Depreciated</b>       |                         |                       |                       |                       |                         |
| Land                                              | \$ 5,085,598            | \$ -                  | \$ -                  | \$ -                  | \$ 5,085,598            |
| Construction in Progress                          | 29,280,597              | 16,251,715            | (31,658,343)          | -                     | 13,873,969              |
| <b>Total Capital Assets Not Being Depreciated</b> | <b>\$ 34,366,195</b>    | <b>\$ 16,251,715</b>  | <b>\$(31,658,343)</b> | <b>\$ -</b>           | <b>\$ 18,959,567</b>    |
| <b>Capital Assets Being Depreciated</b>           |                         |                       |                       |                       |                         |
| Land Improvements                                 | \$ 15,236,711           | \$ -                  | \$ 175,091            | \$ -                  | \$ 15,411,802           |
| Infrastructure                                    | 12,774,429              | -                     | -                     | -                     | 12,774,429              |
| Educational Buildings                             | 284,241,830             | -                     | 11,929,168            | -                     | 296,170,998             |
| Auxiliary Buildings                               | 126,858,096             | 514,981               | 19,554,084            | -                     | 146,927,161             |
| Equipment                                         | 31,703,441              | 4,864,610             | -                     | (1,136,883)           | 35,431,168              |
| Library Materials                                 | 1,798,169               | 4,985                 | -                     | (11,104)              | 1,792,050               |
| <b>Total Capital Assets Being Depreciated</b>     | <b>\$ 472,612,676</b>   | <b>\$ 5,384,576</b>   | <b>\$ 31,658,343</b>  | <b>\$ (1,147,987)</b> | <b>\$ 508,507,608</b>   |
| <b>Total Capital Assets</b>                       | <b>\$ 506,978,871</b>   | <b>\$ 21,636,291</b>  | <b>\$ -</b>           | <b>\$ (1,147,987)</b> | <b>\$ 527,467,175</b>   |
| <b>Less Accumulated Depreciation</b>              |                         |                       |                       |                       |                         |
| Land Improvements                                 | \$ (13,906,476)         | \$ (461,967)          | \$ -                  | \$ -                  | \$ (14,368,443)         |
| Infrastructure                                    | (4,713,649)             | (362,646)             | -                     | -                     | (5,076,295)             |
| Educational Buildings                             | (147,184,283)           | (8,591,513)           | -                     | -                     | (155,775,796)           |
| Auxiliary Buildings                               | (90,839,204)            | (3,829,889)           | -                     | -                     | (94,669,093)            |
| Equipment                                         | (25,129,096)            | (1,938,736)           | -                     | 1,038,804             | (26,029,028)            |
| Library Materials                                 | (1,711,383)             | (24,289)              | -                     | 11,104                | (1,724,568)             |
| <b>Total Accumulated Depreciation</b>             | <b>\$ (283,484,091)</b> | <b>\$(15,209,040)</b> | <b>\$ -</b>           | <b>\$ 1,049,908</b>   | <b>\$ (297,643,223)</b> |
| <b>Net Capital Assets Being Depreciated</b>       | <b>\$ 189,128,585</b>   | <b>\$(9,824,464)</b>  | <b>\$ 31,658,343</b>  | <b>\$ (98,079)</b>    | <b>\$ 210,864,385</b>   |
| <b>Total Net Capital Assets</b>                   | <b>\$ 223,494,780</b>   | <b>\$ 6,427,251</b>   | <b>\$ -</b>           | <b>\$ (98,079)</b>    | <b>\$ 229,823,952</b>   |

The table below displays the increase in total right-to-use assets from \$10,342,297 at June 30, 2024, to \$12,011,530 on June 30, 2025. Gross right-to-use assets, less accumulated amortization of \$5,446,504, equal net right-to-use assets of \$6,565,026 million at June 30, 2025.

| Right-to-Use Asset Class                         | Balance<br>June 30,2024 | Additions            | Transfers   | Deletions             | Balance<br>June 30,2025 |
|--------------------------------------------------|-------------------------|----------------------|-------------|-----------------------|-------------------------|
| Equipment                                        | \$ 644,942              | \$ -                 | \$ -        | \$ -                  | \$ 644,942              |
| Buildings                                        | -                       | -                    | -           | -                     | -                       |
| Vehicles                                         | 54,011                  | 53,950               | -           | (31,390)              | 76,571                  |
| Subscription-Based IT Arrangements               | 9,643,344               | 3,577,631            | -           | (1,930,958)           | 11,290,017              |
| <b>Total Right-to-Use Assets Being Amortized</b> | <b>\$ 10,342,297</b>    | <b>\$ 3,631,581</b>  | <b>\$ -</b> | <b>\$ (1,962,348)</b> | <b>\$ 12,011,530</b>    |
| <b>Less Accumulated Amortization</b>             |                         |                      |             |                       |                         |
| Equipment                                        | \$ (167,757)            | \$ (128,989)         | \$ -        | \$ -                  | \$ (296,746)            |
| Buildings                                        | -                       | -                    | -           | -                     | -                       |
| Vehicles                                         | (23,987)                | (18,327)             | -           | 31,390                | (10,924)                |
| Subscription-Based IT Arrangements               | (4,099,389)             | (2,653,061)          | -           | 1,613,616             | (5,138,834)             |
| <b>Total Accumulated Amortization</b>            | <b>\$ (4,291,133)</b>   | <b>\$(2,800,377)</b> | <b>\$ -</b> | <b>\$1,645,006</b>    | <b>\$ (5,446,504)</b>   |
| <b>Total Net Right-to-Use Assets</b>             | <b>\$ 6,051,164</b>     | <b>\$ 831,204</b>    | <b>\$ -</b> | <b>\$ (317,342)</b>   | <b>\$ 6,565,026</b>     |

The table below displays the increase in total capital assets from \$479,882,878 at July 1, 2023, to \$506,978,871 on June 30, 2024. Gross capital assets, less accumulated depreciation of \$283,484,091, equal net capital assets of \$223,494,780 at June 30, 2024.

|                                                   | Balance<br>June 30, 2023 | Additions              | Transfers             | Deletions             | Balance<br>June 30, 2024 |
|---------------------------------------------------|--------------------------|------------------------|-----------------------|-----------------------|--------------------------|
| <b>Capital Assets Not Being Depreciated</b>       |                          |                        |                       |                       |                          |
| Land                                              | \$ 5,085,598             | \$ -                   | \$ -                  | \$ -                  | \$ 5,085,598             |
| Construction in Progress                          | 11,052,612               | 23,856,526             | (5,628,541)           | -                     | 29,280,597               |
| <b>Total Capital Assets Not Being Depreciated</b> | <b>\$ 16,138,210</b>     | <b>\$ 23,856,526</b>   | <b>\$ (5,628,541)</b> | <b>\$ -</b>           | <b>\$ 34,366,195</b>     |
| <b>Capital Assets Being Depreciated</b>           |                          |                        |                       |                       |                          |
| Land Improvements                                 | \$ 15,236,711            | \$ -                   | \$ -                  | \$ -                  | \$ 15,236,711            |
| Infrastructure                                    | 12,443,134               | -                      | 331,295               | -                     | 12,774,429               |
| Educational Buildings                             | 282,087,214              | -                      | 2,154,616             | -                     | 284,241,830              |
| Auxiliary Buildings                               | 122,588,844              | 1,126,622              | 3,142,630             | -                     | 126,858,096              |
| Equipment                                         | 29,583,264               | 3,956,904              | -                     | (1,836,727)           | 31,703,441               |
| Library Materials                                 | 1,805,501                | 4,555                  | -                     | (11,887)              | 1,798,169                |
| <b>Total Capital Assets Being Depreciated</b>     | <b>\$ 463,744,668</b>    | <b>\$ 5,088,081</b>    | <b>\$ 5,628,541</b>   | <b>\$ (1,848,614)</b> | <b>\$ 472,612,676</b>    |
| <b>Total Capital Assets</b>                       | <b>\$ 479,882,878</b>    | <b>\$ 28,944,607</b>   | <b>\$ -</b>           | <b>\$ (1,848,614)</b> | <b>\$ 506,978,871</b>    |
| <b>Less Accumulated Depreciation</b>              |                          |                        |                       |                       |                          |
| Land Improvements                                 | \$ (13,400,171)          | \$ (506,305)           | \$ -                  | \$ -                  | \$ (13,906,476)          |
| Infrastructure                                    | (4,358,793)              | (354,856)              | -                     | -                     | (4,713,649)              |
| Educational Buildings                             | (138,461,517)            | (8,722,766)            | -                     | -                     | (147,184,283)            |
| Auxiliary Buildings                               | (87,562,512)             | (3,276,692)            | -                     | -                     | (90,839,204)             |
| Equipment                                         | (25,286,713)             | (1,662,446)            | -                     | 1,820,063             | (25,129,096)             |
| Library Materials                                 | (1,692,842)              | (30,428)               | -                     | 11,887                | (1,711,383)              |
| <b>Total Accumulated Depreciation</b>             | <b>\$ (270,762,548)</b>  | <b>\$ (14,553,493)</b> | <b>\$ -</b>           | <b>\$ 1,831,950</b>   | <b>\$ (283,484,091)</b>  |
| <b>Net Capital Assets Being Depreciated</b>       | <b>\$ 192,982,120</b>    | <b>\$ (9,465,412)</b>  | <b>\$ 5,628,541</b>   | <b>\$ (16,664)</b>    | <b>\$ 189,128,585</b>    |
| <b>Total Net Capital Assets</b>                   | <b>\$ 209,120,330</b>    | <b>\$ 14,391,114</b>   | <b>\$ -</b>           | <b>\$ (16,664)</b>    | <b>\$ 223,494,780</b>    |

Library materials asset and accumulated depreciation for June 30, 2023, have been restated to match University accounting records. This restatement had no impact on total net capital assets or total net position.

The table below displays the increase in total right-to-use assets from \$9,551,239 at June 30, 2023, to \$10,342,297 on June 30, 2024. Gross right-to-use assets, less accumulated amortization of \$4,291,133, equal net right-to-use assets of \$6,051,164 at June 30, 2024.

| Right-to-Use Asset Class                         | Balance<br>June 30,2023 | Additions            | Transfers   | Deletions             | Balance<br>June 30,2024 |
|--------------------------------------------------|-------------------------|----------------------|-------------|-----------------------|-------------------------|
| Equipment                                        | \$ 588,203              | \$ 451,370           | \$ -        | \$ (394,631)          | \$ 644,942              |
| Buildings                                        | 35,563                  | -                    | -           | (35,563)              | -                       |
| Vehicles                                         | 47,227                  | 25,278               | -           | (18,494)              | 54,011                  |
| Subscription-Based IT Arrangements               | 8,880,246               | 2,480,059            | -           | (1,716,961)           | 9,643,344               |
| <b>Total Right-to-Use Assets Being Amortized</b> | <b>\$ 9,551,239</b>     | <b>\$ 2,956,707</b>  | <b>\$ -</b> | <b>\$ (2,165,649)</b> | <b>\$ 10,342,297</b>    |
| <b>Less Accumulated Amortization</b>             |                         |                      |             |                       |                         |
| Equipment                                        | \$ (330,844)            | \$ (129,375)         | \$ -        | \$ 292,462            | \$ (167,757)            |
| Buildings                                        | (29,979)                | (4,947)              | -           | 34,926                | -                       |
| Vehicles                                         | (26,595)                | (15,886)             | -           | 18,494                | (23,987)                |
| Subscription-Based IT Arrangements               | (2,775,369)             | (2,439,249)          | -           | 1,115,229             | (4,099,389)             |
| <b>Total Accumulated Amortization</b>            | <b>\$ (3,162,787)</b>   | <b>\$(2,589,457)</b> | <b>\$ -</b> | <b>\$ 1,461,111</b>   | <b>\$ (4,291,133)</b>   |
| <b>Total Net Right-to-Use Assets</b>             | <b>\$ 6,388,452</b>     | <b>\$ 367,250</b>    | <b>\$ -</b> | <b>\$ (704,538)</b>   | <b>\$ 6,051,164</b>     |

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

| Construction Work in Progress            |                      |                      |  |
|------------------------------------------|----------------------|----------------------|--|
|                                          |                      | Balance as of        |  |
| Facility                                 | June 30, 2024        | June 30, 2025        |  |
| Wright Administration Renovation         | \$ 194,610           | \$ 1,440,428         |  |
| Wellness Center                          | 15,053,398           | 10,072               |  |
| RFWC Storage and Bike Shop               | 133,715              | 1,094,891            |  |
| HP Renovation (first and second floors)  | 9,229,229            | -                    |  |
| Student Housing Fire System              | 2,394,382            | 108,106              |  |
| New Creative and Print Services Building | 16,805               | 790,043              |  |
| HP Renovation (Phase IV)                 | 2,123,354            | 10,103,275           |  |
| Other projects (not exceeding \$250,000) | 135,104              | 327,154              |  |
| <b>Total</b>                             | <b>\$ 29,280,597</b> | <b>\$ 13,873,969</b> |  |

## NOTE 8 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2025, and 2024, are shown below.

|                                             | Balance<br>June 30, 2024 | Additions | Reductions   | Balance<br>June 30, 2025 | Current<br>Portion | Noncurrent<br>Portion |
|---------------------------------------------|--------------------------|-----------|--------------|--------------------------|--------------------|-----------------------|
| Bonds payable                               | \$103,841,109            | \$ -      | \$11,739,718 | \$92,101,391             | \$11,022,037       | \$81,079,354          |
| Leases & subscriptions payable              | 4,771,489                | 3,642,365 | 3,130,762    | 5,283,092                | 2,409,050          | 2,874,042             |
| Derivative instruments - interest rate swap | 28,469                   | -         | 296          | 28,173                   | -                  | 28,173                |
| Compensated absences                        | 4,819,390                | -         | 134,145*     | 4,685,245                | 1,653,947          | 3,031,298             |
| Termination benefits                        | 546,174                  | 250,733   | 384,588      | 412,319                  | 302,946            | 109,373               |
| Net pension liability                       | 4,754,719                | 1,630,356 | 1,126,252    | 5,258,823                | -                  | 5,258,823             |
| Other noncurrent liabilities                | 1,021,983                | 427,507   | 42,337       | 1,407,153                | 1,393,646          | 13,507                |
| Total                                       | 119,783,333              | 5,950,961 | 16,558,098   | 109,176,196              | 16,781,626         | 92,394,570            |

|                                             | Balance<br>June 30, 2023 | Additions | Reductions   | Balance<br>June 30, 2024 | Current<br>Portion | Noncurrent<br>Portion |
|---------------------------------------------|--------------------------|-----------|--------------|--------------------------|--------------------|-----------------------|
| Bonds payable                               | \$115,244,502            | \$ -      | \$11,403,393 | \$103,841,109            | \$11,739,718       | \$92,101,391          |
| Leases & subscriptions payable              | 5,268,775                | 2,843,118 | 3,340,404    | 4,771,489                | 1,933,519          | 2,837,970             |
| Derivative instruments - interest rate swap | 48,191                   | -         | 19,722       | 28,469                   | -                  | 28,469                |
| Compensated absences                        | 4,323,474                | 495,916*  | -            | 4,819,390                | 1,597,636          | 3,221,754             |
| Termination benefits                        | 409,343                  | 431,152   | 294,321      | 546,174                  | 385,133            | 161,041               |
| Net pension liability                       | 4,381,619                | 1,014,975 | 641,875      | 4,754,719                | -                  | 4,754,719             |
| Other noncurrent liabilities                | 7,010                    | 1,040,936 | 25,963       | 1,021,983                | -                  | 1,021,983             |
| Total                                       | \$129,682,914            | 5,826,097 | 15,725,678   | 119,783,333              | 15,656,006         | 104,127,327           |

\*The change in the compensated absences liability is presented as a net change.

Other noncurrent liabilities are comprised of unclaimed property, refundable deposits, and bond yield restriction liabilities.

Compensated absences for June 30, 2023, and June 30, 2024, have been restated due to the implementation of GASB Statement 101 on Compensated Absences.

## NOTE 9 – Debt Related to Capital Assets

**Bonds Payable** – The following schedule details bonds payable at June 30, 2025, compared to the previous fiscal year.

| <b>SCHEDULE OF BONDS PAYABLE</b>                            | <b>Issue Date</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Original Issue Amount</b> | <b>Principal Outstanding June 30, 2025</b> | <b>Principal Outstanding June 30, 2024</b> | <b>Current Portion June 30, 2025</b> |
|-------------------------------------------------------------|-------------------|----------------------|----------------------|------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------|
| <b>Student Fee Bonds</b>                                    |                   |                      |                      |                              |                                            |                                            |                                      |
| <u>Direct Placements of Debt</u>                            |                   |                      |                      |                              |                                            |                                            |                                      |
| Series 2006, Recreation and Fitness Center                  | 2006              | 4.67%                | 2028                 | 7,250,000                    | 1,427,482                                  | 1,904,433                                  | 499,270                              |
| Series L-1, Health Professions Center 3 <sup>rd</sup> Floor | 2017              | 2.90%                | 2036                 | 8,050,000                    | 5,400,000                                  | 5,770,000                                  | 380,000                              |
| Series L-2, Refund Series J                                 | 2017              | 2.15%                | 2026                 | 21,440,000                   | 5,285,000                                  | 8,660,000                                  | 3,455,000                            |
| Series L-3, Refund Series J                                 | 2017              | 2.65%                | 2028                 | 9,955,000                    | 9,455,000                                  | 9,555,000                                  | 100,000                              |
| Series O, Refund Series K-1                                 | 2022              | 2.76%                | 2025                 | 6,840,000                    | 2,910,000                                  | 6,205,000                                  | 2,910,000                            |
| Student Fee Bonds – Direct Placements                       |                   |                      |                      | 53,535,000                   | 24,477,482                                 | 32,094,433                                 | 7,344,270                            |
| <u>Other Debt</u>                                           |                   |                      |                      |                              |                                            |                                            |                                      |
| Series M, Physical Activities Center                        | 2019              | 4.00% to 5.00%       | 2037                 | 37,245,000                   | 26,745,000                                 | 28,190,000                                 | 1,515,000                            |
| Series N, Health Professions Center Renovation              | 2020              | 3.00% to 5.00%       | 2039                 | 41,170,000                   | 32,845,000                                 | 34,385,000                                 | 1,600,000                            |
| Student Fee Bonds – Other Debt                              |                   |                      |                      | 78,415,000                   | 59,590,000                                 | 62,575,000                                 | 3,115,000                            |
| Student Fee Bonds                                           |                   |                      |                      | 131,950,000                  | 84,067,482                                 | 94,669,433                                 | 10,459,270                           |
| <b>Auxiliary System Bonds</b>                               |                   |                      |                      |                              |                                            |                                            |                                      |
| <u>Other Debt</u>                                           |                   |                      |                      |                              |                                            |                                            |                                      |
| Series 2003, Student Housing Facilities                     | 2003              | 3.00% to 4.50%       | 2024                 | 8,005,000                    | -                                          | 575,000                                    | -                                    |
| Auxiliary System Bonds                                      |                   |                      |                      | 8,005,000                    | -                                          | 575,000                                    | -                                    |
| Subtotal Bonds Payable                                      |                   |                      |                      | \$139,955,000                | \$84,067,482                               | \$95,244,433                               | \$10,459,270                         |
| Net Unamortized Premiums                                    |                   |                      |                      | -                            | \$8,033,909                                | \$8,596,676                                | \$562,767                            |
| <b>Total Bonds Payable</b>                                  |                   |                      |                      |                              | <b>\$92,101,391</b>                        | <b>\$103,841,109</b>                       | <b>\$11,022,037</b>                  |

The following schedule details bonds payable at June 30, 2024, compared to the previous fiscal year.

| <b>SCHEDULE OF BONDS PAYABLE</b>                            | <b>Issue Date</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Original Issue Amount</b> | <b>Principal Outstanding June 30, 2024</b> | <b>Principal Outstanding June 30, 2023</b> | <b>Current Portion June 30, 2024</b> |
|-------------------------------------------------------------|-------------------|----------------------|----------------------|------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------|
| <b>Student Fee Bonds</b>                                    |                   |                      |                      |                              |                                            |                                            |                                      |
| <u>Direct Placements of Debt</u>                            |                   |                      |                      |                              |                                            |                                            |                                      |
| Series 2006, Recreation and Fitness Center                  | 2006              | 4.67%                | 2028                 | 7,250,000                    | 1,904,433                                  | 2,360,059                                  | 476,951                              |
| Series K-3, Refund Series H and I                           | 2012              | 1.90%                | 2023                 | 42,840,000                   | -                                          | 2,575,000                                  | -                                    |
| Series L-1, Health Professions Center 3 <sup>rd</sup> Floor | 2017              | 2.90%                | 2036                 | 8,050,000                    | 5,770,000                                  | 6,130,000                                  | 370,000                              |
| Series L-2, Refund Series J                                 | 2017              | 2.15%                | 2026                 | 21,440,000                   | 8,660,000                                  | 11,965,000                                 | 3,375,000                            |
| Series L-3, Refund Series J                                 | 2017              | 2.65%                | 2028                 | 9,955,000                    | 9,555,000                                  | 9,655,000                                  | 100,000                              |
| Series O, Refund Series K-1                                 | 2022              | 2.76%                | 2025                 | 6,840,000                    | 6,205,000                                  | 6,840,000                                  | 3,295,000                            |
| Student Fee Bonds – Direct Placements                       |                   |                      |                      | 96,375,000                   | 32,094,433                                 | 39,525,059                                 | 7,616,951                            |
| <u>Other Debt</u>                                           |                   |                      |                      |                              |                                            |                                            |                                      |
| Series M, Physical Activities Center                        | 2019              | 4.00% to 5.00%       | 2037                 | 37,245,000                   | 28,190,000                                 | 29,570,000                                 | 1,445,000                            |
| Series N, Health Professions Center Renovation              | 2020              | 3.00% to 5.00%       | 2039                 | 41,170,000                   | 34,385,000                                 | 35,865,000                                 | 1,540,000                            |
| Student Fee Bonds – Other Debt                              |                   |                      |                      | 78,415,000                   | 62,575,000                                 | 65,435,000                                 | 2,985,000                            |
| Student Fee Bonds                                           |                   |                      |                      | 174,790,000                  | 94,669,433                                 | 104,960,059                                | 10,601,951                           |
| <b>Auxiliary System Bonds</b>                               |                   |                      |                      |                              |                                            |                                            |                                      |
| <u>Other Debt</u>                                           |                   |                      |                      |                              |                                            |                                            |                                      |
| Series 2003, Student Housing Facilities                     | 2003              | 3.00% to 4.50%       | 2024                 | 8,005,000                    | 575,000                                    | 1,125,000                                  | 575,000                              |
| Auxiliary System Bonds                                      |                   |                      |                      | 8,005,000                    | 575,000                                    | 1,125,000                                  | 575,000                              |
| Subtotal Bonds Payable                                      |                   |                      |                      | \$182,795,000                | \$95,244,433                               | \$106,085,059                              | \$11,176,951                         |
| Net Unamortized Premiums                                    |                   |                      |                      | -                            | \$8,596,676                                | \$9,159,443                                | \$562,767                            |
| <b>Total Bonds Payable</b>                                  |                   |                      |                      |                              | <b>\$103,841,109</b>                       | <b>\$115,244,502</b>                       | <b>\$11,739,718</b>                  |

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

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

legal or equitable remedy in the event of default.

The deferred amount on bond refundings were \$1,092,905 at June 30, 2024, and \$840,108 at June 30, 2025.

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

**Annual Debt Service Requirements as of June 30, 2025**

| Fiscal Year Ended<br>June 30 | Direct Placements |             | Other Debt   |              |
|------------------------------|-------------------|-------------|--------------|--------------|
|                              | Principal         | Interest    | Principal    | Interest     |
| 2026                         | \$7,344,270       | \$574,988   | \$3,115,000  | \$2,435,175  |
| 2027                         | 4,547,636         | 417,883     | 3,260,000    | 2,292,125    |
| 2028                         | 4,540,576         | 288,508     | 3,410,000    | 2,142,375    |
| 2029                         | 4,240,000         | 167,044     | 3,565,000    | 1,985,700    |
| 2030                         | 430,000           | 104,110     | 3,730,000    | 1,821,750    |
| 2031-2035                    | 2,340,000         | 323,640     | 21,615,000   | 6,137,325    |
| 2036-2040                    | 1,035,000         | 30,232      | 20,895,000   | 1,484,525    |
| Total                        | \$24,477,482      | \$1,906,405 | \$59,590,000 | \$18,298,975 |

**Annual Debt Service Requirements as of June 30, 2024**

| Fiscal Year Ended<br>June 30 | Direct Placements |             | Other Debt   |              |
|------------------------------|-------------------|-------------|--------------|--------------|
|                              | Principal         | Interest    | Principal    | Interest     |
| 2025                         | \$7,616,951       | \$770,224   | \$3,560,000  | \$2,584,909  |
| 2026                         | 7,344,270         | 574,988     | 3,115,000    | 2,435,175    |
| 2027                         | 4,547,636         | 417,883     | 3,260,000    | 2,292,125    |
| 2028                         | 4,540,576         | 288,508     | 3,410,000    | 2,142,375    |
| 2029                         | 4,240,000         | 167,044     | 3,565,000    | 1,985,700    |
| 2030-2034                    | 2,275,000         | 390,558     | 20,605,000   | 7,149,225    |
| 2035-2039                    | 1,530,000         | 67,425      | 22,820,000   | 2,252,150    |
| 2040-2044                    | -                 | -           | 2,815,000    | 42,225       |
| Total                        | \$32,094,433      | \$2,676,630 | \$63,150,000 | \$20,883,884 |

**NOTE 10 – Leases and Subscriptions Payable**

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

Principal and interest payment requirements related to the lease liabilities on June 30, 2025, and June 30, 2024, are illustrated in the following schedules.

| Future Minimum Lease Payments |           |          |           |
|-------------------------------|-----------|----------|-----------|
| As of June 30, 2025           | Principal | Interest | Total     |
| 2026                          | \$155,231 | \$11,449 | \$166,680 |
| 2027                          | 152,390   | 6,543    | 158,933   |
| 2028                          | 121,139   | 2,026    | 123,165   |
| 2029                          | 8,143     | 2        | 8,145     |
| 2030                          | -         | -        | -         |
| 2031-2035                     | -         | -        | -         |
| Total future minimum payments | \$436,903 | \$20,020 | \$456,923 |

| Future Minimum Lease Payments |           |          |           |
|-------------------------------|-----------|----------|-----------|
| As of June 30, 2024           | Principal | Interest | Total     |
| 2025                          | \$142,895 | \$14,130 | \$157,025 |
| 2026                          | 137,654   | 9,857    | 147,511   |
| 2027                          | 134,181   | 5,582    | 139,763   |
| 2028                          | 103,873   | 1,719    | 105,592   |
| 2029                          | 8,143     | 2        | 8,145     |
| 2030-2034                     | -         | -        | -         |
| Total future minimum payments | \$526,746 | \$31,290 | \$558,036 |

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

Future principal and interest payment requirements related to the subscription liabilities on June 30, 2025, and June 30, 2024, are illustrated in the following schedules.

| Future Minimum SBITA Payments |             |           |             |
|-------------------------------|-------------|-----------|-------------|
| As of June 30, 2025           | Principal   | Interest  | Total       |
| 2026                          | \$2,253,819 | \$108,468 | \$2,362,287 |
| 2027                          | 1,598,791   | 52,177    | 1,650,968   |
| 2028                          | 656,711     | 21,506    | 678,217     |
| 2029                          | 336,868     | 4,905     | 341,773     |
| 2030                          | -           | -         | -           |
| 2031-2035                     | -           | -         | -           |
| Total future minimum payments | \$4,846,189 | \$187,056 | \$5,033,245 |

| Future Minimum SBITA Payments |             |           |             |
|-------------------------------|-------------|-----------|-------------|
| As of June 30, 2024           | Principal   | Interest  | Total       |
| 2025                          | \$1,790,624 | \$95,192  | \$1,885,816 |
| 2026                          | 1,402,696   | 52,269    | 1,454,965   |
| 2027                          | 791,190     | 20,206    | 811,396     |
| 2028                          | 228,000     | 4,723     | 232,723     |
| 2029                          | 32,233      | 528       | 32,761      |
| 2030-2034                     | -           | -         | -           |
| Total future minimum payments | \$4,244,743 | \$172,918 | \$4,417,661 |

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

The asset activity related to leased assets and SBITAs is disclosed in Note 7 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization.

#### NOTE 11 – 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 \$5,854,373 to these programs in fiscal year 2024-25, which represents approximately 8.69% of the total University payroll and 10.29% 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 \$5,074,344 to this plan for 663 participating employees for fiscal year ending June 30, 2025, and \$4,891,620 for 633 participating employees for fiscal year ending June 30, 2024. The annual payroll for this group totaled \$49,111,644 and \$47,283,575 for fiscal years ending June 30, 2025, and 2024, 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 \$314,916 to this plan for 156 participating employees for fiscal year ending June 30, 2025, and \$272,112 to this plan for 144 participating employees for the fiscal year ending June 30, 2024. The annual payroll for this group totaled \$4,498,797 and \$3,887,312 for fiscal years ending June 30, 2025, and 2024, respectively.

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

### *Hybrid Defined Benefit and Defined Contribution Retirement Plan*

*Plan description.* Support staff in eligible positions and who worked at least half-time and who were hired on or before July 1, 2014, participated in the PERF Hybrid Plan, a retirement program administered by the Indiana Public Retirement System (INPRS), an agency of the State of Indiana. PERF Hybrid is a cost-sharing, multiple-employer defined benefit and defined contribution plan which is administered in accordance with IC 5-10.2, IC 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. DC member balances previously reported within PERF DB fund totals were transferred to the appropriate DC fund as of January 1, 2018. Benefit provisions are established and/or amended by the State of Indiana. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for PERF participants. That report may be obtained at [in.gov/inprs/annualreports.htm](http://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                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                           | Early Retirement Benefit                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Eligibility                                                                                                                                                                                                                                                                                                                                                                                                    | Annual Pension Benefit                                                                                                                                                                                                                                                                    |                                                                                                                                   |
| Age 65 and 10 years (eight years for certain elected officials) of creditable service, Age 60 and 15 years of creditable service, Age 55 if age and creditable service total at least 85 ("Rule of 85"), Age 55 and 20 years of credible service and active as an elected official in the PERF-covered position, and Age 65 with 20 years of creditable service and still active in the PERF-covered position. | Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1% (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance. | Age 50 and minimum of 15 years of creditable service (44% of full benefit at age 50, increasing 5% per year up to 89% at age 59). |

| Disability Benefit                                                                                                                                                                                              | Survivor Benefit                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                     | COLA – Cost of Living Adjustment                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                 | While in Active Service                                                                                                                                                                                                                            | While Receiving a Benefit                                                                                                                                                                                                                           |                                                                                                                                                                                                                                        |
| An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month). | If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. | A spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain and Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits. | Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2024, postretirement benefits of \$7.8 million were issued to members as a COLA. |

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

| Retirement and Termination Benefit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Disability Benefit                                                                                                                                                                                                                                                                                                         | Survivor Benefit                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment. As of January 1, 2021, members at least 59 1/2 years of age and service eligible for normal retirement may take in-service distribution of their DC account. Additionally, members who are age and service eligible for normal retirement may take a withdrawal after separation without the 30 day wait period. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan or a monthly annuity.</p> | <p>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.</p> | <p>Beneficiary is entitled to the sum total of contributions plus earnings. The amount can be paid in a lump sum, direct rollover to another eligible retirement plan or a monthly annuity. The amount a beneficiary is entitled to if a member dies after having selected an annuity or having withdrawn from the account depends upon the annuity option selected by the member and the amount of benefits the member received.</p> |

*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 \$465,113 for 82 employees participating in the PERF Hybrid plan during the 2024-25 fiscal year and \$511,976 for 97 employees participating during 2023-24. 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 \$5,258,823 at June 30, 2025, and \$4,754,719 at June 30, 2024, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2024, for assets and June 30, 2023, rolled forward to June 30, 2024, 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, 2024, the University's proportion was 0.13%, which is unchanged from 2023.

For the year ended June 30, 2025, the University recognized pension expense of \$833,206. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

|                                                                                                                       | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                                                                    | 538,965                              | -                                |
| Changes in assumptions                                                                                                | -                                    | -                                |
| Net difference between projected and actual earnings on pension plan investments                                      | 696,286                              | -                                |
| Changes in proportion and differences between the University's contributions and proportionate share of contributions | -                                    | 823,143                          |
| The University's contributions subsequent to the measurement date                                                     | 465,113                              | -                                |
| <b>Total</b>                                                                                                          | <b>\$ 1,700,364</b>                  | <b>\$ 823,143</b>                |

For the year ended June 30, 2024, the University recognized pension expense of \$32,896. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

|                                                                                                                       | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience                                                                    | 97,280                               | -                                |
| Changes in assumptions                                                                                                | 259,284                              | -                                |
| Net difference between projected and actual earnings on pension plan investments                                      | 1,089,795                            | -                                |
| Changes in proportion and differences between the University's contributions and proportionate share of contributions | -                                    | 752,012                          |
| The University's contributions subsequent to the measurement date                                                     | 511,976                              | -                                |
| <b>Total</b>                                                                                                          | <b>\$ 1,958,335</b>                  | <b>\$ 752,012</b>                |

\$465,113 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

**As of June 30, 2025**

**Year ended June 30:**

|            |                  |
|------------|------------------|
| 2025       | (208,701)        |
| 2026       | 556,133          |
| 2027       | 107,692          |
| 2028       | (43,016)         |
| 2029       | -                |
| Thereafter | -                |
| Total      | <u>\$412,108</u> |

**As of June 30, 2024**

**Year ended June 30:**

|            |                  |
|------------|------------------|
| 2024       | 106,945          |
| 2025       | (172,944)        |
| 2026       | 611,907          |
| 2027       | 148,439          |
| 2028       | -                |
| Thereafter | -                |
| Total      | <u>\$694,347</u> |

*Actuarial assumptions.* The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                                                                                                                                                                                                                                                                                         |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation                 | 2.00%                                                                                                                                                                                                                                                                                                                                   |
| Salary Increases          | 2.65-8.65%, including inflation                                                                                                                                                                                                                                                                                                         |
| Investment rate of return | 6.25%, net of investment expense                                                                                                                                                                                                                                                                                                        |
| Cost of Living Increases  | A one-time 13 <sup>th</sup> check was granted and payable by October 1, 2024. Thereafter, the following annual cost of living adjustments are assumed:<br>For members retired before 7/1/2025: indexed 13 <sup>th</sup> checks, increasing 2.00% per year<br>For members retired on or after 7/1/2025: 1.00% COLAs, compounded annually |

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

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

The actuarial assumptions used in the June 30, 2024, valuation were adopted by the INPRS Board in April 2024. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014, through June 30, 2019, and were first used in the June 30, 2020, valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in October 2024.

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

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------------------|--------------------------|-----------------------------------------------|
| Public Equity                     | 20%                      | 4.6%                                          |
| Private Markets                   | 15                       | 7.1                                           |
| Fixed Income- Ex Inflation-Linked | 20                       | 3.6                                           |
| Fixed Income- Inflation-Linked    | 15                       | 2.1                                           |
| Commodities                       | 10                       | 2.8                                           |
| Real Assets                       | 10                       | 5.4                                           |
| Absolute Return                   | 5                        | 2.5                                           |
| Risk Parity                       | 20                       | 6.3                                           |
| Cash and Cash Overlay             | N/A                      | 1.7                                           |

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

Indiana statute. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

|                                                                  | 1% Decrease<br>(5.25%) | Discount Rate<br>(6.25%) | 1% Increase<br>(7.25%) |
|------------------------------------------------------------------|------------------------|--------------------------|------------------------|
| University's proportionate share<br>of the net pension liability | \$8,378,059            | \$5,258,823              | \$2,665,239            |

*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 12 – Risk Management**

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

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

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

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

For the self-funded plans, the University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific stop loss coverage for active employees' individual claims over \$225,000. The University also has established a reserve to cover a significant portion of the aggregate liability beyond 125% of expected claims. The liability for medical claims incurred but not reported is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to the University for payment. For the fully insured plans, the University pays a premium and the insurance company assumes the risk for claims incurred by the plan members. Changes in the balance of claims liabilities during the 2023-24 and 2024-25 fiscal years are as follows. The amounts reported reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years.

| Fiscal Year | Beginning Liability | Claims Incurred | Claims Paid    | Ending Liability |
|-------------|---------------------|-----------------|----------------|------------------|
| 2023-2024   | \$1,175,187         | \$15,947,595    | \$(16,003,175) | \$1,119,607      |
| 2024-2025   | \$1,119,607         | \$17,994,317    | \$(18,047,090) | \$1,066,834      |

#### **NOTE 13 - 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 percentage of final-year salary based on length of service, not to exceed 25%, and continued contribution to retirement annuity contracts through the end of the fiscal year in which the retiree reaches age 66. Salaries are assumed to increase by 2% for purposes of calculating this liability.

The University has 22 retirees currently receiving early-retirement benefits, 16 of whose benefits stop after this fiscal year and 12 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals \$412,319 at June 30, 2025. Of that amount, \$302,946 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 \$109,373 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

**NOTE 14 – Public-Private Partnerships**

USI entered into an agreement with Sodexo Services of Indiana Limited Partnership effective July 1, 2022. Under the agreement, Sodexo operates University facilities to provide food services. Variable payments related to financial performance and based on a percentage of sales are received in exchange for facility usage. Revenues of \$650,881 and \$441,543 were recognized from these variable payments for the years ended June 30, 2025, and 2024, respectively.

Mandatory improvements are also required to be made by Sodexo under terms of the agreement. The first assets purchased or constructed under the agreement were placed into service in August 2023. The University capitalized \$514,981 and \$1,126,621 as auxiliary building additions for fiscal years ending June 30, 2025, and 2024, respectively. The corresponding deferred inflow of resources and amortized revenue were \$1,326,869 and \$189,553, respectively, for fiscal year ending June 30, 2025, and \$1,001,441 and \$125,180, respectively, for fiscal year ending June 30, 2024.

**NOTE 15 – Functional Expenses**

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

| Fiscal Year Ended June 30, 2025        |                     |                     |                             |                    |                          |                                          |                      |
|----------------------------------------|---------------------|---------------------|-----------------------------|--------------------|--------------------------|------------------------------------------|----------------------|
| FUNCTION                               | SALARIES<br>& WAGES | BENEFITS            | STUDENT<br>FINANCIAL<br>AID | UTILITIES          | SUPPLIES &<br>OTHER SVCS | DEPRECIA-<br>TION &<br>AMORTIZA-<br>TION | TOTAL                |
| Instruction                            | \$34,356,052        | \$14,418,060        |                             |                    | \$3,236,942              |                                          | \$52,011,054         |
| Academic<br>Support                    | 5,784,192           | 2,948,935           |                             |                    | 4,058,348                |                                          | 12,791,475           |
| Student<br>Services                    | 7,846,546           | 3,861,808           |                             |                    | 5,420,247                |                                          | 17,128,601           |
| Institutional<br>Support               | 10,470,886          | 4,398,491           |                             |                    | 9,187,680                |                                          | 24,057,057           |
| Operation &<br>Maintenance<br>of Plant | 3,505,044           | 2,070,098           |                             | 5,332,558          | 11,326,548               |                                          | 22,234,248           |
| Depreciation<br>&<br>Amortization      |                     |                     |                             |                    |                          | 18,009,417                               | 18,009,417           |
| Student Aid                            |                     |                     | 4,267,734                   |                    |                          |                                          | 4,267,734            |
| Public Service                         | 1,566,980           | 644,120             |                             |                    | 1,334,938                |                                          | 3,546,038            |
| Research                               | 52,925              | 7,029               |                             |                    | 63,200                   |                                          | 123,154              |
| Auxiliary<br>Enterprises               | 3,756,213           | 2,633,100           |                             | 1,287,327          | 15,516,014               |                                          | 23,192,654           |
| <b>TOTAL</b>                           | <b>\$67,338,838</b> | <b>\$30,981,641</b> | <b>\$4,267,734</b>          | <b>\$6,619,885</b> | <b>\$50,143,917</b>      | <b>\$18,009,417</b>                      | <b>\$177,361,432</b> |

| Fiscal Year Ended June 30, 2024 (Restated) |                     |                     |                       |                    |                       |                             |                      |
|--------------------------------------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|-----------------------------|----------------------|
| FUNCTION                                   | SALARIES & WAGES    | BENEFITS            | STUDENT FINANCIAL AID | UTILITIES          | SUPPLIES & OTHER SVCS | DEPRECIATION & AMORTIZATION | TOTAL                |
| Instruction                                | \$33,257,572        | \$11,448,284        |                       |                    | \$3,248,435           |                             | \$47,954,291         |
| Academic Support                           | 5,741,103           | 2,303,176           |                       |                    | 3,645,576             |                             | 11,689,855           |
| Student Services                           | 7,706,410           | 3,138,032           |                       |                    | 6,692,945             |                             | 17,537,387           |
| Institutional Support                      | 10,322,993          | 4,492,425           |                       |                    | 8,145,726             |                             | 22,961,144           |
| Operation & Maintenance of Plant           | 3,109,557           | 1,279,939           |                       | 4,872,008          | 12,357,018            |                             | 21,618,522           |
| Depreciation & Amortization                |                     |                     |                       |                    |                       | 17,142,950                  | 17,142,950           |
| Student Aid                                |                     |                     | 3,804,632             |                    |                       |                             | 3,804,632            |
| Public Service                             | 1,527,457           | 543,009             |                       |                    | 1,961,908             |                             | 4,032,374            |
| Research                                   | 67,250              | 12,310              |                       |                    | 86,461                |                             | 166,021              |
| Auxiliary Enterprises                      | 3,370,496           | 2,349,046           |                       | 1,141,407          | 14,253,756            |                             | 21,114,705           |
| <b>TOTAL</b>                               | <b>\$65,102,838</b> | <b>\$25,566,221</b> | <b>\$3,804,632</b>    | <b>\$6,013,415</b> | <b>\$50,391,825</b>   | <b>\$17,142,950</b>         | <b>\$168,021,881</b> |

#### NOTE 16 – Contingent Liabilities and Commitments

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

The Internal Revenue Code and arbitrage regulations issued by the IRS impose investment restrictions on issuers of tax-exempt debt and require issuers to pay certain excess earnings to the IRS in the form of a rebate payment. The University's cumulative interest earnings on unspent proceeds from its 2020 Series N bond issue resulted in a liability of \$1,393,646 at June 30, 2025, which is an increase of \$385,028 from June 30, 2024. The amount due to be paid to the U.S. Treasury was calculated as of August 6, 2025, and due to the U.S. Treasury within 60 days thereafter. As a result, the liability as of June 30, 2024, is now considered a current liability and the total liability as of June 30, 2025, is included in the other current liabilities line of the Statement of Net Position.

Outstanding commitments for capital construction projects totaled \$32,292,486 and \$10,372,544 at June 30, 2025, and 2024, respectively.

## NOTE 17 – Restatement of Prior Year Balances

The University implemented GASB Statement 101, *Compensated Absences*, which was effective for the fiscal year ended June 30, 2025. The adoption of this standard required the restatement of the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for the period ended June 30, 2024, the earliest period presented in the University’s comparative financial statements.

Implementation of this standard required the University to recognize leave balances “more likely than not” to be used and other paid leaves as part of the University’s current and noncurrent liabilities on the Statement of Net Position.

These restatements on the Statement of Net Position have a corresponding impact on the Statement of Revenues, Expenses and Changes in Net Position. Specifically, benefit expense increased slightly and the beginning net position balance at July 1, 2023, decreased \$1,120,330 for prior period adjustments.

This pronouncement had no impact on beginning or ending cash balances.

The restated balances as the result of implementing GASB Statement 101 are detailed in the following table.

|                                                                    | June 30, 2024<br>as previously<br>reported | Change in<br>Accounting<br>Principle | June 30, 2024<br>as restated |
|--------------------------------------------------------------------|--------------------------------------------|--------------------------------------|------------------------------|
| <b>Statement of Net Position</b>                                   |                                            |                                      |                              |
| Current Liabilities                                                |                                            |                                      |                              |
| Accrued payroll, benefits, and deductions                          | 6,516,185                                  | 1,231,125                            | 7,747,310                    |
| Noncurrent Liabilities                                             |                                            |                                      |                              |
| Compensated absences and termination benefits                      | 3,244,174                                  | 138,621                              | 3,382,795                    |
| Net Position                                                       |                                            |                                      |                              |
| Unrestricted                                                       | 119,598,785                                | (1,369,746)                          | 118,229,039                  |
| <b>Statement of Revenues, Expenses and Changes in Net Position</b> |                                            |                                      |                              |
| Operating Expenses                                                 |                                            |                                      |                              |
| Benefits                                                           | 25,316,805                                 | 249,416                              | 25,566,221                   |
| Net Position                                                       |                                            |                                      |                              |
| Prior period adjustment for change in accounting principle         | -                                          | (1,120,330)                          | (1,120,330)                  |

## NOTE 18 – Certain Risk Disclosures

As a public university, USI depends on state appropriations to partly fund operations. The State of Indiana’s 2025-2027 budget includes a five percent cut to operating and line-item appropriations to public institutions of higher education and most state agencies. As a result, the University’s annual appropriations were cut nearly \$2.8 million with an additional \$2.6 million to be held in reserve each year of the biennium. In response, the University adjusted the 2025-2026 annual operating budget to reflect the decreased state funding.

**Summary of Construction Change Orders  
Authorized by the President**

**HEALTH PROFESSIONS RENOVATION PHASE III – LL AND FIRST FLOOR**

**Empire Contractors – General Contractor**

|                                                                                                                                                      |  |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------|
| <b>CO 015</b>                                                                                                                                        |  | <b>\$ 53,670</b> |
| Relocated new controls for air handler from lower level. Installed new 600-amp distribution panels, motor controllers, sensors, and required wiring. |  |                  |

**HEALTH PROFESSIONS RENOVATION/ADDITION PHASE IV**

**Empire Contractors – General Contractor**

|                                                                                                                                                           |  |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------|
| <b>CO 007</b>                                                                                                                                             |  | <b>\$ 183,179</b> |
| Installed new cooling system to be compatible with updated CT scanner. Relocated CT control units and UPS to adjoining room and replaced related cabling. |  |                   |

|                                                                  |  |                 |
|------------------------------------------------------------------|--|-----------------|
| <b>CO 009</b>                                                    |  | <b>\$ 4,176</b> |
| Installed additional AV boxes, electrical boxes, and water stop. |  |                 |

**STEM DISCOVERY LAB, RICE LIBRARY**

**Garmong Construction – General Contractor**

|                                           |  |                 |
|-------------------------------------------|--|-----------------|
| <b>CO 001</b>                             |  | <b>\$ 4,866</b> |
| Replaced existing electrical floor boxes. |  |                 |

**UNIVERSITY CREATIVE AND PRINT NEW BUILDING**

**Danco Construction Inc – General Contractor**

|                                                                                                                                                              |  |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------|
| <b>CO 003</b>                                                                                                                                                |  | <b>\$ 12,760</b> |
| Removed existing concrete apron and replaced to match new apron elevation. Added blocking to exterior walls. Hung transformer from ceiling instead of floor. |  |                  |

**CAREER SUCCESS CENTER**

**ARC Construction – General Contractor**

|                                                                                                                                                                                                                                                                                                                        |  |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------|
| <b>CO 001</b>                                                                                                                                                                                                                                                                                                          |  | <b>\$ 22,039</b> |
| Changed flooring material. Removed door/frame from plan. Removed and replaced corner guards. Added additional storefront window. Relocated and added network wiring, ports, and lighting. Installed monitor brackets and locksets. Removed vinyl applique from plan. Fabricated additional letters due to name change. |  |                  |

**RECREATION FITNESS & WELLNESS CENTER STORAGE AND BIKE SHOP ADDITION**

**ARC Construction – General Contractor**

|               |                                                                                                          |           |              |
|---------------|----------------------------------------------------------------------------------------------------------|-----------|--------------|
| <b>CO 001</b> |                                                                                                          | <b>\$</b> | <b>1,089</b> |
|               | Applied additional flooring sealant in locker rooms and reused existing door hardware.                   |           |              |
| <b>CO 002</b> |                                                                                                          | <b>\$</b> | <b>8,471</b> |
|               | Added access control hardware to door openings. Completed ductwork changes for air handler installation. |           |              |